Welcome

David Kohn
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Introductions

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Kellogg School of Management
Speakers


“The Democrats on Healthcare: Evaluating the Candidates’ Plans” by Sherry Glied, Columbia

“What the Candidates Aren’t Talking About (But You Need to Know)” by David Dranove, Northwestern
Video and Powerpoint presentations will be posted to our Web site:

http://www.northwestern.edu/ipr
Please...

Turn Cell Phones Off
Evaluating the Republican Candidates’ Health Plans

Katherine Baicker
Harvard University
December 10, 2007
Key Features of Plans

- How would insurance be provided?
  - Public program, employment-based private insurance, individual insurance market?
  - Mandates?
  - Differential subsidies for different types of spending?

- How would insurance be financed?
  - Overhauling tax treatment? Aid for low-income population?

- Other regulatory changes?
  - Malpractice, state regulation, . . .

- These choices result in net effects on number of uninsured people, cost of system (current level and future growth), distribution of resources
Some Things (Almost) All Republican Candidates Agree On

Bad
- Waste, fraud, and abuse
  - Frivolous lawsuits
  - Collusion, anti-competitive behavior
- Big government
  - Individual and employer mandates
  - Single payer system
  - Higher taxes
  - Expanded public programs
  - State benefit mandates and rating restrictions
  - Cumbersome drug approval process
Some Things (Almost) All Republican Candidates Agree On

- Good:
  - Free market
  - Higher quality and value:
  - Payments promoting high quality care
  - Price transparency
  - Health IT
  - Healthy lifestyles and prevention
  - Market reforms:
  - Portability
  - Streamlined regulatory processes
  - Availability of mandate-free insurance (national or across state lines)
  - State experimentation and innovation
  - Medicaid block-grants or flexibility
  - Pie in diners
Focus on a few issues

○ Treatment of employment-based insurance vs. individual market vs. direct health care purchases

○ Financing mechanism

○ Resulting effects on cost control and insurance coverage
Rudy Giuliani

- Provide a tax deduction for non-employer insurance
  - Roughly “flat” – if insurance costs less than deduction can deposit balance in HSA
  - Would shift people towards individual market

- Refundable tax credit for low-income pop

- “Tax cuts, not tax hikes”
Mitt Romney

- Allow all health care to be purchased with pre-tax dollars
  - Employment-based insurance, individual insurance, out-of-pocket costs

- Give states freedom to design subsidy
  - More control over Medicaid funds
  - Incentive to deregulate

- Financed by redirecting spending on uncompensated care
John McCain

- Replace current employer exclusion with flat tax credit
  - For use in either employer or individual market

- More emphasis on market reforms (including longer-term insurance policies, AHPs, prohibiting anti-competitive practices)

- “Pay only for high quality care”
  - Give states freedom to experiment with risk-adjusted Medicaid payment structures
  - Encourage coordinated care
  - Change Medicare reimbursement

- Require drug price transparency, allow reimportation
Mike Huckabee

- Give families tax deductions
  - Credits for low-income pop
  - In general move away from employment-based system

- Expand HSAs (enabling purchase of more care with pre-tax dollars)

- More emphasis on healthy lifestyles
Overall Effects

- Different effects on cost growth
  - Subsidy of (marginal) additional care
  - Subsidy of particular insurance forms

- Different effects on insurance coverage
  - Magnitude of incentive for coverage
  - Size of low-income subsidy
  - Affordability of insurance for chronically ill

- Financing?
Democratic Candidates’ Health Care Plans

Sherry Glied, Ph.D.
Columbia University
Identical Goals

1. Universal Coverage
2. Affordable Coverage
3. Improved Quality of Care
Universal Coverage Strategies

- Single public plan
  - Medicare-for-all
  - Kucinich

- Centrally organized system of competing private plans
  - Managed competition
  - Clinton I

- Mixed coverage
  - Employer + Medicaid + Purchasing umbrella +?
## Shared Elements

<table>
<thead>
<tr>
<th>Feature</th>
<th>Clinton</th>
<th>Edwards</th>
<th>Obama</th>
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</thead>
<tbody>
<tr>
<td><strong>Purchasing umbrella</strong></td>
<td>Health Choices Menu</td>
<td>Health Markets</td>
<td>Nat’l Health Insurance Exchange</td>
</tr>
<tr>
<td><strong>Income-related individual subsidies</strong></td>
<td>Refundable tax credits</td>
<td>Refundable tax credits</td>
<td>Income-related subsidies</td>
</tr>
<tr>
<td><strong>Employer contributions</strong></td>
<td>Large employers</td>
<td>All employers</td>
<td>All employers</td>
</tr>
<tr>
<td>Shared Elements (2)</td>
<td>Clinton</td>
<td>Edwards</td>
<td>Obama</td>
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<tr>
<td><strong>Insurance Regulation</strong></td>
<td>Set minimum loss ratio</td>
<td>Require 85% premiums on care</td>
<td>Disclose loss ratio; minimum in areas w. low competition</td>
</tr>
<tr>
<td><strong>Expand Medicaid SCHIP</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>End tax cuts &gt;250K</td>
<td>&gt;200K</td>
<td>&gt;250K</td>
</tr>
<tr>
<td>Differences</td>
<td>Clinton</td>
<td>Edwards</td>
<td>Obama</td>
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<tr>
<td>Public plan option</td>
<td>Medicare-like</td>
<td>Medicare-like</td>
<td>FEHBP-like</td>
</tr>
<tr>
<td>Employer subsidies</td>
<td>Small Business</td>
<td>None</td>
<td>Re-insurance</td>
</tr>
<tr>
<td>State flexibility</td>
<td>None</td>
<td>None</td>
<td>Maintain if minimum standards</td>
</tr>
<tr>
<td>Mandate</td>
<td>All</td>
<td>All</td>
<td>Kids only</td>
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</tbody>
</table>
Do Differences Matter?

Public plan option
- Stealth single payer vs. bureaucratic complexity (FEHBP within exchange)

Employer role
- Maintain as coverage vs. maintain as financing
Do Differences Matter? (2)

State flexibility
- Vermont + Massachusetts vs. Mississippi
- SCHIP success?

Mandates
- Feasibility (kids/adults)?
- Universality?
What to Ignore

Details – none here – and don’t expect to see them before election day!

Financing – estimates are mainly “PFA”—Cost containment and financing over time?

Employer contributions – passed along to workers
## Cost Containment: Similarities

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<tr>
<td><strong>IT</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td><strong>Information transparency</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Malpractice reform</strong></td>
<td>Link to error reporting</td>
<td>Link to error reporting</td>
<td>Link to error reporting</td>
</tr>
<tr>
<td><strong>Medicare advantage</strong></td>
<td>Reduce payments</td>
<td>Reduce payments</td>
<td>Reduce payments</td>
</tr>
</tbody>
</table>
## Cost Containment: Similarities (2)

<table>
<thead>
<tr>
<th></th>
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<th>Obama</th>
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</thead>
<tbody>
<tr>
<td><strong>Chronic care coordination</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>Drug costs</strong></td>
<td>Part D negotiation, patent laws</td>
<td>Reimportation, patent laws</td>
<td>Reimportation, patent laws, Part D</td>
</tr>
</tbody>
</table>
Cost Containment?

• NO serious plans for cost containment

• All propose “painless” strategies

• Savings from insurers and drug companies – not reduced choice, lower prices, higher cost-sharing, or (substantial) changes in tax treatment
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<th>Obama</th>
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</thead>
<tbody>
<tr>
<td><strong>Best practices</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>P4P</strong></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td><strong>We’re for it!</strong></td>
<td>Don’t pay for never events</td>
<td>Promote prevention, medical homes</td>
<td>Strengthen public health</td>
</tr>
</tbody>
</table>
Quality?

• Motherhood and apple pie

• Missing
  – Variations
  – Integrated delivery systems
Other Elements: Rhetoric

- Clinton leads with coverage choices
- Edwards leads with employer responsibility
- Obama leads with costs
Conclusions

• Plans stake out territory

• Differences are not very meaningful
  – Differences will not survive crafting legislation and developing real cost estimates

• Focus is on coverage – cost and quality are a distant second
What the Candidates Aren’t Talking About (but you need to know)

David Dranove
Kellogg School of Management
Institute for Policy Research
Northwestern University
Issue 1: Cost Containment

• Few argue that we spend our money wisely
  – Wrong incentives and inadequate information
• Managed care showed great promise
  – Democrats feasted off of public anxiety
  – HMOs became the “third rail” of health politics
• CDHP is now the Republican darling
  – But they target the wrong people
  – RAND forecasts modest savings at best
Cost containment (cont.)

• Everyone invokes the mantras
  – Prevention, disease management, reduce waste
  – “Plus ça change...”

• We also hear a lot about promoting competition
  – The rhetoric is about cutting Rx and insurer profits
  – This will hardly make a dent in spending
  – Only McCain has addressed provider mergers

• What will the candidates do?
  – Cut prices?
  – Cut quantities?
  – How?
Issue 2: Entitlement

• No candidate will guarantee a homeless person a $300,000 home or generous meals
  – But many candidates are promising equal access to the world’s most advanced healthcare system
  – Is this the best way to help the needy?
• Do we want a fully level playing field?
  – If so, are we prepared to ration? Or are we to accept spiraling costs?
  – If not, then how will we decide the basic benefits that will be available to all?
• The candidates are silent on these difficult questions
Issue 3: Technological Change

• Tech change is the most important long-term driver of cost and quality
  – From X-rays and antiseptics to dialysis, CT, prosthetics and CABG
  – On the horizon: pharmacogenomics, microrobotic surgery, implantable hearts, and someday, the ability to grow new organs

• Some complain that tech change is not worth the cost

• But compelling research shows that the benefits greatly outweigh the costs
Tech change (cont.)

• New technology has always resulted from joint public and private sector efforts
  – Profits from the U.S. health economy have been an important spur
  – Rest of world free rides off of U.S. largesse
• This is not the only model for technology development
  – But it is the only one we know about
• Will a change in financing take decisions about technology out of the private sector?
• If so, will the Luddites have their way?
• What is each candidate’s vision for the future of medical technology?
Issue 4: Information Technology

- All candidates acknowledge the need to improve electronic medical records (EMRs)
  - Initiatives to lower cost, boost quality, and expand access depend on it
- Much needs to be done
  - We need true linkages across all providers
  - We need more comprehensive data on outcomes
  - We need third-party access to facilitate research
- But how far will the candidates go?
  - Will they subsidize EMR purchases by MDs and other poorly capitalized providers?
  - Will they impose a universal standard?
  - Will they fight the privacy advocates?