HEALTH CARE REFORM IN THE 2008

U.S. PRESIDENTIAL CAMPAIGN

December 2008

Dr Lesley Russell

Research Associate
US Studies Centre
University of Sydney

Menzies Foundation Fellow
Menzies Centre for Health Policy
University of Sydney / Australian National University

Table of Contents

	Page
Introduction	3
Background	4
What Americans think about their health care	5
What the data show	7
Health as an election issue	11
The presidential candidates’ health care reform policies	13
Other health policy issues in the campaign	19
What should be the principles underpinning health reforms?	20
The players in health care reform	23
What happens next?	28

Introduction

The recent US presidential election galvanized and fascinated many Australians. Health care reform was a major issue in this election, as it was in last year's federal Australian election. Many Australians are eager to understand the health issues as they play out in the US, and those who work in health policy are keen to learn about the challenges, problems, successes and failures in both countries.

I spent seven years working on the Democrat professional staff of the Committee on Energy and Commerce in the US House of Representatives, with responsibilities for health and biotechnology, and I spent five years working as a health policy advisor for the Federal Parliamentary Labor Party in Canberra. So it's not surprising that I'm a keen observer of the health policies that are offered up at election time, and their ultimate fates, both here and in the US.

The aim of this project is to provide some general background and information on the US health care system and the health policies of the presidential candidates. This is also an opportunity to look in some detail at the issues in health care that are currently playing out in the US and Australia (and internationally) – reforming the health care system for the needs of the 21st century, prevention, management of chronic illnesses, workforce, obesity, mental health, quality and safety, the impact of global warming on health and how to achieve equitable access – and consider what both countries can learn from each other about how to successfully tackle these issues.

This is the first paper in a small series and it focuses on health care reform. It is an analysis done with a focus on the health reform proposals likely to come from the Obama Administration in 2009. The aim has been to present a succinct and current overview of the current state of performance and costs of the US health care system/s, public opinions (especially as they played out during the primary and general election campaigns), and assessments and analyses of the Democrat and Republican proposals by US think tanks, health policy experts and commentators.

I am grateful for the support and encouragement of Professor Stephen Leeder of the Menzies Centre for Health Policy and Professor Geoffrey Garrett of the United States Studies Centre for this project.

Note: Throughout this paper all costs are given in US dollars

Background

Health care spending in the US is currently 16 percent of Gross Domestic Product (GDP), a total of $2.26 trillion in 2007, or $7,439 per person[1]. Among industrialised nations, the US spends well over twice the per capita average on health care. Health costs are continuing to rise and are expected to reach 20 percent of GDP by 2015.

High spending, however, has not translated into better health: Americans do not live as long as citizens of a number of other comparable countries, including Australia, and disparities are pervasive, with widespread differences in access to care based on insurance status, income, race, and ethnicity.

Most people currently get their health insurance through their employers, but government programs for the elderly, disabled, children, veterans and the poor account for over 45 percent of health care expenditures. The US government is the largest insurer in the nation – an ironic fact given the substantial public opposition to national health insurance.

Over a third of the population is uninsured, unstably insured, or underinsured, and at any time some 16 percent of the population, or 47 million people, are without health insurance. Health insurance costs are rising faster than wages or inflation, and "medical causes" are cited by about half of those filing for bankruptcy in the US.

Consensus is growing that continued growth of health care spending is unsustainable and that the US must do something to bring costs under control. Between 1960 and 2006, health care spending increased by an average of 9.9 percent a year, rising from 5.2 percent of GDP to 16 percent. Premiums for employment-based private insurance increased 114 percent from 1999 to 2007, while earnings increased 27 percent and rising costs are leading employers to drop or limit coverage for their employees.

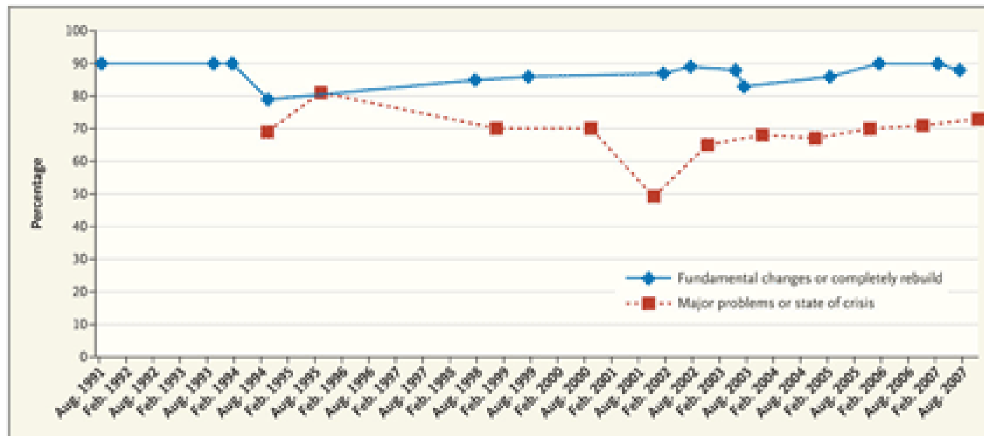
Forecasts from the Centers for Medicare and Medicaid Services (CMMS) have US health care spending almost doubling over the next ten years, reaching $4.3 trillion by 2017. Under current trends, the Congressional Budget Office (CBO) projects that by 2050, spending on Medicare and Medicaid alone will eat up nearly one in four federal dollars.

[1] For further information on US health care costs see: Ginsburg, PB. High and rising health care costs: Demystifying US health care spending. The Robert Wood Johnson Foundation Research Synthesis Report No 16; October 2008. http://www.rwjf.org/pr/product.jsp?id=35368 .

What Americans think about their health care

Public surveys from 1991 onwards show that about 90 percent of Americans consistently agree that the US health care system should be completely rebuilt or requires fundamental changes, and about 70 percent believe that the system is in a state of crisis or has major problems.

Figure 1: Negative Public Attitudes toward the U.S. Health Care System, 1991–2007[2].



By November 2007, the proportion of the population dissatisfied with the health care system had increased to 81 percent. But there is enormous ambivalence and divergence of opinion about how the health care system should be changed, complicated by the fact that Americans are less dissatisfied with their own personal experiences with the health system and some significant concerns about increasing government involvement in the funding and provision of health care. Opinions on these issues tend to split along party lines.

A recent survey by the Harvard School of Public Health and Harris Interactive, as part of their ongoing series, *Debating Health: Election 2008*[3] found that Americans are generally split on the issue of whether the US has the best health care system in the world (45 percent believe the U.S. has the best system; 39 percent believe other countries have better systems; 15 percent don't know or refused to answer) and that there is a significant divide along party lines. Nearly seven-in-ten Republicans (68 percent) believe the U.S.

---

[2] From Jacobs, LR. 1994 all over again? Public opinion and health care. NEJM 2008; 358:1881-1883. http://content.nejm.org/cgi/content/full/358/18/1881

[3] http://www.hsph.harvard.edu/news/press-releases/2008-releases/republicans-democrats-disagree-us-health-care-system.html

health care system is the best in the world, compared to just three in ten (32 percent) Democrats and four in ten (40 percent) Independents who feel the same way.

A Kaiser Family Foundation poll conducted in June 2008[4] found that in the past year, 23 percent of US residents said they or a member of their household had either decided to stay with a current employer instead of accepting a new job, or had switched jobs because of health insurance coverage.

The poll found that 42 percent of people said that in the past year they, or someone in their household, had put off or postponed needed care, skipped a test or treatment, did not fill a prescription because of cost, skipped doses of medication or cut pills in half, or had problems receiving mental health care. In addition, 37 percent of people reported financial troubles over the past five years as a result of medical bills.

[4] http://www.kff.org/kaiserpolls/h08_posr062508pkg.cfm.

What the data show

Data from the US Census Bureau[5]show that in 2007:

- The number of people with health insurance was 253.4 million. Of these, 202.0 million had private health cover and 83 million were covered by government insurance programs.
- Of people with private health cover, 177.4 million had employer-based insurance.
- Of people with government cover, 39.6 million were covered by Medicaid and 41.2 million by Medicare. The remainder received cover from military health care programs.
- 45.7 million people had no health insurance.

These data highlight that the number of people with employer-provided health cover is decreasing and the percentage and number of people covered by government programs is increasing. There is a strong correlation between insurance status and income.

On health care costs

"The principle challenge to achieving a sustainable long-run fiscal policy turns out to be reducing the rate of growth of health spending – all health spending, not just the federal or the federal/state portion."[6]

Over the past 30 years, US health spending has grown, on average, 2.8 percent per annum faster than the rest of the economy. If this differential continues for another 30 years, health spending will absorb 30 percent of GDP – or more than all current government spending[7].

Advances in medical technology and treatments are the main reasons for the increase in health spending. The US does not have independent or semi-independent bodies such as the Pharmaceutical Benefits Advisory Committee and the Medicare Services Advisory Committee in Australia and the National Institute for Health and Clinical Excellence in the United Kingdom to evaluate the cost benefits and cost effectiveness of new medicines and medical interventions. Access to health care and expensive new treatments is based primarily on ability to pay, rather than on need.

---

[5] Income, poverty and health insurance coverage in the United States: 2007. US Census Bureau; August 2008. http://www.census.gov/prod/2008pubs/p60-235.pdf
Note that the 2006 figures given in this report differ from those given in reference 3.

[6] Rivlin AM & Boskin MJ. Perspectives on the long-run fiscal outlook. SIEPR policy brief. Stanford University; July 2007. http://siepr.stanford.edu/Papers/briefs/policybrief_jly07.html

[7] The long-term outlook for health care spending. Congressional Budget Office; November 2007. http://www.cbo.gov/doc.cfm?index=8758

Estimates show that about 27 percent of Medicare's annual $327 billion budget goes to care for patients in their final year of life. A study led by John Wennberg at the Dartmouth Institute for Health Policy and Clinical Practice for the Dartmouth Atlas Project[8] found that the cost of care for comparable patients during their last two years of life at the 18 hospitals on the 2007 *US News* "Best Hospitals" honor roll ranged from $34,372 to $71,637, with the lowest-cost centers providing the best quality care.

Over the past three decades, health insurance premiums have increased about 300 percent after adjustment for general inflation. Over this same time frame the average worker has not received any increase in inflation-adjusted wages[9].

On the uninsured

The most recent census data (see reference 5) shows that in 2007 the number of Americans without health insurance was 45.7 million, down from 47.0 million in 2006 (the highest number recorded). However it seems very likely that this number has increased in 2008 as 1 million people have lost their jobs.

The total percentage of uninsured people in 2007 was 15.3 percent. The uninsured rate is highest for Hispanics (32.1 percent), and higher for Black Americans (19.5 percent) than for White non-Hispanic Americans (10.4 percent). American Indians and Alaska Natives had a 3-year average (2005-07) uninsured rate of 32.1 percent, and Native Hawaiians and Other Pacific Islanders had a 3-year average of 20.5 percent.

In 2007 the percentage and number of children under 18 years old without health insurance also decreased in 2007, down to 11.0 percent and 8.1 million from 11.7 percent and 8.7 million in 2006.

The proportion of people not covered by health insurance is directly related to income, with 24.5 percent of people in households with annual incomes of less than $25,000 having no cover in 2007. The number of workers who were uninsured in 2007 was 26.8 percent.

Compared to people who have health insurance, the uninsured receive less preventive care, are less likely to have an early diagnosis of their disease, and once diagnosed, receive less care and have higher mortality rates.

---

[8] http://www.dartmouthatlas.org/press/2008_Atlas_press_release.pdf

[9] Fuchs VR. Three ‘inconvenient truths’ about health care. N Engl J Med 2008; 359:1749-1751. http://content.nejm.org/cgi/content/full/359/17/1749

In 2004, per capita medical spending for people uninsured for the full year was $1,629 compared to $2,975 for people insured for the full year[10].

A 2004 report from the Kaiser Family Foundation (see reference 10) estimated that total medical care expenditures among the uninsured in 2004 (then estimated at over 60 million for some part of the year, over 30 million of all the year, and 44 million at any one time in the year) was almost $125 billion. One-third of these costs ($40.7 billion) were uncompensated and about one-quarter ($32.6 billion) were paid directly by the uninsured out-of-pocket. Most uncompensated care costs are incurred by hospitals and this is covered primarily by payments from the federal government in the form of disproportionate share hospital payments.

The Kaiser Family Foundation report estimated that total spending for those who would gain coverage under a universal expansion would increase by $48 billion[11]. This would result in a 5-15 percent reduction in mortality and compares favourably with 2004 spending on Medicare ($266.4 billion), Medicaid ($280.7 billion), and tax subsidies for private insurance ($188.5 billion).

Another study from 2004[12] estimated that the value of health forgone each year because of lack of insurance was $65–$130 billion and concluded that this figure constituted "a lower-bound estimate of economic losses resulting from the present level of uninsurance nationally."

On the advantages of universal coverage

Arguments for universal coverage generally revolve around equity, the ability to better cover preventive health services, overall costs to the economy, expanding the workforce and lessening administrative health costs. Arguments against such cover focus on the likelihood of people opting out of more expensive private cover for publicly funded cover and the over-use of services (moral hazard)[13].

Stable health insurance coverage allows for consistent access to health care services, which contributes to better health outcomes. Evidence suggests that when family members are covered under different plans, so some members have coverage and others

---

[10] Hadley J & Holahan J. The cost of care for the uninsured: what do we spend, who pays and what would full coverage add to medical spending? Kaiser Commission on Medicaid and the Uninsured; 2004. http://www.kff.org/uninsured/upload/The-Cost-of-Care-for-the-Uninsured-What-Do-We-Spend-Who-Pays-and-What-Would-Full-Coverage-Add-to-Medical-Spending.pdf

[11] cf estimated cost of Obama plan at $50-$60 billion.

[12] Miller W, Richardson Vigdor E & Manning WG. Covering The Uninsured: What Is It Worth? Health Affairs Web Exclusive; 31 March 2004. http://content.healthaffairs.org/cgi/reprint/hlthaff.w4.157v1accessed 2007-10-05

[13] Gruber J. Covering the uninsured in the US. National Bureau of Economic Research. Working paper 13758; January 2008. http://www.nber.org/papers/w13758.pdf

do not, children's health declines[14]. This also adds to the difficulty of vulnerable families who must cope with different systems for enrolment and utilization in health cover.

A recent study suggests that unless health insurance coverage models are designed to keep entire families covered, the system will not be sustainable and will not achieve the best possible health outcomes for all families[15]

Mandating that all Americans have health cover can help with the cost of insurance if this cost is then shared in pools with large numbers of healthier people. However this is unlikely in the short-term to help the 2.6 million Americans with major health problems such as Alzheimer's disease, diabetes, cirrhosis of the liver, heart disorders, kidney failure, cancer, Parkinson's disease, morbid obesity, and stroke who are considered uninsurable. Most states have high risk pools that offer health insurance to individuals who are unable to obtain coverage in the private market due to their medical history, but currently these assist only 207,000 people[16].

Those who oppose such mandates note that they require the defining of a minimum benefits package and limiting flexibility and choice, although little evidence is provided to support this[17].

---

[14] Ku l & Broaddus M. The importance of family-based insurance coverages: New research findings about state health reforms. Centre on Budget and Policy Priorities; September 2000. http://www.cbpp.org/9-5-00health-rep.pdf

[15] DeVoe JE, Tillotson C & Wallace LS. Uninsured children and adolescents with insured parents. JAMA 2008; 300(16):1904-1913. http://jama.ama-assn.org/cgi/content/full/300/16/1904

[16] Mulveon M, Davenport K, & Whelan E-M. High risk insurance pools: a flawed model for reform. Center for American Progress; 28 September 2008. http://www.americanprogress.org/issues/2008/09/flawed_model.html

[17] Whitman G. Hazards of the individual health care mandate. Cato Policy Report; September/October 2007. http://www.cato.org/pubs/policy_report/v29n5/cpr29n5-1.html

Health as an election issue

For a sequential listing of poll results on health care as an election issue, see PollingReport.com[18]. The Kaiser Family Foundation conducted regular polls on health issues throughout 2007-08[19].

In 2007 health care was the second ranked issue for US voters after the war in Iraq. A majority of Americans felt the federal government should guarantee health insurance to every American, especially children, and said they were willing to pay higher taxes to have this happen[20].

With the advent of the economic downturn and increasing gas costs, health care moved to fourth place on the list of issues rated as "extremely important" in Americans' vote for president, according to a June 2008 poll by CNN/ Opinion Research Corporation[21].

Asked what particular health issue the presidential candidates should address, voters gave roughly equal weight to costs and covering the uninsured as their main concerns. Among Republican voters, however, costs emerge on top. Half of Republicans said they would like to see candidates focus most on reducing health-care costs, compared with 16 percent who express most interest in covering the uninsured.

In thinking about health care costs, voters were more troubled by their personal costs than by national health spending. Nearly half said they were most worried about increases in what the average American pays out-of-pocket for health care and for insurance. In comparison, two in ten voters said they are most concerned about increases in how much the US as a whole spends on health care. Smaller numbers of voters cited increases in spending on public health insurance programs or increases in what employers pay for their workers' health insurance as issues for concern.

The June 2008 Kaiser Health Tracking Poll found that the recent economic downturn continued to create serious financial problems for most Americans. When asked about the impact of recent economic changes, nearly six in 10 adults (59 percent) reported having a "serious problem" with one of seven major financial issues, including one in four who cited paying for health care as a serious problem.

Polls taken after election day show voters more concerned about the president's priorities for improving the economy and creating jobs than enacting a national heath care plan[22].

---

[18] http://www.pollingreport.com/health3.htm

[19] Kaiser Health Tracking Poll: Election 2008. http://www.health08.org/polls.cfm

[20] New York Times / CBS News Poll. March 2007.
http://www.nytimes.com/2007/03/02/washington/02poll.html?_r=1

[21] CNN/Opinion Research Corporation Poll. June 2008.
http://edition.cnn.com/2008/POLITICS/06/06/poll.obama.clinton/index.html

During the course of the long election campaign a number of groups were formed tasked specifically with pushing for health care reform.

These include: Trust for America's Health[23], which has a focus on prevention and public health; The Health Coverage Coalition for the Uninsured[24] , an unusual alliance of health insurers with pharmaceutical companies, hospitals and consumer groups which was formed in 2007 to push for national health reform; and Health Care for America NOW![25], a coalition of groups representing labour, community organizations, health care professionals, small business, minorities and think tanks, which was launched in July 2008. Elizabeth Edwards, the wife of former Democratic presidential candidate John Edwards, is one of the group's main spokespersons.

A number of health policy groups and media were also very active, with public debates, forums, polling and issues papers. These include: The Commonwealth Fund[26] ; the Kaiser Family Foundation[27]; WebMD[28]; The Lancet[29] ; the New England Journal of Medicine[30]; and the Public Broadcasting System[31].

---

[22] AP-GfK Poll conducted by GfK Roper Public Affairs & Media. 6-10 November 2008. http://www.pollingreport.com/prioriti.htm

[23] Trust for America's Health. http://healthyamericans.org/about/.

[24] Health Coverage Coalition for the Uninsured. http://www.coalitionfortheuninsured.org/

[25] Health Care for America NOW! http://healthcareforamericanow.org/

[26] The Commonwealth Fund. http://www.commonwealthfund.org/General/General_show.htm?doc_id=670761

[27]Kaiser Family Foundation. http://www.health08.org/

[28] WebMD. http://blogs.webmd.com/election-2008-health-pulse/2007/09/health-matters-welcome-to-webmds.html

[29]The Lancet. http://www.thelancetglobalhealthnetwork.com/category/us-election Accessed 28 November 2008.

[30] The New England Journal of Medicine. http://content.nejm.org/misc/election2008.shtml

[31] The New Hour, Public Broadcasting System. http://www.pbs.org/newshour/extra/teachers/health/

The presidential candidates' health care reform policies

The proposal from President-elect Barack Obama[32]

Barack Obama has proposed a major overhaul of the US health care system, aimed at covering the nearly 47 million uninsured Americans, reducing premium costs for everyone else, and breaking what he asserts is "the stranglehold" that the biggest drug and insurance companies have on the health care market.

He would pay for his plan by allowing President Bush's tax cuts for the most affluent Americans – those making over $250,000 a year – to expire. It is estimated that the net cost of the plan to the federal government would be $50 billion to $65 billion a year, when fully phased in.

The Obama proposal includes a new requirement that employers either provide coverage to their employees or pay the government a set proportion of their payroll to provide it. Similar requirements have proven intensely controversial in the past, notably in 1993-94, when the health care plan proposed by President Bill Clinton was defeated largely because of a small business backlash. Obama has said the smallest businesses would be exempt from this requirement.

The Obama plan would create a new public plan open to individuals who cannot get group coverage through work or the existing government programs, like Medicaid or the State Children's Health Insurance Program (SCHIP). He would also create a National Health Insurance Exchange, a regulated marketplace of competing private health plans that would aim at "reforming" the private insurance market and giving individuals other, more affordable options for coverage.

Under the Obama plan, the federal government would reimburse employer health plans for the cost of catastrophic health expenditures, to break the cycle of one seriously ill employee driving up the premium costs of what is often a small group. Because of this and other cost-containment proposals, Obama estimates his plan would save the typical family up to $2,500 a year in their health insurance costs.

His plan does not mandate that everyone has health insurance cover, but Obama believes that if health insurance is affordable, people will purchase it. This is a potentially significant flaw because economic arguments dictate that the more healthy people are included in the risk sharing plan, the cheaper premiums will become.

---

[32] http://www.barackobama.com/issues/healthcare/

The plan contains a number of provisions to reduce health care costs including investment in health information technology, improving prevention and management of chronic illness, providing reinsurance cover for catastrophic costs, reducing red tape and paperwork, making insurance portable, improving quality of care, and increased transparency around costs.

Obama presented his health care plan in articles written for the New England Journal of Medicine[33] and the Journal of the American Medical Association[34].

The differences between Hillary Clinton's and Barak Obama's health policies

Both Hillary Clinton and Barak Obama based their plans on the Massachusetts mandated health insurance law [35].

Senator Hillary Clinton claimed that only her health plan could achieve universal coverage because it mandated that everyone buy health insurance, or suffer a penalty that was not defined, although the garnishing of wages was a possibility. Barack Obama does not have an individual mandate in his plan although he would require all children to be covered. Both plans would require employers to cover their employees. The issue of mandates has been discussed by Obama policy advisor David Cutler[36].

Hillary Clinton quoted studies that show without a mandate there would still be 15 million people uninsured. Her plan limited premium payments to a percentage of income, through a premium affordability tax credit.

The reality is that any successful plan will need to have both affordable premiums and a mandate to succeed. The rapprochement between Clinton and Obama may well lead to a successful merge of their health policies to achieve a better outcome.

The proposal from Senator John McCain[37]

The McCain plan included some ideas on how to cover some of the 47 million people without health insurance, but his main thrust was that the rising number of people without insurance was a symptom of the larger problem of rising costs.

---

[33] Obama B. Modern health care for all Americans. N Engl J Med 2008;359 (15):1537-1541.

[34] Obama B. Affordable health care for all Americans. JAMA 2008; 300(16):1927-1928.

[35] Massachusetts law about health insurance. http://www.lawlib.state.ma.us/healthinsurance.html

[36] http://sentineleffect.wordpress.com/2007/12/01/health-mandates-a-talk-with-obama-health-advisor-david-cutler

[37] http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f-4ac2-8cd5-5cf2edb527cf.htm

The McCain plan consisted primarily of a list of cost-cutting proposals, many of which are also supported by Democrats. These include promoting generic drugs and biologics, supporting retail walk-in clinics at unconventional locations such as supermarkets, and shifting some care to nurse practitioners because they are cheaper than doctors. The plan also espoused setting national standards for measuring treatments and outcomes, and allowing doctors to practice medicine across state lines.

There was a proposal to use Medicare as a "lever" for pushing change in the rest of the health system by increasing payments, for instance, to better coordinate care, and cutting payments when treatments are shown to result in preventable errors and unnecessary hospitalizations.

In order to cover more of the uninsured, McCain proposed giving all Americans a refundable tax credit to help them buy insurance, totaling $2,500 per person or $5,000 per family. People would get the tax credit whether they were to get insurance through work or buy it on their own. The existing tax break for employer-sponsored insurance would be eliminated, taking a step away from the work-based model in place for the last half century and toward an individual market. President Bush proposed a similar idea in his 2005 budget, which went nowhere in the Democratic Congress.

John McCain would offer grants to states to defray the cost of providing insurance for people with medical problems who can't afford their own coverage, and allow people to buy insurance across state lines, a policy that could help someone in a state with many mandated benefits that increase the cost of insurance.

McCain presented his health care plan in articles written for the New England Journal of Medicine[38] and the Journal of the American Medical Association[39].

How the proposals rated and why

A number of think tanks and policy analysts compiled comparative analyses of the health proposals from the two presidential candidates.

See for example the Kaiser Family Foundation side-by-side summary[40] and the analysis from the Commonwealth Fund[41]. Conservative health policy analyst Robert Laszewski critiqued both the Obama[42] and McCain[43] health plans.

---

[38] McCain J. Access to quality and affordable health care for every American. N Engl J Med 2008;359 (15):1537-1541.

[39] McCain J. Making access to quality and affordable health care a reality for every American. JAMA 2008; 300(16):1925-1926.

[40] http://www.health08.org/sidebyside.cfm

[41] http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=707948

Figure 2 : Key differences between the candidates' policies[44]

	McCain	Obama
Aims to cover everyone	Not a goal	Goal
Rules for individual insurance market	Minimum state rules	Uniform state rules
Employer role in providing health benefits	Reduce	Expand
Medicaid/SCHIP	Reduce	Expand
Families' exposure to health care costs	More	Less
Mandate for coverage	None	Children only
Leverage to stimulate improvement in quality and efficiency	Less	More
Uninsured covered after 5 years*	4.6 million	30 million
Uninsured covered after 10 years*	2.0 million	34 million
Total federal cost 2009-2018	$1.311 billion	$1.630 billion

* From Burman et al. An analysis of the 2008 presidential candidates' tax plans. Urban Institute-Brookings Institution Tax Policy Center. Updated September 2008.

McCain's proposal is estimated to cover fewer people in future years and cost less over time because the tax credits would grow at the rate of consumer prices, which have historically grown more slowly than medical expenditures. This means that, over time, the value of the tax credits would decline relative to health insurance premium costs.

There were concerns that the McCain proposal would "tend to raise costs, reduce the generosity of benefits and leave people with fewer consumer protections"[45]. This fear about loss of benefits and fewer consumer protections arose because McCain proposed removing state requirements that mandate access to services such as cervical cancer screening, HPV vaccination, affordable contraception, maternity care and breast reconstruction after breast cancer surgery[46].

During the campaign Democrat advisors David Blumenthal, David Cutler and Jeffrey Liebman released their memo to the Obama campaign that analysed the financial impact

---

[42] http://healthpolicyandmarket.blogspot.com/2008/03/detailed-analysis-of-barack-obamas.html

[43] http://healthpolicyandmarket.blogspot.com/2007/10/analysis-of-senator-john-mccains-health.html

[44] From reference 41.

[45] Buchmueller T, Glied SA, Royalty A & Swartz K. Cost and coverage implications of the McCain plan to restructure health insurance. Health Affairs; 16 September 2008. http://content.healthaffairs.org/cgi/reprint/hlthaff.27.6.w472vl

[46] Arons, J, Davenport K, Bell S & Yento A. An analysis of the effects Senator McCain's health plan would have on women's access to health care. Centre for American Progress Action Fund; 10 September 2008. http://www.americanprogressaction.org/issues/2008/pdf/womens_health.pdf

of the Obama health plan[47]. They concluded that aggressive pursuit of investments in e-health , reduced insurance industry overheads, and improved diseases management, care coordination, clinical effectiveness research and payment for excellence could achieve savings of $200 billion a year. They estimated that business would save $140 billion and the average family would save $2,500 annually on health insurance premiums. And they estimated that the cost to the federal government to extend coverage to all Americans would be between $50 billion and $60 billion when fully phased in. This would be more than covered by the $65 billion saved by restoring the top two personal income tax brackets and rates on dividends and capital gains to Clinton era levels.

The conservative think tank, the Cato Institute, released a briefing paper with an analysis of the Obama and McCain health proposals[48]. This paper came out in support of the McCain plan, saying "Senator McCain's proposal is far from perfect, but from a free-market perspective, it appears superior to Senator Obama's plan. Obama's plan, with its heavy reliance on government, leads to the same problems that bedevil universal health care systems all over the world: limited patient choices and rationed care. McCain's proposal is much more consumer centered and taps into the best aspects of the free market."

Public views on the candidates' plans

The Harvard Public Opinion Research Program and Harris Interactive released a poll a month out from the election that looked at how voters thought the presidential candidates' health care reform plans would affect them personally[49].

The results showed voters saw no one plan offering a clear advantage, with 33 percent of voters thinking Obama's plan would be better for them and 27 percent of voters thinking McCain's plan would be better for them. Among independents 51 percent saw no difference or didn't know if there would be a difference, and 46 percent of seniors also fell into this category.

Women (38 percent), the uninsured (53 percent) and the disabled (37 percent) were most likely to think that Obama's plan would be better for them.

A poll taken by the same groups just a week from the election[50] showed that 59 percent of Obama voters saw the election as making a great deal of difference for health care, but only a minority (40 percent) of McCain voters shared this view.

---

[47] http://www.nytimes.com/packages/pdf/politics/finalcostsmemo.pdf

[48] http://cato.org/pubs/bp/bp104.pdf

[49] http://www.hsph.harvard.edu/news/press-releases/2008-releases/hsph-harris-poll-obama-mccain-healthcare-plans.html

[50] http://www.hsph.harvard.edu/news/press-releases/2008-releases/key-policy-areas-majority-voters-say-presidential-election-outcome-make-great-deal-of-difference.html

Other health policy issues in the campaign

Side by side comparisons of the candidates' policies on a raft of health issues can be found on the Kaiser Family Foundation website[51].

These include:
- Biomedical research
- Stem cell research
- Disease management / care coordination
- Prevention
- Health information technology (e-health)
- HIV/AIDS and global health
- Long-term care
- Medical malpractice
- Mental health
- Prescription medicines
- Veterans' health
- Women's health

Abortion, normally a major 'litmus test' for presidential candidates, did not emerge as such in this campaign, and arguably was only put on the agenda by Republican Vice-Presidential candidate, Sarah Palin.

The Obama transition team has already indicated that the President-elect is looking at removing the executive regulations put in place by President Bush which restrict the stem cell lines that federally funded researchers can work with.

Some of these issues will be explored in future papers.

[51] http://www.health08.org/healthissues_sidebyside.cfm

What should be the principles underpinning health reforms?

There are many approaches to health care reform. The Commonwealth Fund Commission on a High Performance Health System[52] has looked at how three different approaches: tax incentives and the individual insurance market; mixed public-private group insurance with shared responsibility for financing; and public insurance might expand health coverage and simultaneously promote high performance in the areas of access, equity, quality, efficiency and cost control.

The Commission concludes that the most important feature of any health insurance reform proposal is whether it can succeed in providing universal coverage, and that universal coverage is essential to improving performance measures in all the key areas outlined above.

The Commission believes that the most pragmatic approach to health reform is through a mixed private-public system because this would build on the best features of the current system and mean less dislocation for the 160 million people who currently have privately funded cover and would like to retain this.

Other work has shown that the inclusion of an individual mandate in mixed private-public approaches is critical to achieving universal coverage and an employer mandate alone is not sufficient[53].

As highlighted in a recent article by Professor Victor Fuchs, no country has achieved universal health coverage without subsidization and compulsion[54].

In a paper published in January 2008[55], the Commonwealth Fund asked health care opinion leaders for their views on health reform. The majority of the 221 individuals surveyed (61 percent) favour reform proposals that build on the current system of mixed public and private insurance. A strong majority (83 percent) support a requirement for everyone to have health insurance, with premium subsides for people on low and moderate incomes. Two-thirds of opinion leaders see tax incentives as ineffective in controlling health care costs.

---

[52] Collins, SR, Schoen, C, Davis K, et al. A roadmap to health insurance for all: Principles for reform. The Commonwealth Fund; October 2007. http://www.commonwealthfund.org/usr_doc/Collins_roadmaphltinsforall_1066.pdf?section=4039

[53] Lambrew JL & Gruber J. Money and mandates: Relative effects of key policy levers on expanding health insurance coverage to all Americans. Inquiry Winter 2006/2007; 43(4):333-344.

[54] Reference 9.

[55] Shea KK, Collins SR & Davis K. Health care opinion leaders' views on the presidential candidates' health reform plans. The Commonwealth Fund; January 2008. http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=655995

There was substantial support for: increased and more effective use of information technology; accessible, continuous and coordinated primary care; and rewards for improvement in health care quality.

Seven of ten opinion leaders thought that the next president must pursue universal coverage while simultaneously working to improve quality, efficiency and cost control.

Figure 3: How well do different strategies meet principles for health insurance reforms?[56]

Principles for Reform	Tax Incentives and Individual Insurance Markets	Mixed Private–Public Group Insurance with Shared Responsibility for Financing	Public Insurance
Covers Everyone	0	+	+
Minimum Standard Benefit Floor	–	+	+
Premium/Deductible/ Out-of-Pocket Costs Affordable Relative to Income	–	+	+
Easy, Seamless Enrollment	0	+	++
Choice	+	+	+
Pool Health Care Risks Broadly	–	+	++
Minimize Dislocation, Ability to Keep Current Coverage	+	++	–
Administratively Simple	–	+	++
Work to Improve Health Care Quality and Efficiency	0	+	+

0 = Minimal or no change from current system; – = Worse than current system;
+ = Better than current system; ++ = Much better than current system

The health care system operated under the auspices of the VHA is a model of a "closed" health insurance system. In a recent paper[57], Knickrehm and colleagues from James Madison University concluded that "the VHA experience over the past twenty years has demonstrated that both US physicians and US patients can work well within a national health service model. Furthermore, when they do so, outcomes in terms of access, cost containment and quality of care have been sound."

[56] From reference 53.

[57] Knickrehm K, Aldolino JR & Blake CH. The National Health Service & the U.S. Veterans Health Administration: Can a National Health Service Model Work in the United States? http://www.allacademic.com//meta/p_mla_apa_research_citation/1/4/0/2/2/pages140223/p140223-1.php

Workforce reforms

Any efforts in health care reform will fail unless there are sufficient appropriate health care professionals.

The US situation is not like that in Australia, with large geographic variations in the health workforce which is increasingly feminised, older, and reliant on overseas-trained professionals. In 2004, international medical graduates made up 26 percent of doctors. Black and Hispanic Americans were under-represented in the physician population.

As of September, 2008, it was estimated that 64 million people had inadequate access to primary care providers, 48 million people had inadequate access to dental care and 77 million people had inadequate access to mental health providers[58]. There are serious shortages of nurses and pharmacists[59]. It is predicted that by 2020, nurse and physician retirements will contribute to a shortage of approximately 24,000 doctors and nearly one million nurses.

Two-thirds of health care costs are generated by labor, and this drives the need to achieve a cost-effective workforce mix. In particular, there is a need to ensure that the US has more primary care physicians[60] and more health professionals to care for an ageing population[61].

The need to build the primary care workforce will be particularly important as international studies show that countries with health systems based on strong primary care have better health at lower costs. The contributions of primary care to improvements in many aspects of population and individual health are well documented. In addition to the health benefits, there are reductions in health system costs and reductions in disparities in health across population subgroups.

---

[58] US Department of Health and Human Services data http://bhpr.hrsa.gov/shortage/

[59] Matherlee K. The US health workforce: definitions, dollars and dilemmas. National Health Policy Forum Background Paper; 11 April 2003. http://www.nhpf.org/pdfs_bp/BP_Workforce_4-03.pdf

[60] Pugno P et al. The solution to the US health-care crisis. The Lancet online; 3 November 2008. http://press.thelancet.com/USAdoctors.pdf

[61] Retooling for an aging population: Building the health care workforce. Institute of Medicine; April 2008. http://www.iom.edu/?id=53452

The players in health care reform

Role of the federal government

A federal leadership role is warranted because the government is the single largest payer for health care (through Medicare, Medicaid and SCHIP, care for the military and veterans, and the provision of private health insurance cover to federal employees) and the single largest provider of care (through the Veterans Health Administration, the Department of Defense, and the Indian Health Service). Aside from the ability to enact enabling legislation, the federal government has huge leverage it can exert to improve care and to set the stage for others to follow.

Role of the states in health reform

When uninsured Americans urgently need health care, they usually present to the Emergency Departments of public hospitals, and usually their treatment costs are borne by the hospital and / or the state.

In addition the Medicaid and SCHIP programs impose a number of mandates on the states, and consequently state legislators have become increasingly interested in preventive health care and better management of those with chronic illness.

Over the past decade the states have taken the lead in developing proposals to reform their health care systems with the goal of significantly increasing the number of people with health care cover. Three states, Maine, Massachusetts and Vermont, have enacted reform plans aimed at near universal coverage of residents; 14 other states are moving towards comprehensive reforms[62].

In the days after April 2006, when Massachusetts passed its health reform bill, virtually every state legislature met and sought to enact its own legislation, with no success. Earlier efforts in the 1990s by Tennessee, Washington and Hawaii have struggled to meet their goals and program costs.

There are many barriers to the states taking on health care reform. These include the federal tax laws relating to health insurance and the fact that funding for medical training comes primarily from the federal government so the capacity of states to influence the composition of the health workforce is limited. In addition, no state can modify Medicare, which has a broad influence on the policies of the private sector, the Indian Health Service, or health coverage programs for federal employees, the military and veterans. Large companies' self-insured health plans are exempt from state regulations

[62] States moving towards comprehensive health care reform. The Kaiser Commission on Medicaid and the Uninsured; October 2008. http://www.kff.org/uninsured/kcmu_statehealthreform.cfm Accessed 12 November 2008.

and state reform initiatives, and when states seek to make changes in their Medicaid programs (funded jointly with the federal government), a waiver must be sought[63].

The states lack the authority and power over too many parts of the health care financing and delivery system, including virtually all the major forces driving cost containment and quality.

However bioethicist Ezekiel Emanuel (coincidentally the brother of Obama Chief of Staff Rahm Emanuel) and Senator Ron Wyden (D-OR) (reference 55) have argued that the states can be facilitators, regulators and innovators in health care reform. As examples of innovation they cite the Drug Effectiveness Review Project at the Oregon Health and Science University[64], and novel programs around wellness and prevention developed by some states and private insurers.

This approach has also been adopted by some Congressional lawmakers. Several bills introduced in the 110th Congress would encourage state innovation to address the specific needs of the population[65].

Role of private health insurance plans in health reform

It may be somewhat surprising to Australians to see the strong and positive role played by the private health insurance sector in the push for health care reform and especially for universal coverage, regardless of age, employment status or medical history[66].

Since the election, health insurance providers have proposed guaranteed coverage for people with pre-existing medical conditions in conjunction with an enforceable individual coverage mandate[67]. Under the new proposal, health plans participating in the individual health insurance market would be required to offer coverage to all applicants as part of a universal participation plan in which all individuals were required to maintain health insurance.

The health insurance industry has also said that premium support for moderate-income individuals and broad spreading of risk was necessary to promote affordability and maintain premium stability in the individual health insurance market.

---

[63] Emanuel E & Wyden R (2008). A new federal-state partnership in health care. JAMA 2008; 300(16):1931-1934. http://jama.ama-assn.org/cgi/content/short/300/16/1931

[64] Drug Effectiveness Review Project http://www.ohsu.edu/drugeffectiveness/

[65] Butler S & Aaron H. A bipartisan push on healthcare. Washington Post; 13 May 2007. http://www.washingtonpost.com/wp-dyn/content/article/2007/05/11/AR2007051101784.html

[66] America's Health Insurance Plans – We Believe http://www.ahipbelieves.com/

[67] America's Health Insurance Plans http://www.ahip.org/content/pressrelease.aspx?docid=25068&pf=true

These proposals have been put forward as part of the industry supported Campaign for an American Solution[68], which aims to build support for "workable health care reform".

As previously mentioned, the health insurers are also part of an alliance with pharmaceutical companies, hospitals and consumer groups called the Health Coverage Coalition for the Uninsured which was formed in 2007 to push for national health reform[69].

Role of employers and business in health reform

Employers have historically been key players in the US health care system. Arguably their interests have been two-fold: how to attract and retain employees with health benefits which contribute to a healthy, productive workforce, and how to keep down the high, increasing and unpredictable costs of providing these health benefits.

Employers that offer health coverage do so essentially because their competitors do. Employers that fund benefits have a higher cost base than those that don't, and as health costs rise, and the US economy fails, these businesses are disadvantaged, especially when competing globally. As with any procurement, the goal remains the highest quality at the lowest cost.

Professor David Blumenthal has written a two-part report[70] that explores how employer-sponsored cover has become the cornerstone of the US health care system and how employers are attempting to address the problems they confront. He writes that "the heavy reliance on employer-sponsored insurance is….an accident of history that evolved in an unplanned way and …. without the benefit of intelligent design."

However Blumenthal then goes on to point out that employer-sponsored insurance has done its job in many respects by creating work-based risk pools in which healthy, low-risk participants subsidise the health costs of sick, high-risk participants. The system has never covered all working Americans and it has failed recently because of the increasing cost imposition on businesses trying to be internationally competitive, and because of long-standing commitments to cover the health care costs of a growing pool of retired employees.

Health insurance expenses are the fastest growing cost component for employers, with premiums for employer-sponsored health insurance rising four times faster, on average,

---

[68] Campaign for an American Solution http://www.americanhealthsolution.org/the-mission/

[69] See reference 24.

[70] Blumenthal D. Employer-sponsored health insurance in the United States -- origins and implications. N Engl J Med 2006;355:82-88. http://content.nejm.org/cgi/content/short/355/1/82
Blumenthal D. Employer-sponsored insurance – riding the health care tiger. N Engl J Med 2006; 355:195-202. http://content.nejm.org/cgi/content/full/355/2/195

that workers' earnings since 2000[71]. The hourly cost of health benefits for US manufacturers is $2.38 compared with an average of 96 cents in Canada, Japan, Germany, France and the United Kingdom. US employers spend 11.3 percent of payroll on health care compared to 4.9 percent for these five countries.

In 2005, Starbucks chairman Howard Schultz reported that his company spent more on health care than on coffee beans[72]. Both GM and Ford spend more on health care than on steel and in 2005 GM estimated that it spent more than $1,500 in employee medical expenses for each new car it sold. The three major motor car manufacturers, GM, Ford and Chrysler, have medical obligations of $US114 billion[73]. If these companies go under, there will be major ramifications for health care with the health insurance for 2 million people tied to auto workers' jobs.

Many companies have sought to evade these costs, often by employing increasing numbers of part-time workers. In response states such as Maryland have enacted legislation to require large companies to devote a fixed percentage of their payroll to health care[74].

Polls show that the majority of employees believe that their work-based cover will meet their needs, and they are generally satisfied with their health insurance[75].

A recent report by PricewaterhouseCoopers from the Health Research Institute[76] found that employers reported mixed satisfaction ratings of insurer-provided services with levels of satisfaction lower among smaller employers (under 250 employees). Employers want to work with fewer vendors to manage health programs and want better data as part of an increasing need to measure and manage the costs and value of those programs.

---

[71] National Coalition on Health Care. Facts on the cost of health insurance and health care. http://www.nchc.org/facts/cost.shtml

[72] Pope C. Starbucks, others try to balance worker health care with expenses. Seattle Post-Intelligencer; 15 September 2005. http://seattlepi.nwsource.com/business/240742_healthcosts15.html

[73] Green J & Bennett J. GM, Ford, Chrysler discuss joint health-care fund. International Herald Tribune; 11 June 2007. http://www.iht.com/articles/2007/06/10/bloomberg/bxauto.php

[74] Hudson K. Maryland votes to over-ride veto of Wal-Mart bill. Wall Street Journal; 13 January 2006. http://online.wsj.com/public/article/SB113709431724945110-qlGZV_KE4LbHERjISLNV63gVpow_20060119.html

[75] http://www.harrisinteractive.com/news/newsletters/wsjhealthnews/WSJOnline_HI_Health-CarePoll2006vol5_iss22.pdf

[76] Health Research Institute Report. PricewaterhouseCoopers; 2008. http://www.pwc.com/extweb/pwcpublications.nsf/docid/E903DC27B947DE2D852574D3007F767C

In recent times business has advocated for universal coverage, even to the extent of mandating that all Americans have health cover[77]. Businesses were cool towards the McCain health policy, saying that it would "accelerate the erosion of employer-sponsored health insurance and do little to reduce the number of uninsured."[78].

However despite their advocacy for the continuation of the current system of employer-provided health insurance, to date the business sector has not been able to unite to address issues of cost and quality control and there are concerns that, as a consequence of this and the current economic climate which has seen 1 million people lose their jobs in 2008, the decline of employer-provided insurance seems certain to persist.

Role of consumer groups and grass roots efforts

Former Speaker of the US House of Representatives Tip O'Neill famously said "all politics is local" and the real drivers for reform in health care will come to politicians from their constituents. The internet has led to a surge in citizen advocacy[79].

Health Care for America NOW! – a national grassroots campaign for quality, affordable health care for all – is using new Click-to-Call technology to help hundreds of thousands of supporters call Congress and ask their members to support health care reform[80].

There are some cautionary lessons for politicians too. The Medicare Catastrophic Coverage Act of 1998 was enacted with wide support across the political spectrum and from the American Association of Retired Persons. But Congress was forced to repeal this legislation less than a year after it was enacted and before it was fully implemented because many elderly people were convinced that the cost of the program outweighed the benefits. This was largely due to a grass-roots campaign run after the passage of the bill by the National Committee to Preserve Social Security and Medicare[81].

---

[77] Business Roundtable. Health care reform in America. September 2008.
http://www.businessroundtable.org/sites/default/files/Health_Care_Reform_Plan.pdf

[78] Sack K. Business cool toward Mccain health coverage plan. New York Times; 6 October 2008.
http://www.nytimes.com/2008/10/07/us/politics/07health.html

[79] Communicating with Congress: how Capitol Hill is coping with the surge in citizen advocacy. Congressional Management Foundation
http://www.cmfweb.org/index.php?option=com_content&task=view&id=67&Itemid

[80] Health for America NOW!
http://healthcareforamericanow.org/site/content/national_health_care_campaign_uses_new_technology_to_flood_congress_with_ca

[81] Fan DP & Norem L. The media and the fate of the Medicare Catastrophic Extension Act. Journal of Health Politics, Policy and Law Vol 17 (1); Spring 1992.
http://jhppl.dukejournals.org/cgi/reprint/17/1/39.pdf

Similarly, the failure of the Clinton Administration's health care bill was due in no small measure to media and grass-roots campaigns in opposition to the proposed changes[82].

[82] West DM, Heith D & Goodwin C. Harry and Louise go to Washington: political advertising and health care reform. Journal of Health Politics, Policy and Law Vol 21(1); Spring 1996. http://jhppl.dukejournals.org/cgi/reprint/21/1/35

What happens next?

The divergent opinions of the US public on health care priorities and reforms, how these should be achieved and who should pay for them, offer ample ammunition for both reformers and their opponents. While presidential campaigns are ill-suited to the task of designing policy reforms, they represent critical periods for setting an incoming administration's agenda.

President-elect Obama has moved quickly to out his Administration in place, and has nominated former Senator Tom Daschle as both the Secretary of Health and Human Services and head of health policy in the White House. At the same time, the Democrats in the Congress are undertaking preliminary work to assist the passage of legislation, hopefully learning from the problems encountered by the Clinton proposal in 1993-94.

The passage of President Obama's health reform proposals will be facilitated by the surge of public support for reforms, and by the strong Democrat majorities in both houses of the Congress.

On November 18 Senator Ted Kennedy, who chairs the Senate Committee on Health, Education, Labor and Pensions, appointed Senator Hillary Clinton to head a working group on insurance coverage (it is assumed that the work of this group will continue under a new head following Senator Clinton's nomination as Secretary of State in the Obama Administration). Senator Barbara Mikulski (D-MD) has been appointed to lead a group on quality improvements and Senator Tom Harkin (D-IA) will head another group looking at prevention and public health.

Senate Finance Chairman Senator Max Baucus (D-MT) has issued a white paper[83] on his sweeping health care reform plan which is modeled on Obama's plan.

In the House of Representatives, Dean of the House and long-time champion of national health insurance, John Dingell (D-MI) was successfully challenged for the chairmanship of the Energy and Commerce Committee by Henry Waxman (D-CA), who has also played a major role in health during his 34 years in the Congress.

The Energy and Commerce Committee will play a major role in the passage of health reform legislation, but will share jurisdiction over this legislation with the Ways and Means Committee.

With at least four committees in the Congress having a role in the passage of this legislation, strong leadership from the White House and the ability to develop broad agreement by those in power on the critical details of reform will be essential, and

---

[83] Call to action: health reform 2009. Senate Finance Committee. http://finance.senate.gov/healthreform2009/finalwhitepaper.pdf

considerably more important than the polls. Medicare was enacted in 1965 despite only 46 percent support from the public.

While economic issues will be the primary focus of the new president's first 100 days in office, we can expect that Obama will begin the process of outlining his health care reform plans soon after he is inaugurated. While he is not required to give a State of the Union speech, we should expect such an address before the end of January, and his first budget is due in the middle of February.

In order to see timely progress on health care reforms, it will be essential for Obama to not hold the attainable goals of universal coverage and quality improvement hostage to the more unattainable goal of health cost control.

These issues will be addressed in future papers in this series.