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Building Blocks for Health Reform: Moving Toward a High Performance Health System

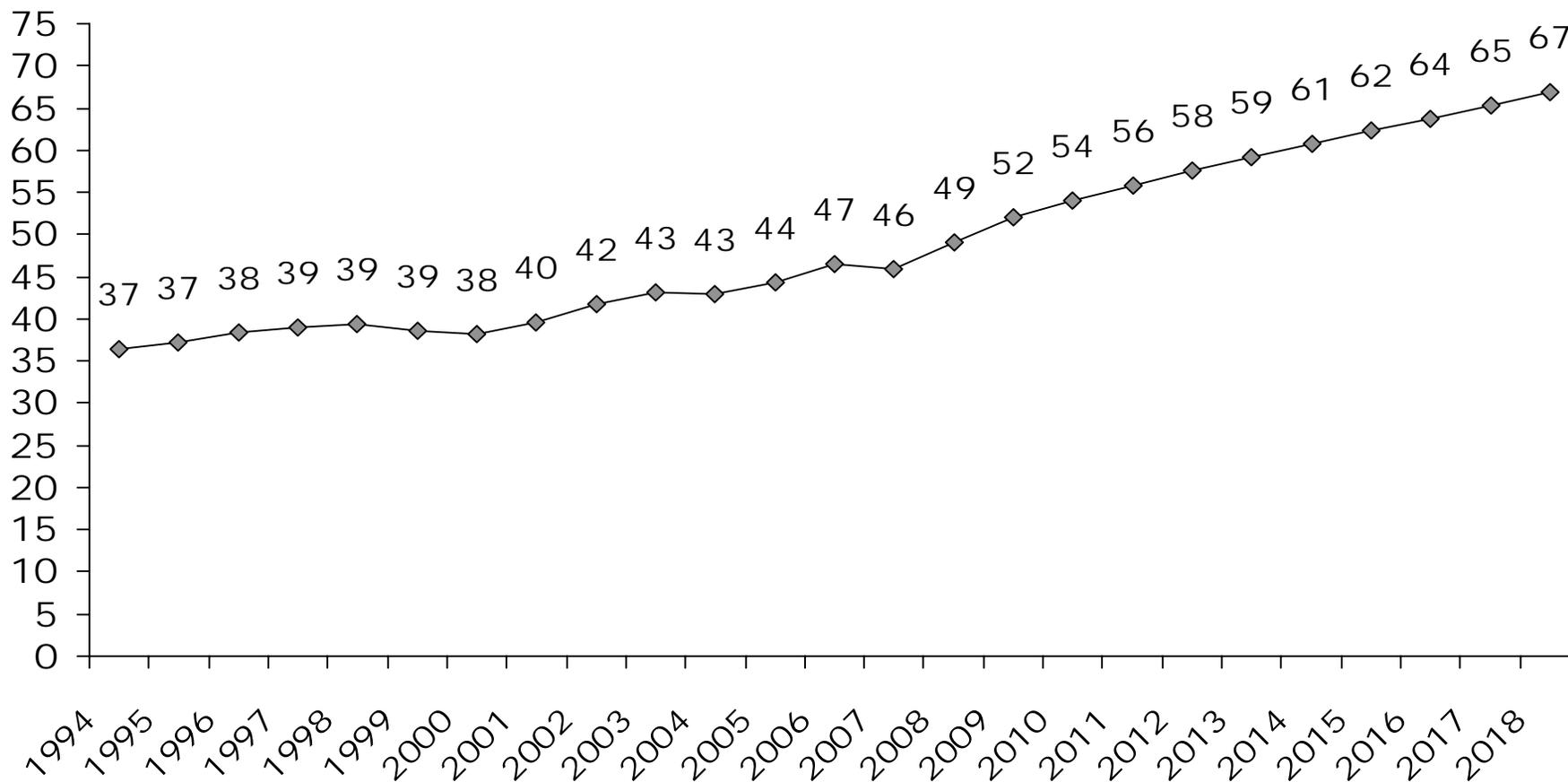
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Meeting with HHS Secretary-designate Tom Daschle
December 30, 2008



We Can't Continue on our Current Path: Growth in the Uninsured

Millions



Projected

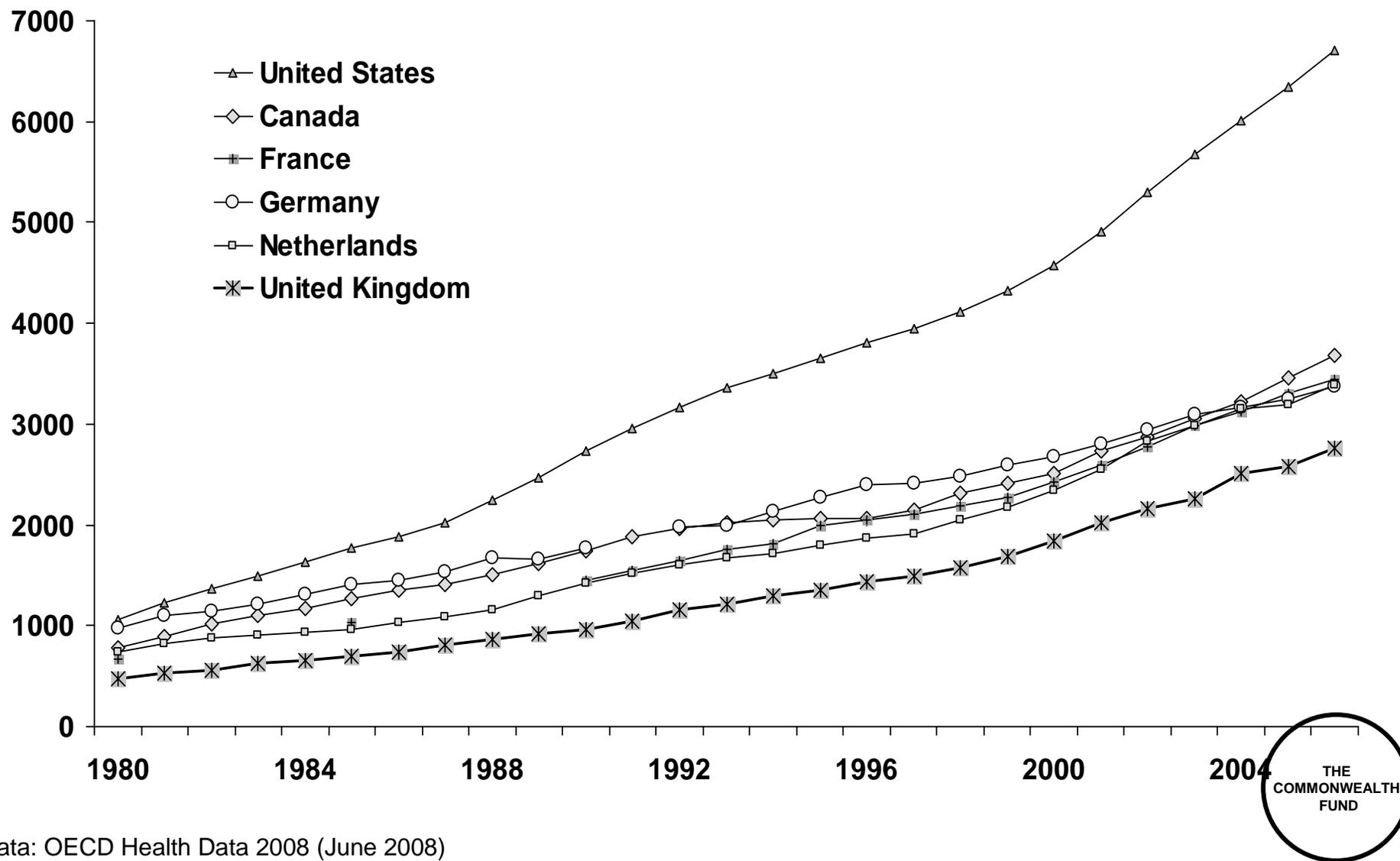
Source: Employee Benefits Research Institute estimates of the Current Population Survey, March 1995-2008 Supplements; Burman et al. "An Updated Analysis of the 2008 Presidential Candidates' Tax Plans: Revised August 15, 2008." Washington: Urban Institute and Brookings Institution Tax Policy Center, 2008.





We Can't Continue on our Current Path: Growth in National Health Expenditures per Capita

Average spending on health per capita (\$US PPP)



Data: OECD Health Data 2008 (June 2008)





Five Key Strategies for High Performance



- 1. Extending affordable health insurance to all**
- 2. Organizing the delivery system to ensure accessible, coordinated, patient-centered care**
- 3. Aligning financial incentives to enhance value and achieve savings**
- 4. Meeting and raising benchmarks for high-quality, efficient care**
- 5. Ensuring accountable national leadership and public/private collaboration**

Source: Commission on a High Performance Health System, A High Performance Health System for the United States: An Ambitious Agenda for the Next President, The Commonwealth Fund, November 2007





Four Building Blocks for Expanding Coverage

- **Employer-sponsored coverage**
 - **Predominant form of current coverage-- least disruption in current coverage; natural risk pool; relatively low administrative cost; source of innovation in provider payment and networks**
- **Individual insurance market/exchange**
 - **Greatest degree of choice of benefits and plans including high deductible consumer-driven products; highest administrative costs; most subject to adverse risk selection—underwriting restricts high-risk enrollment; highest provider payment rates**
- **Medicare**
 - **Highest enrollee satisfaction; low administrative costs; nearly all hospitals and physicians participate; provider payment rates lower than private but higher than Medicaid/SCHIP**
- **Medicaid/SCHIP**
 - **Comprehensive benefits; administrative mechanisms for enrolling low-income individuals and families; low provider payment rates**



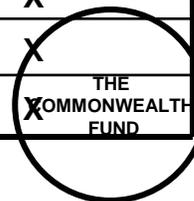


Building Blocks for Health Reform in Obama-Daschle-Baucus Plans

- **Mixed private-public system with choice of retaining current coverage or choosing from new private plans or public plan option**
- **Shared financial responsibility:**
 - Individual mandate
 - Employers provide coverage or contribute to insurance fund
 - Government provides income-related premium assistance
- **National insurance exchange with public plan modeled on Medicare option with benefits similar to standard option FEHBP and market rules for private insurance to guarantee equal treatment of sick and healthy**
- **Expansion of Medicaid and SCHIP to low-income adults and children**
- **Expansion of Medicare to older adults and elimination of two-year waiting period for disabled; improved Medicare benefits to standard FEHBP level**
- **Payment reform to reward and hold providers accountable for health results and prudent use of resources**
- **System reforms to promote prevention, management of chronic conditions, coordinated care, patient-centered medical homes and organized care delivery, health information technology, comparative effectiveness**

Features of National Health Reform Proposals, 2008⁷

	President – elect Obama	Senator Baucus (D-MT)	Building Blocks
Coverage Expansion			
Aims to cover everyone	X	X	X
Individual requirement to have insurance	Children only	X	X
Employer shared responsibility	X	X	X
Small business tax credit	X	X	
New insurance exchange or connector	X	X	X
Medicare / public plan option for < 65	X	X	X
Subsidies / tax credits for low- to moderate income families	X	X	X
Regulation of insurance markets	X	X	X
Improves Medicare benefits for > 65			X
Medicare buy-in for older adults & phase out waiting period for disabled		X (buy-in available until Exchange is created)	X
Medicaid/SCHIP expansion	X	X	X
System Improvements			
Expanded use of Health IT	X	X	X
Medical effectiveness research	X	X	X
Pay providers for performance	X	X	X
Reduced Medicare Advantage payments	X	X	X
Federally negotiated Medicare Rx prices	X		X
Primary care and care coordination	X	X	X

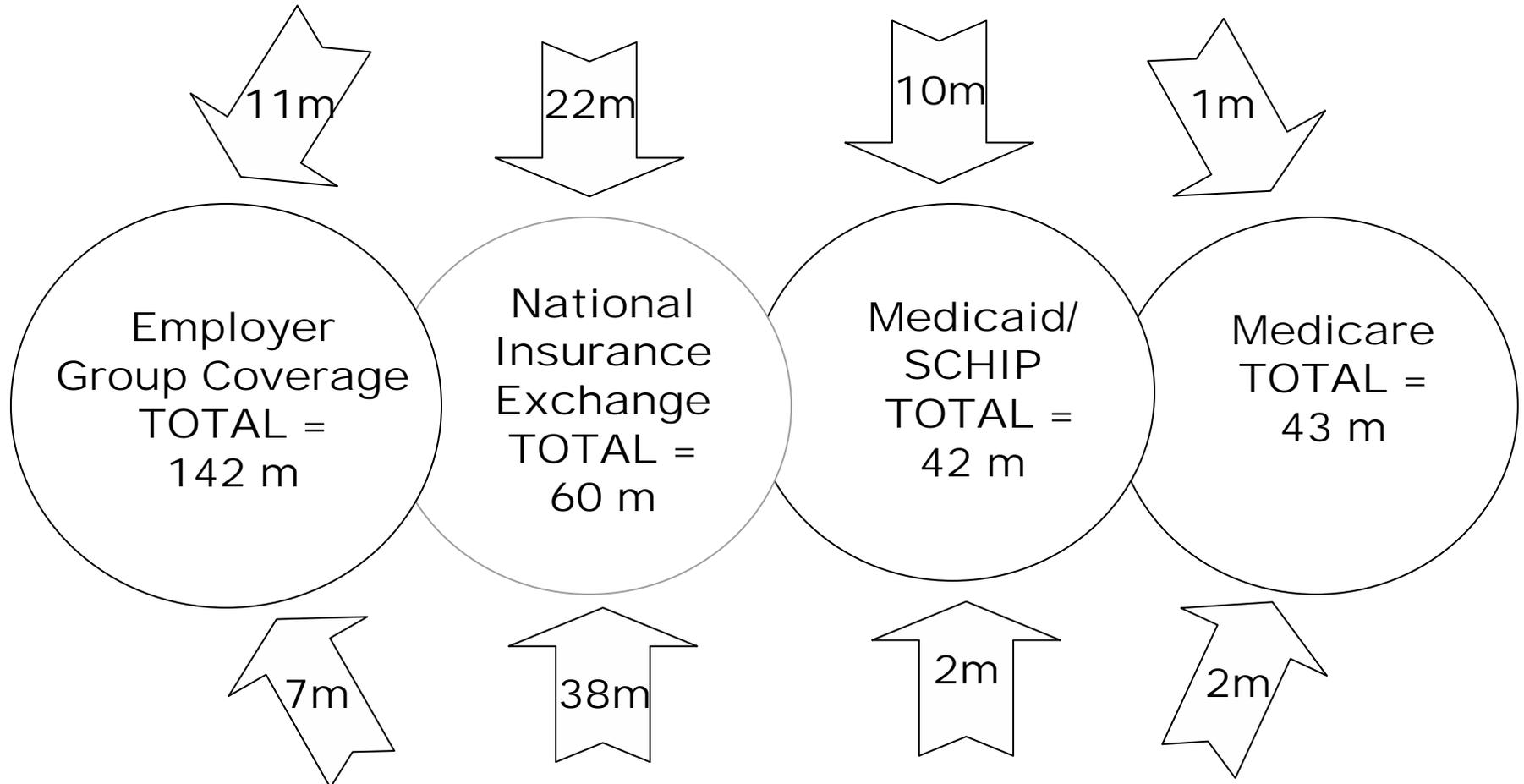


Source: Commonwealth Fund analysis of health reform proposals.



Building Blocks for Automatic and Affordable Health Insurance For All

New Coverage for 44 Million Uninsured in 2008



Improved or More Affordable Coverage for 49 Million Insured

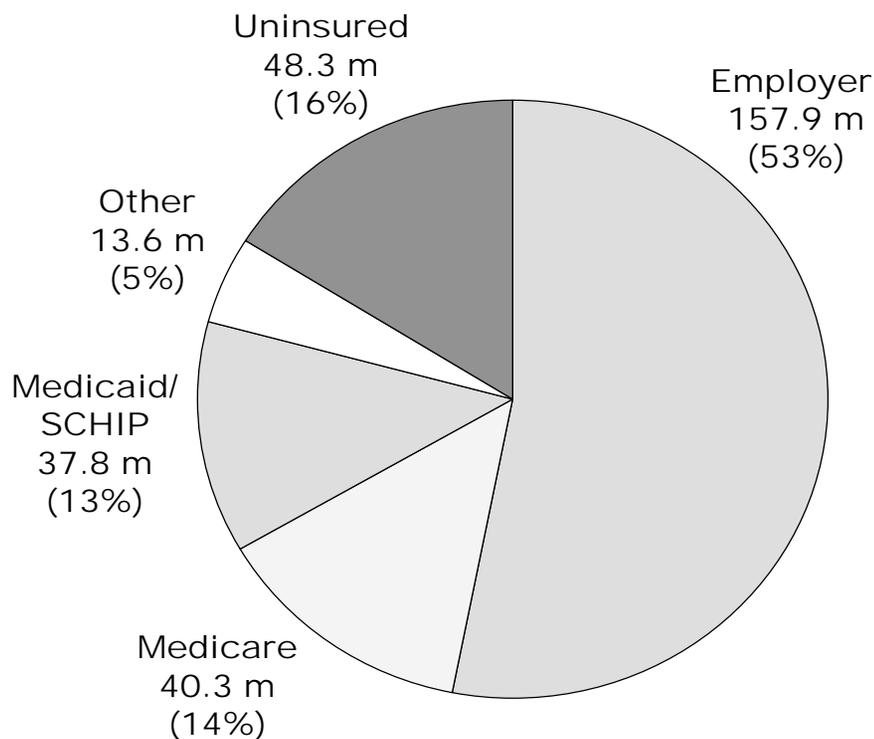
Source: Based on analysis in C. Schoen, K. Davis, and S.R. Collins, "Building Blocks for Reform: Achieving Universal Coverage With Private and Public Group Health Insurance," Health Affairs 27, no. 3 (2008): 646-657 from Lewin Group modeling estimates.



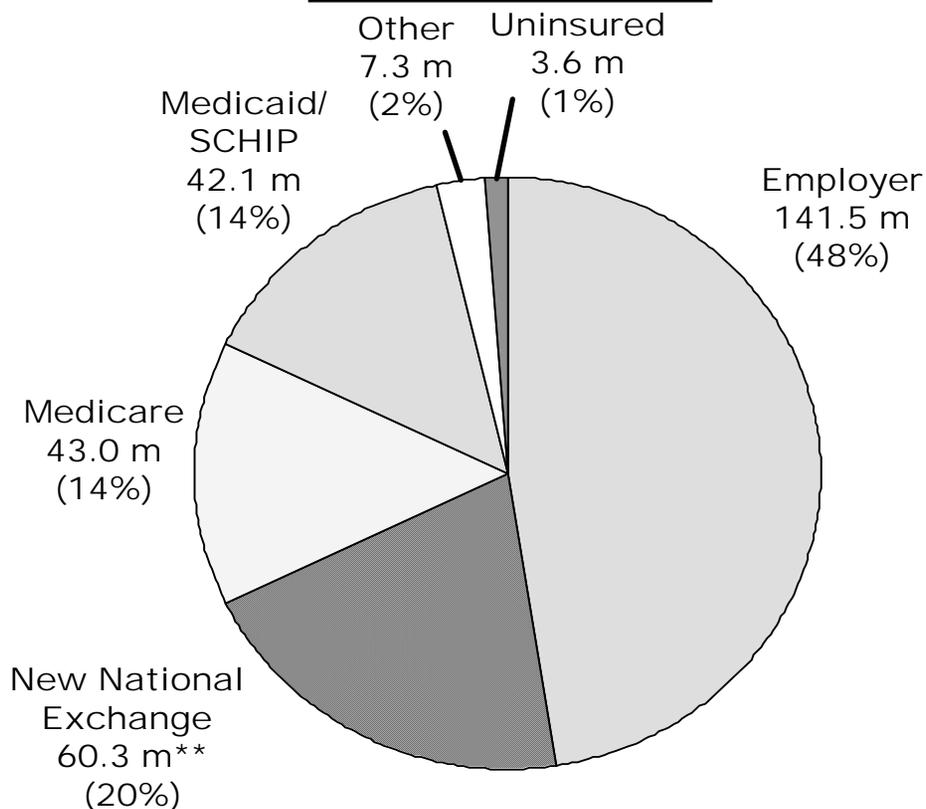


Distribution of People by Primary Source of Coverage Under Current Law and Building Blocks Framework, 2008

Current Law



Building Blocks



Total population = 297.8 million

****National Exchange: Estimates 1/3 enroll in private plans and 2/3 in new public plan.**

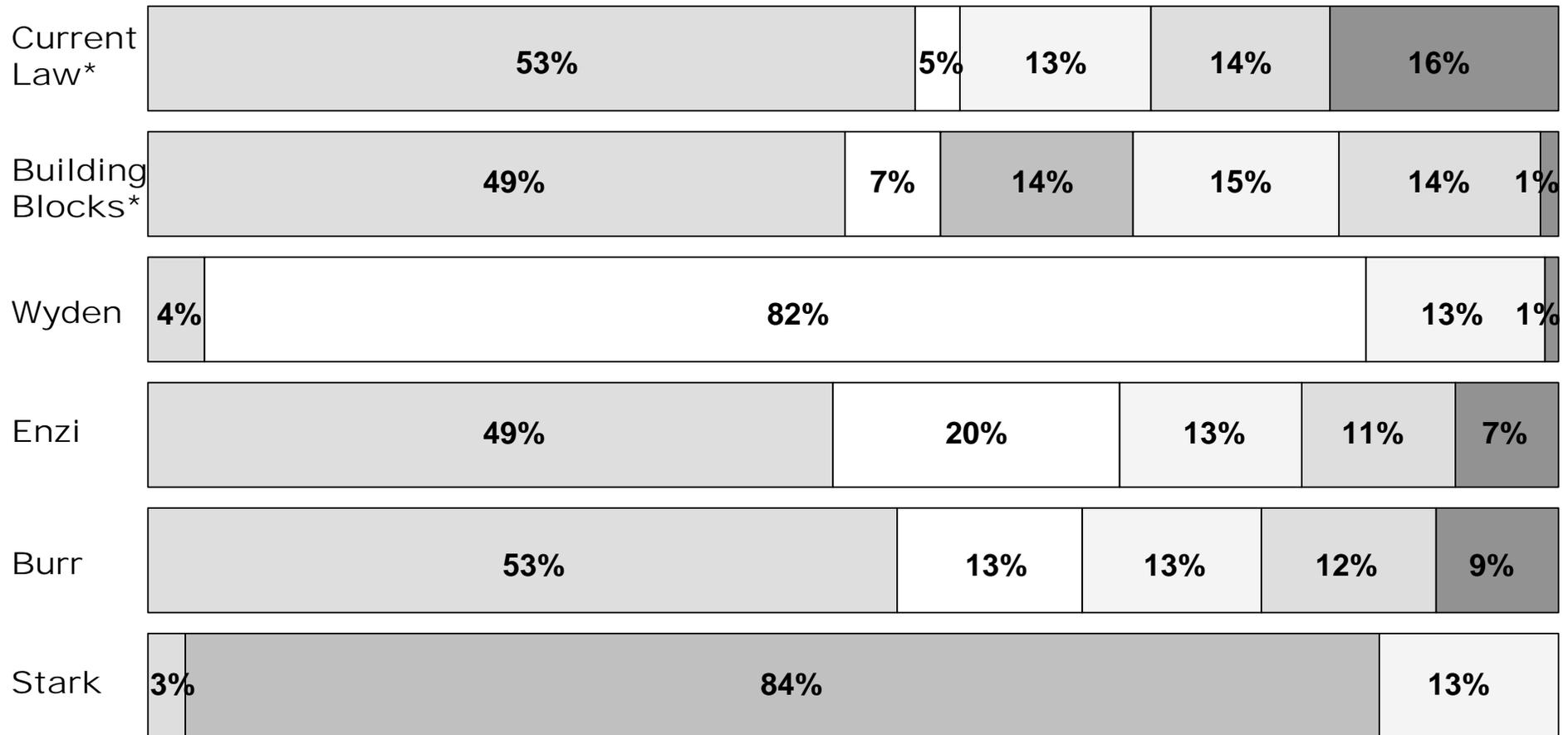
Source: Based on Lewin group estimates in Schoen, Davis, and Collins, "Building Blocks for Reform: Achieving Universal Coverage with Private and Public Group Health Insurance," *Health Affairs*, May /June 2008





Distribution of People by Primary Source of Coverage Under Selected Proposals, 2010

□ Employer □ Market/Exchange (Private) □ Market/Exchange (Public) □ Medicare □ Medicaid/SCHIP □ Uninsured



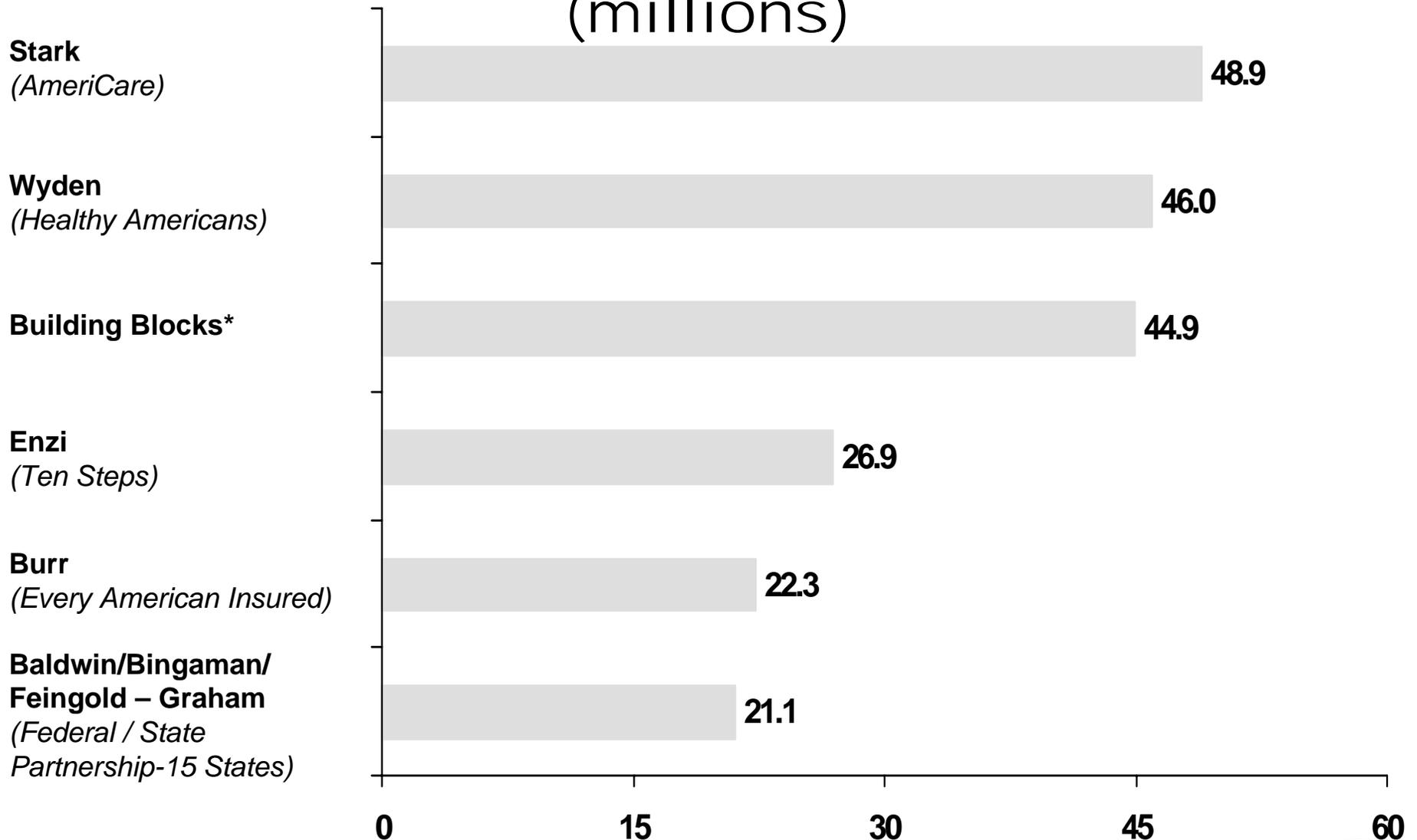
Notes: * based on 2008 estimates

Source: Based on Lewin group estimates in Collins, Nicholson, and Rustgi, "An Analysis of Leading Congressional Health Care Bills, 2007-2008: Insurance Coverage," New York: The Commonwealth Fund, 2008.





Uninsured People Newly Covered, in 2010 (millions)



Notes: Out of an estimated total uninsured in 2010 of 48.9 million.

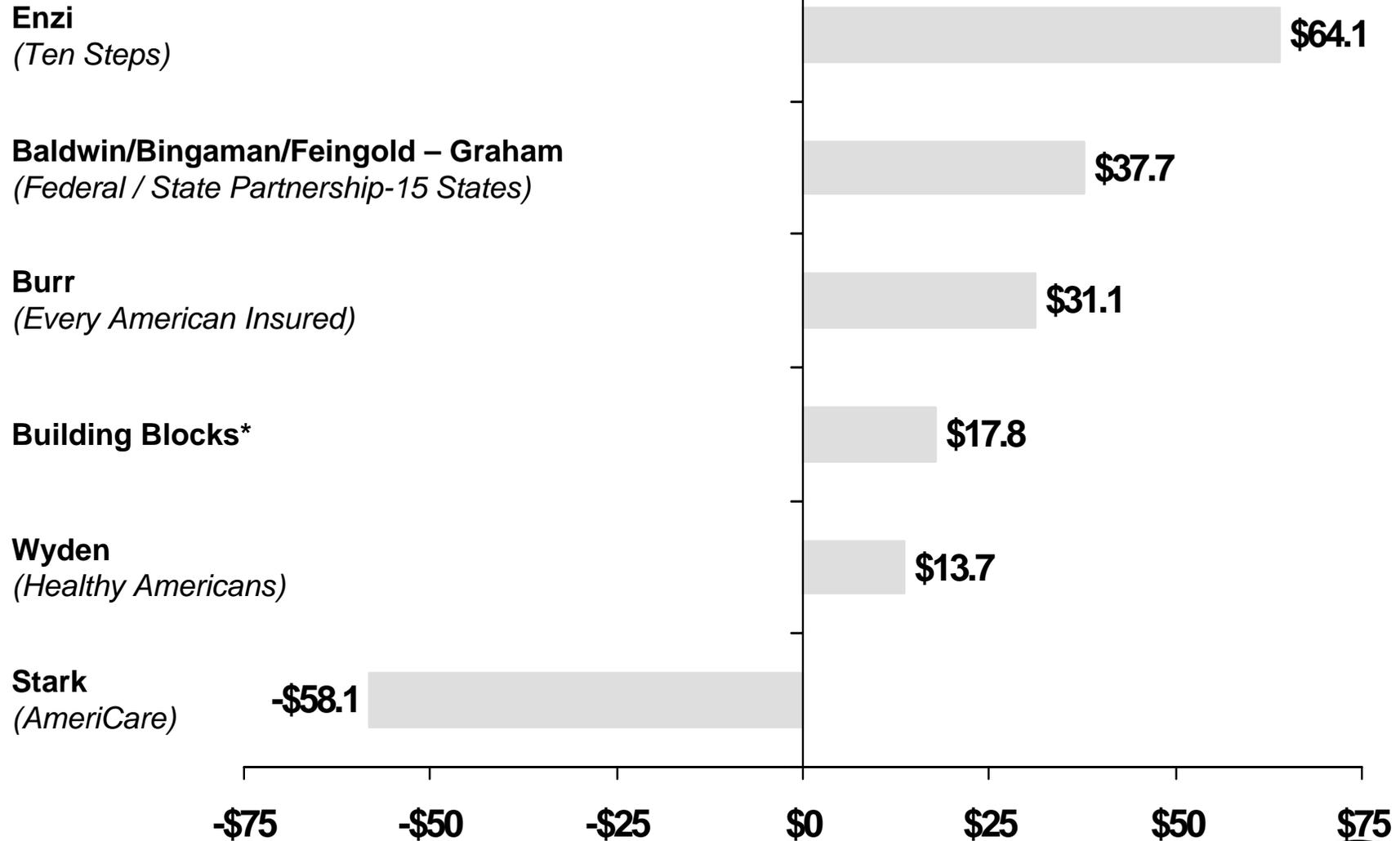
* Based on 2008 estimates

Source: The Lewin Group for The Commonwealth Fund.





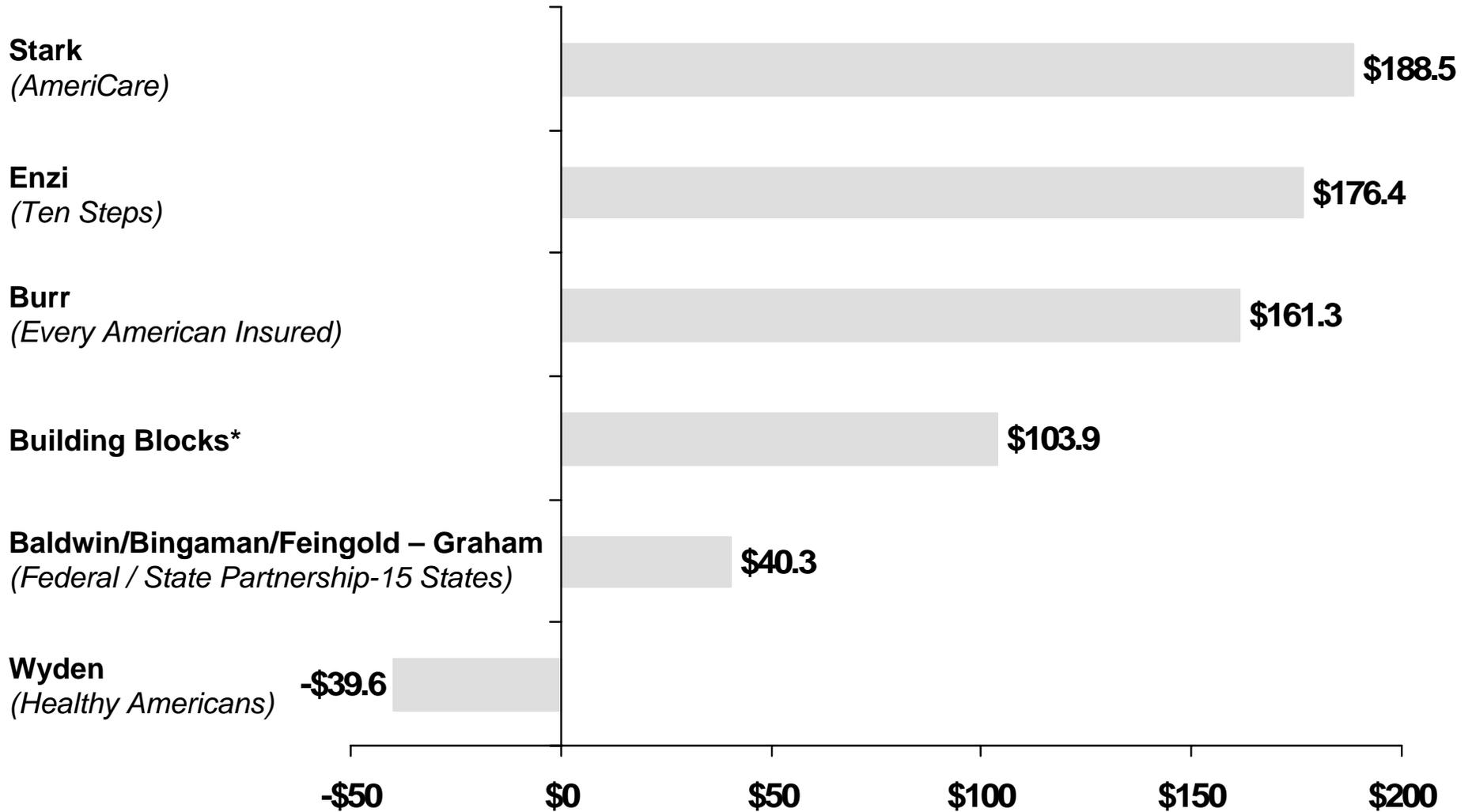
Change in National Health Expenditures, in 2010 (billions)



Notes: * Based on 2008 estimates
Source: The Lewin Group for The Commonwealth Fund.



Change in Federal Spending, in 2010 (billions)



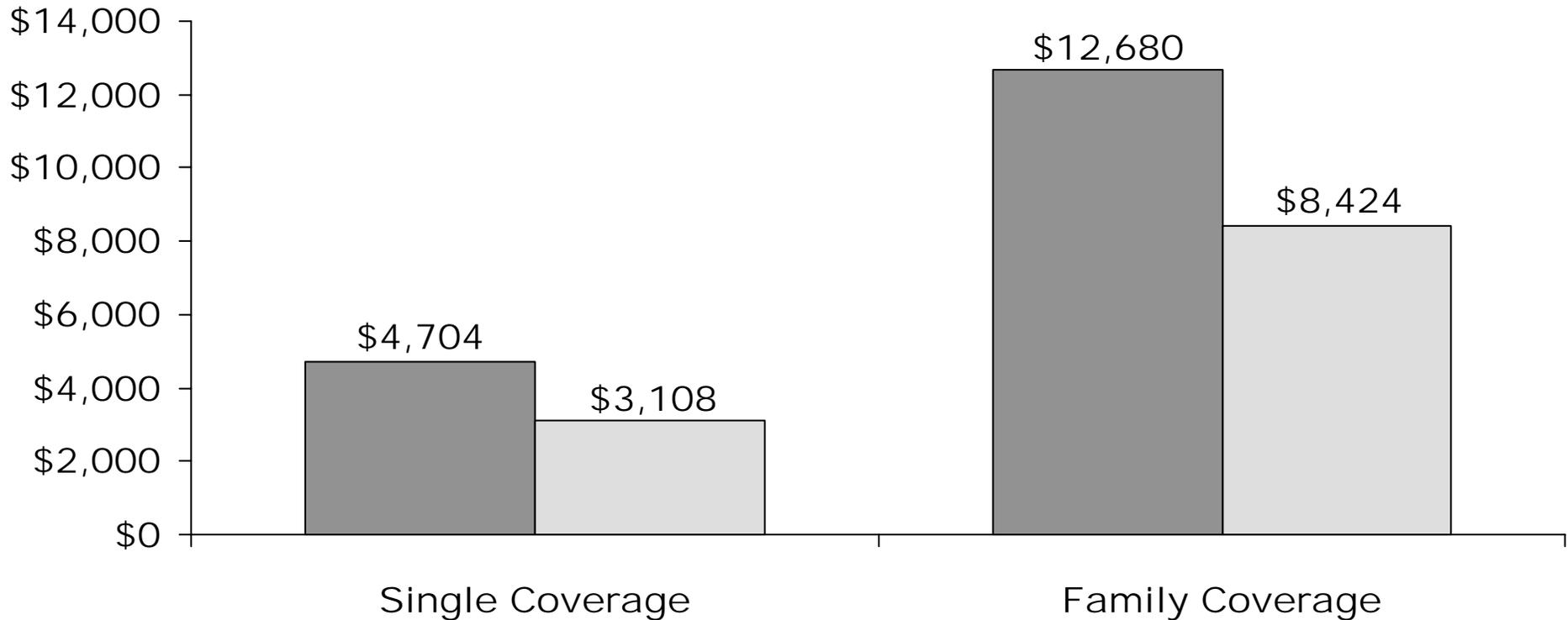
Notes: * Based on 2008 estimates
Source: The Lewin Group for The Commonwealth Fund.



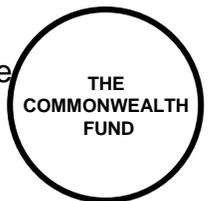


Building Blocks Lowers Annual Premiums for Individuals and Families

- Average Premium for Employer Coverage
- Average Premium for Medicare Extra Plan

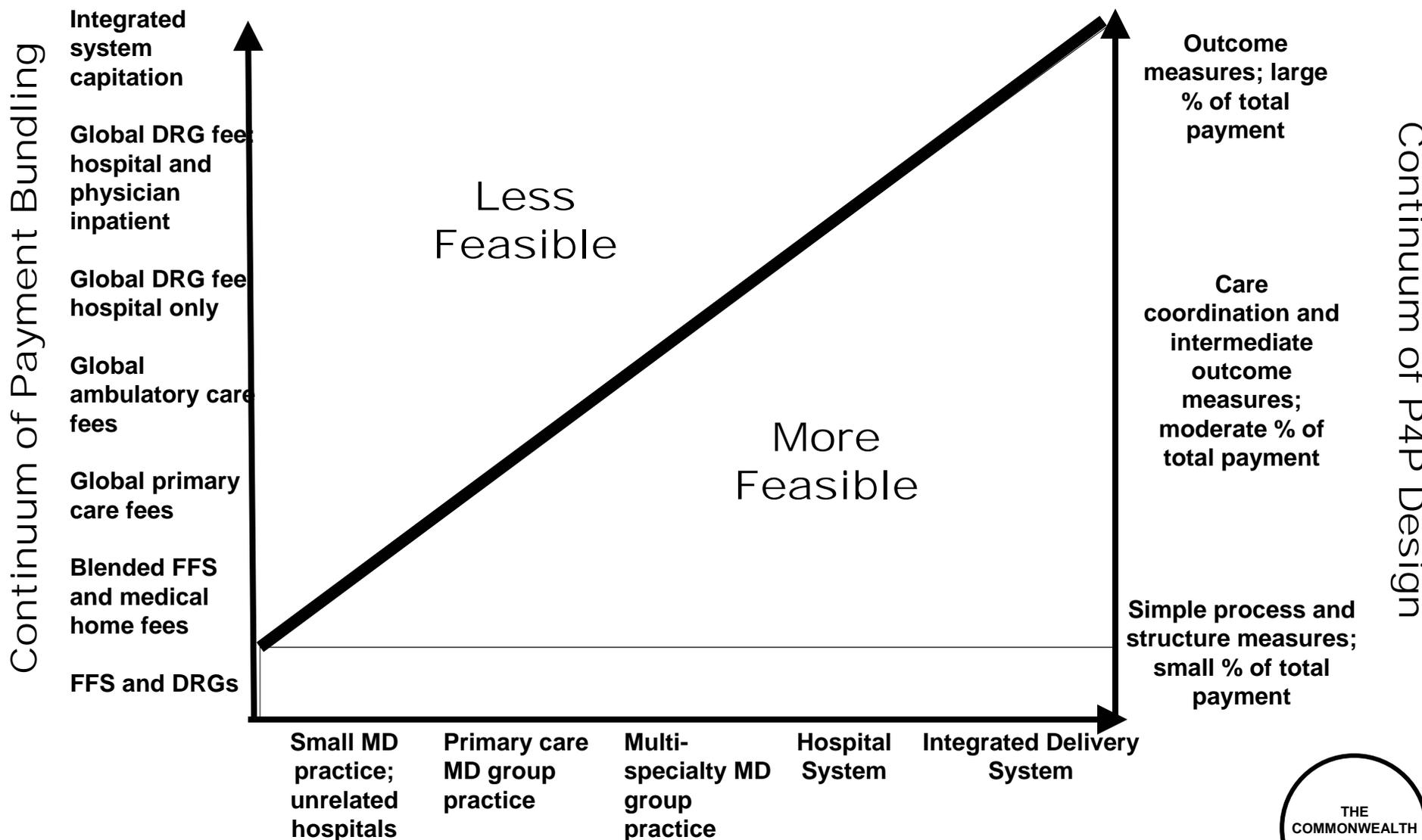


Source: C. Schoen, K. Davis, and S.R. Collins, "Building Blocks for Reform: Achieving Universal Coverage with Private and Public Group Health Insurance," *Health Affairs* 27, no. 3 (2008): 646-657; G. Claxton et al., "Health Benefits in 2008: Premiums Moderately Higher, While Enrollment in Consumer-Directed Plans Rises in Small Firms," *Health Affairs* 27 (2008): w492-w502 (published online 24 September 2008; 10.1377/hlthaff.27.6.w492).

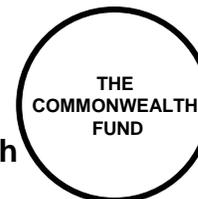




Organization and Payment Reform

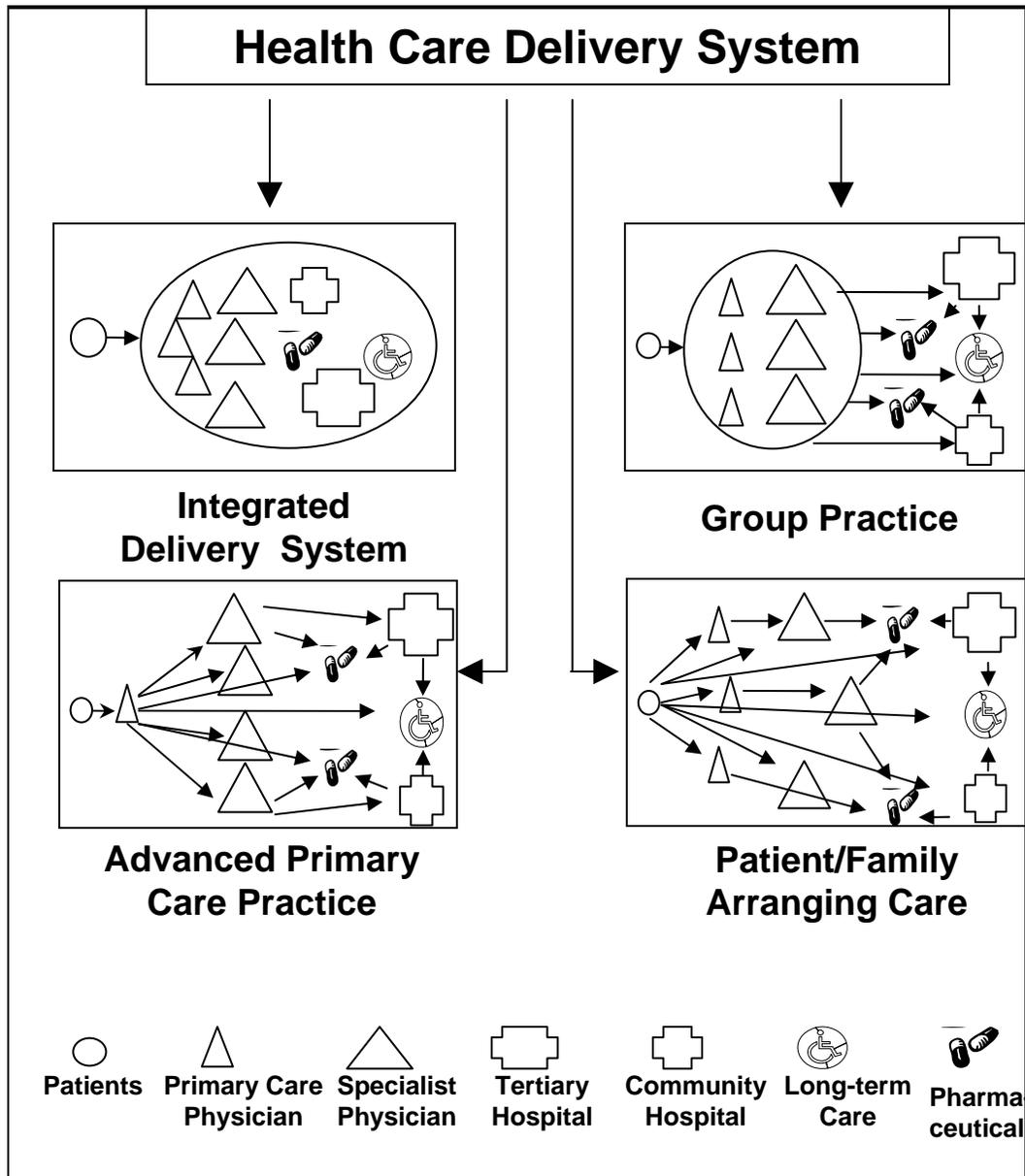


Source: A. Shih, K. Davis, S. Schoenbaum, A. Gauthier, R. Nuzum, and D. McCarthy, Organizing the U.S. Health Care Delivery System for High Performance, The Commonwealth Fund, August 2008





Delivery System Models for Care Coordination



- Incentives for public and private insurance enrollees to designate medical home with:
 - An advanced primary care practice;
 - A group practice; or
 - An integrated delivery system
- New payment methods for delivery systems assuming accountability for total patient care, patient outcomes, and resource use
- Establish performance standards for each of these delivery systems
- Funding for regional or state Primary Health Organizations to provide advanced primary care practices with:
 - IT network portal and IT support;
 - QI and care redesign;
 - Data reporting and profiling feedback; and
 - Case management support





Bending the Curve: Fifteen Options that Achieve Federal Budget Savings Cumulative 10-Year Savings

Lewin

Producing and Using Better Information

- Promoting Health Information Technology - \$ 41 billion
- Center for Medical Effectiveness -\$114 billion

Promoting Health and Disease Prevention

- Public Health: Reducing Tobacco Use -\$ 68 billion
- Public Health: Reducing Obesity -\$101 billion

Aligning Incentives with Quality and Efficiency

- Episode-of-Care Payment -\$377 billion
- Strengthening Primary Care -\$157 billion

Correcting Price Signals in the Health Care Market

- Reset Benchmark Rates for MA Plans -\$124 billion
- Negotiated Prescription Drug Prices -\$ 72 billion

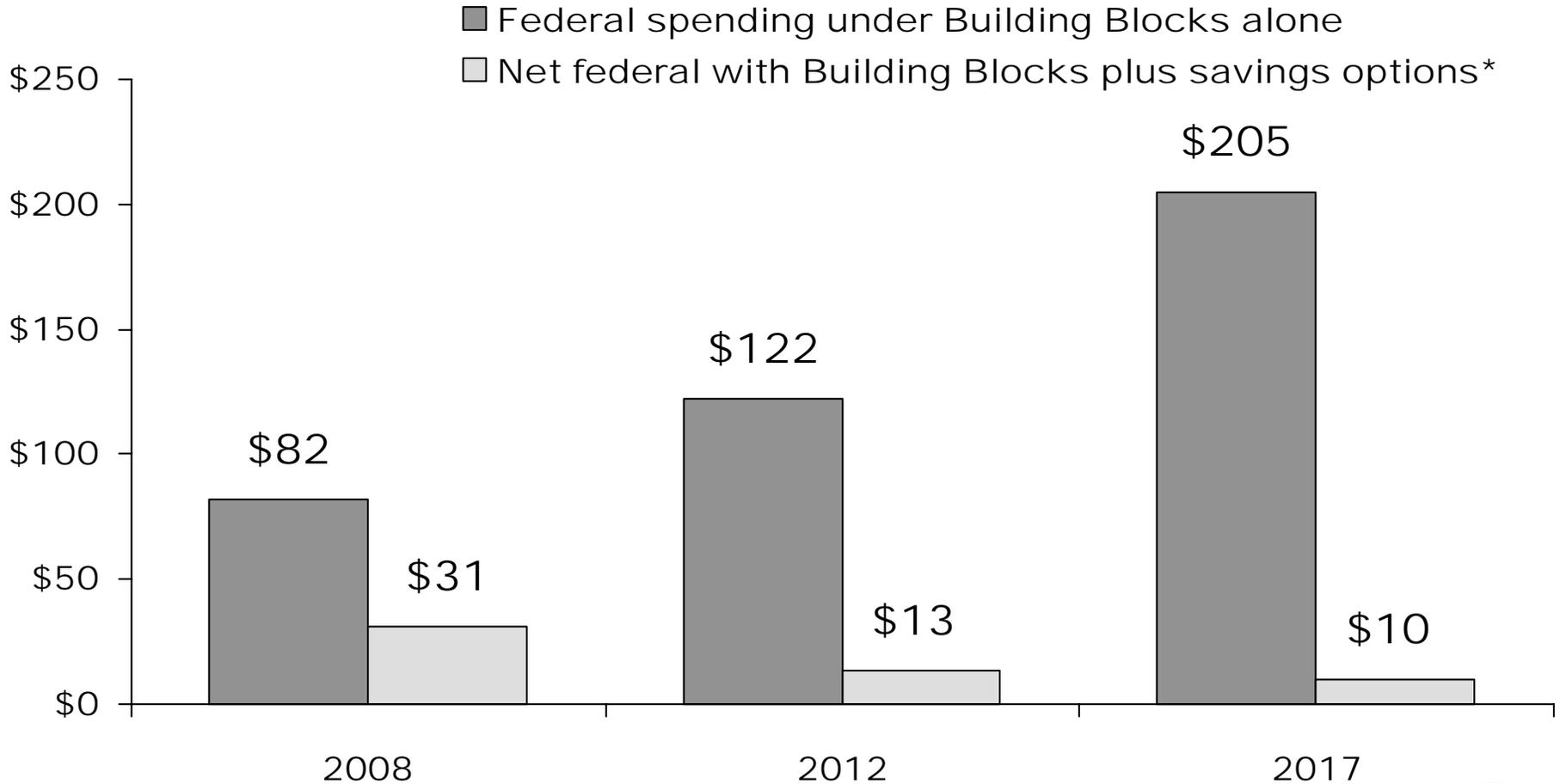
Source: C. Schoen et al., *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, Commonwealth Fund, December 2007.





Savings Can Offset Federal Costs of Insurance For All: Federal Spending Under Two Scenarios

Dollars in billions



* Selected options include improved information, payment reform, and public health.

Data: Lewin Group estimates of combination options compared with projected federal spending under current policy..

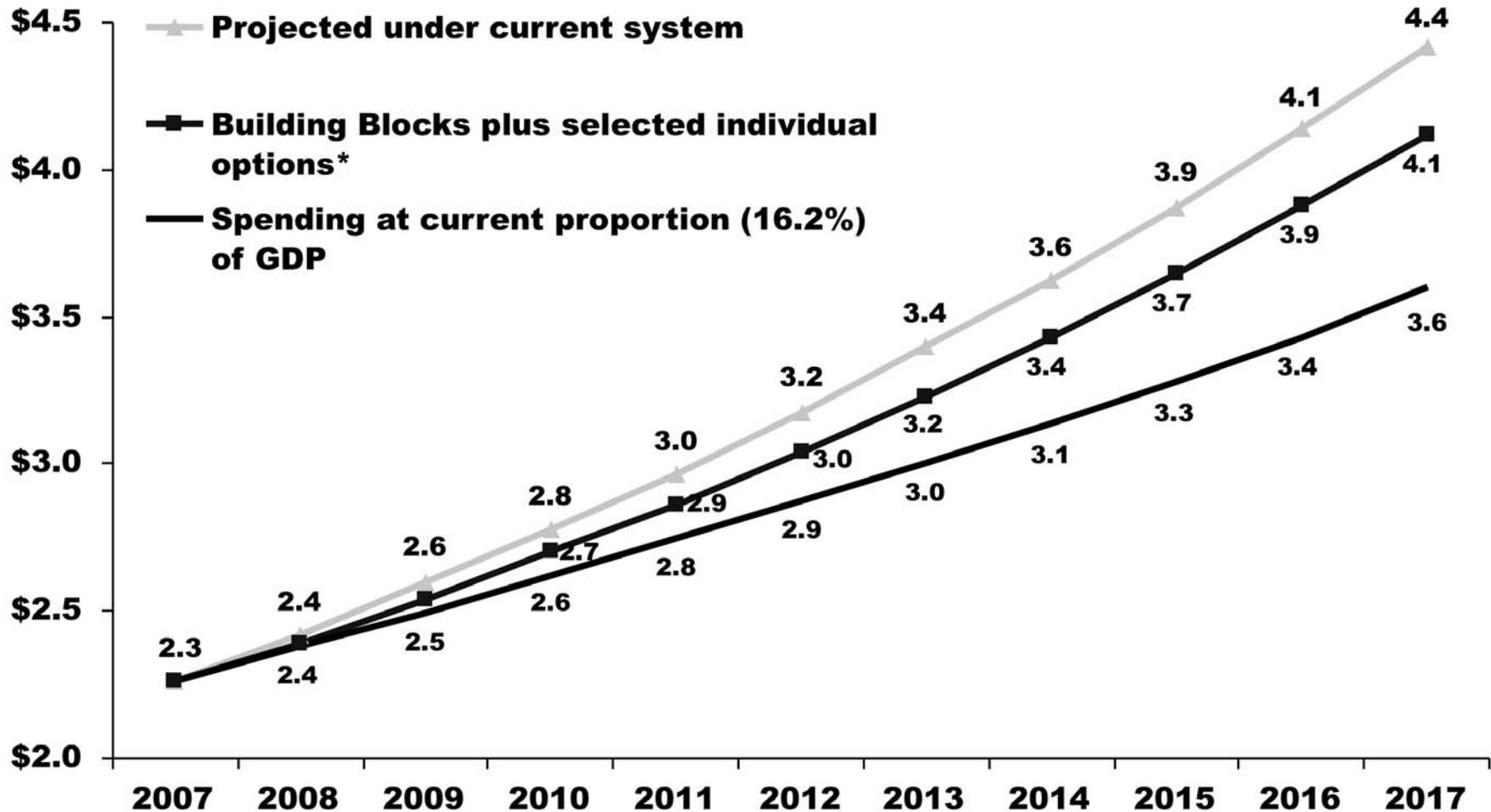
Source: Schoen et al. Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending, The Commonwealth Fund, December 2007.





Total National Health Expenditures, 2008–2017 Projected and Various Scenarios

Dollars in trillions



* Selected individual options include improved information, payment reform, and public health.
 Source: C. Schoen et al., *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, The Commonwealth Fund, December 2007. Data: Lewin Group estimates.





Health Board

- **Congress should consider delegating Medicare payment and coverage decisions to an independent Health Board under broad Congressional guidelines and targets**
 - **Payment methods and levels**
 - **Coverage of effective services, drugs, devices**
 - **Provider participation requirements**
- **Authorized to convene and collaborate with private payers and other parties to streamline and simplify policies**
- **Accountability should be ensured by a Congressionally-established framework for operation of the Health Board**
 - **Five-year targets on spending per beneficiary**
 - **Annual report to Congress evaluating impact and proposing key actions**
 - **Congress can substitute alternative plan, but if no action Board's decisions stand**
 - **Structured to ensure independence and ability to implement a long-range vision**





New National Policy Leadership

**Health
Information
Technology**

**Insurance
Exchange
and Market
Reforms**

**All-
Population
Data and
Transparency**

**Center for
Comparative
Effectiveness**

**Medicare
Payment
Reform**





Health Reform Strategic Legislative Choices for the Obama Administration

1. **Defer legislative action while pursuing administrative changes:**
 - **Set up Congressional working group or Commission charged with soliciting views and developing recommendations**
 - **Enact administrative changes through Executive Order or rulemaking**
2. **Make a down payment:**
 - **Quick action on bipartisan measures (SCHIP, HIT)**
3. **Long-range vision and first Incremental steps**
 - **SCHIP, HIT, comparative effectiveness, rapid experimentation with payment reform**
4. **Single legislative proposal with sequential phases and flexible roll out:**
 - **Sequential phases over a six- to eight-year period with cost savings front loaded and subsidies and mandates in later years**
5. **Early action on comprehensive reform**





A Possible Roadmap for Health Reform in Phases

Phase 1:

- **Improve the effectiveness and efficiency of health care, such as the implementation of health information technology and the establishment of a center for comparative effectiveness to improve decision-making**
- **Expand SCHIP to cover low-income children and low-income adults, perhaps phased gradually by income level**
- **Phase out Medicare's two-year waiting period for coverage of the disabled**

Phase 2:

- **Establish an independent health board with authority to make changes to Medicare payment and coverage, test new payment methods, and use leverage to reduce costs**
- **Set up insurance connector**





A Possible Roadmap for Health Reform in Phases

Phase 3:

- Implement health insurance exchange through which small employers and individuals could purchase coverage
- Implement health board with authority to pilot and roll out fundamental provider payment reform

Phase 4:

- Provide income-based premium assistance for the purchase of coverage
- Require shared financial responsibility for financing coverage, with contributions from federal and state government, employers, and households





Implications for Stakeholders of Building Blocks Framework

- **Employers**
 - Public plan option more affordable than premiums in small business market: 20-30% lower premiums
 - Levels playing field between firms offering coverage and those not providing coverage
 - Savings to employers of \$231 billion over 2010-2020
 - But higher costs to those who don't currently provide coverage
- **Providers**
 - Provider revenues enhanced by increasing Medicaid payment to Medicare levels and buying in uninsured at Medicare rates
 - Payment reforms reward primary care and high performers
 - But slower revenue growth over time than current law
- **Insurers**
 - Rewards integrated delivery system high performers
 - Expands enrollment in private plans from 53% to 55% of population; increases claims processing business under public programs
 - But lower profit margins and higher share of premiums for medical care
- **Households**
 - Eliminates financial hardship of premiums and out-of-pocket costs
 - Enhances access to care and primary care capacity





Most Controversial Reform Issues

- **Offering public plan option in health insurance exchange; national or state-run insurance exchange; rules for insurers**
- **Requiring shared financial responsibility:**
 - Individual mandate
 - Employers provide coverage or contribute to insurance fund; small firms?; employer premium subsidies?
- **Payment and system reforms**
 - Changing way hospitals and physicians are paid; slowing growth in payment over time
 - Negotiating pharmaceutical prices
 - Comparative effectiveness tied to insurance benefit design
- **Medicare**
 - Fiscal solvency over time as baby boom population retires
 - Improving Medicare benefits and financial protections comparable to those under age 65
- **Federal budget cost and financing options**
 - Generosity of premium assistance for low- and moderate-income families
 - How much savings from payment and system reforms; CBO scoring
 - Additional financing in out-years



Conclusion: Building on Current System is a Pragmatic Change Strategy

- **The U.S. has an historic opportunity to adopt reforms that will achieve a high performance health system**
- **The key ingredient is instituting a reform proposal that will ensure quality, affordable health insurance for all**
- **The U.S. has building blocks in its current mixed private-public system that can form the foundation for expansion of health insurance to all**
- **Fair competition between private insurance and public programs can achieve administrative savings and capture the strengths of both**
- **If combined with payment and health system reforms, health insurance for all can be achieved *simultaneously* with slowing growth in total health expenditures and offsetting part of out-year federal budget costs**





Upcoming Commonwealth Fund Reports and Activities

- **Analysis of Congressional Health Insurance Reform Proposals**
 - Release January 7
- **Bipartisan Congressional Health Policy conference**
 - January 10-12, 2009
- **Path to High Performance U.S. Health System: A 2020 Vision and Policies that Pave the Way**
 - Release in February 2009
- **Independent Health Board and National Leadership**
 - Release in May 2009
- **Funds for quick analyses of key issues, e.g.**
 - Insurance connector
 - Public plan
 - Payment and system reform
 - Medicare reform; Medicaid reform
 - Financing sources





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Health Policy Agenda for the Obama Administration: HHS Leadership Briefing

Michael Hash, Beth Fuchs, and Lisa Potetz of Health Policy Alternatives, Inc.
and Karen Davis, President, The Commonwealth Fund

12/30/08

NOTE: The options presented here are the product of a series of interviews with current and former policy officials and career staff of the Department of Health and Human Services (HHS), congressional staff, and other individuals with the experience and knowledge to identify key opportunities for policy leadership in the Executive Branch. The views expressed should not be attributed to the directors, officers, or staff of The Commonwealth Fund or Health Policy Alternatives, Inc.



HHS Health Policy Priorities

- **Budget:**
 - Redo FY2010 budget
 - Prepare FY2009 spending recommendations for new continuing resolution (current CR expires 3/6/09)
- **Health legislative agenda**
 - Decisions on health reform substance and process
 - SCHIP reauthorization and funding
 - Economic stimulus – Medicaid matching rate; NIH funding; construction of community health centers, health jobs and workforce retraining; increase NIH funding
- **HHS administrative actions**
 - Establish major themes
 - Build relationships with key Congressional committees
 - Recruit key people
 - Review and reshape waiver policies, regulations and Executive Orders
 - Mobilize department for effective action in support of President's health agenda



HHS Policy Priorities: Suggested Major Themes

- **Ensuring healthy children and adults, preventing disability, and saving lives**
- **Improving health insurance coverage**
- **Eliminating disparities**
- **Aligning incentives and eliminating waste**
- **Improving health system performance**





HHS Strategies: Health Outcomes

- **Set goals and priorities for health gains, issue scorecard tracking progress**
 - **Childhood obesity**
 - **Control of major chronic conditions**
 - **Preventive services, preventable mortality and disability**
- **Give priority to improving health insurance coverage of most vulnerable**
 - **Low-income children and adults**
 - **Disabled and older adults**
- **Reverse Executive Order on stem cell research**
- **Budget priorities for HHS programs essential to better health: community health centers, NIH, CDC**





HHS Strategies: Improving Health Insurance Coverage

- **Legislative priority to health reform; build Departmental analytic capacity**
- **Early reauthorization and adequate funding of SCHIP with quality standards and state performance targets**
- **Economic stimulus package – including enhanced federal Medicaid match and permanent countercyclical match**
- **Review of Medicaid/SCHIP waivers, regulations, letters to directors**
 - **Increased flexibility and waivers for states to expand coverage**
 - **Outreach and positive incentives for enrollment of eligible beneficiaries**
 - **Revise regulations on citizenship documentation**
- **Restore Medicare focus on beneficiaries including increased attention to beneficiaries dually eligible for Medicare and Medicaid**



HHS Strategies: Eliminating Disparities

- **Restore authority of Assistant Secretary for Health with Deputy for Disparities and Quality**
 - **Require HHS program-wide racial/ethnic data reporting; compliance with CLAS standards; and disparities reduction initiatives**
- **Community health center and National Health Service Corps strategy**
 - **Expand funding and improve targeting**
 - **Set performance goals on patient health outcomes, access, quality, care coordination, efficiency, equity**
 - **Convert CHCs to patient-centered medical homes equipped with modern health information technology**
 - **Enhance scholarship and loan incentives for recruitment and retention of physicians and other health personnel**
- **Workforce policy**
 - **Establish advisory commission with charge to address adequacy of primary care workforce, diversity, geographic dispersion**





HHS Strategies: Aligning Incentives and Eliminating Waste

- **Reform Medicare payment policy to fullest extent possible under current legislative authority**
 - **Mount vigorous payment pilots and demonstrations with rapid feedback on effectiveness and rollout as results are obtained**
 - **Accelerate value-based purchasing initiatives**
 - **Resume competitive bidding initiatives where effective**
 - **Support gain-sharing policy for physicians and hospitals**
 - **Review RBRVS physician fee schedule policy**
- **Launch anti-fraud and abuse initiative guided by profiling information**
- **Review performance of private contracts, including Medicare Advantage, Medicaid managed care, private drug plans**
- **Prepare comparative effectiveness initiative**





HHS Strategies: Improving Health System Performance

- **Task AHRQ with preparation and release of national scorecard on health system performance with priorities for improvement and achievable targets**
- **Set performance metrics for all HHS programs :**
 - **Medicare beneficiary outcomes, access, quality of care, efficiency, equity performance**
 - **Medicare and Medicaid managed care and private drug plan performance**
 - **Medicare provider performance**
 - **State health system performance including Medicaid beneficiary outcomes, access, quality of care, efficiency, equity**
 - **Improve HHS websites and public release of comparative data**
- **Develop and implement health information technology strategy**
- **Identify and promote spread of best practices and delivery system innovations to improve outcomes, quality, efficiency, access, and equity in Medicare and Medicaid, community health centers, and other programs**



HHS Administrative Priorities: Recruitment and Mobilization of Department

- **Communicate key themes and priorities to Departmental employees; form interagency work groups on major issues**
- **Build relationships with key Congressional committees**
- **Recruit key agency heads and senior staff**
- **Restore Assistant Secretary of Health with operational authority for Public Health Service agencies**
 - **Deputy for Disparities and Quality**
 - **Deputy for Preparedness and Response**
- **Enhance analytic capacity of Assistant Secretary for Planning and Evaluation including health reform modeling capacity**
- **Reach agreement on action priorities for agency heads based on collaboration and accountability**





Thank You!



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