

EVENT SUMMARY

Show Me the Money: Options for Financing Health Reform

July 31, 2009

The Alliance for Health Reform, with support from The Commonwealth Fund, held a briefing at the Columbus Club in Union Station, Washington, DC. This briefing addressed the opportunities and issues in both scoring and financing the current health reform proposals.

Ed Howard, executive vice president at the Alliance for Health Reform, extended a welcome from Senators Rockefeller and Collins to those in attendance. He also thanked the panelists for their participation and The Commonwealth Fund for sponsoring the event. Mr. Howard noted that “if we don’t want to all end up working at a hospital chain in McAllen, Texas,” viable health reform proposals must be passed and financed.

The co-moderator, **Rachel Nuzum**, senior policy director for The Commonwealth Fund, thanked the panelists and audience for attending. Ms. Nuzum described the current rate of health care cost growth as unsustainable, and reviewed how \$3 trillion could be saved in total health spending over 10 years by implementing a number of reforms contained in The Commonwealth Fund’s report, “The Path to a High Performance U.S. Health System.” She then noted the implications of these reforms for key stakeholders, including employers, providers and insurers. Ms. Nuzum concluded by discussing four important needs in any health reform bill; in particular, reform should ensure that costs are actually being reduced and not just shifted.

The first panelist, **G. William Hoagland**, vice president of public policy at CIGNA Corporation, began by noting he was here wearing his “CBO hat” to help demystify the Congressional Budget Office scoring process. Mr. Hoagland observed that while the CBO scoring process is not perfect, it is still central to Congressional decision-making. He noted that Congress does not have to address total national health expenditure amounts, only federal spending. CBO scoring thus disregards the likely impact of bills on total health expenditures. He then described estimates of health reform’s effect on the federal deficit through 2019, noting the differences between H.R. 3200 and the Senate HELP bill.

The second panelist, **Uwe Reinhardt**, James Madison Professor of political economy at Princeton University, began by discussing how the current consensus on the Hill for funding health care reform is for a federal contribution of \$1 trillion over 10 years. This revenue, Dr. Reinhardt said, could be found through borrowing from outside the U.S., increasing taxes, or increasing productivity in the health sector. Increasing the U.S. international debt is not a viable option, he said. There are several new taxes that could be implemented, and although these may not be popular, U.S. citizens pay fewer taxes than other comparable countries. Increasing productivity, or “bending the cost curve,” likewise would provide the funds for the newly insured by cutting spending on those who already had coverage. But given past trends, Dr. Reinhardt is not hopeful that this could be achieved. Health spending has doubled every 10 years, and providers seem to expect the trend to continue. Dr. Reinhardt noted that the hospitals are projected to have revenues of \$11 trillion between 2010 and

2019, yet maintains that they cannot take a 1.4% cut in this revenue stream. He closed by urging the audience to not accept this assertion as valid.

The third panelist, **Mark McClellan**, director of the Engelberg Center for Health Care Reform at the Brookings Institution, began by discussing three pillars of health reform: bending the cost curve, ensuring access without disruption, and personal responsibility. Dr. McClellan noted the importance of affordable, accessible, and available health insurance that can be provided with minimal disruption to the current system. Toward this end, an individual mandate must be enforced, and subsidies must be provided. Then, the questions remain of how generous the subsidies should be, and how can the system be financed. We must encourage efficient choices, Dr. McClellan said, to make hard decisions and determine sources of funding. He closed by reviewing possible options for financing, including capping tax exclusions for employer-provided health insurance.

The fourth panelist, **Chris Jennings**, president of Jennings Policy Solutions, noted that a meaningful opportunity to enact health reform comes around only every 15 to 20 years, and that we must understand our history in order to be successful this time around. In order to create a system that works for everyone, health reform must address both coverage and cost, and not simply shift costs around. An individual mandate is necessary, Mr. Jennings said, because otherwise people cycle in and out of coverage, which is not conducive to prevention or cost containment. He discussed how he is worried about attempts at devising a bipartisan reform proposal; he noted that while we must change how we deliver health care, a reform bill must still pass. He then reviewed the work of the Leaders' Project, which he said shows how political leaders can come together to create politically viable solutions. Mr. Jennings concluded by observing that health reform may be ugly, but it must get done.

A lively question and answer session followed.