

New Directions in Health Care US Perspective: Health Reform 2010

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Beijing China

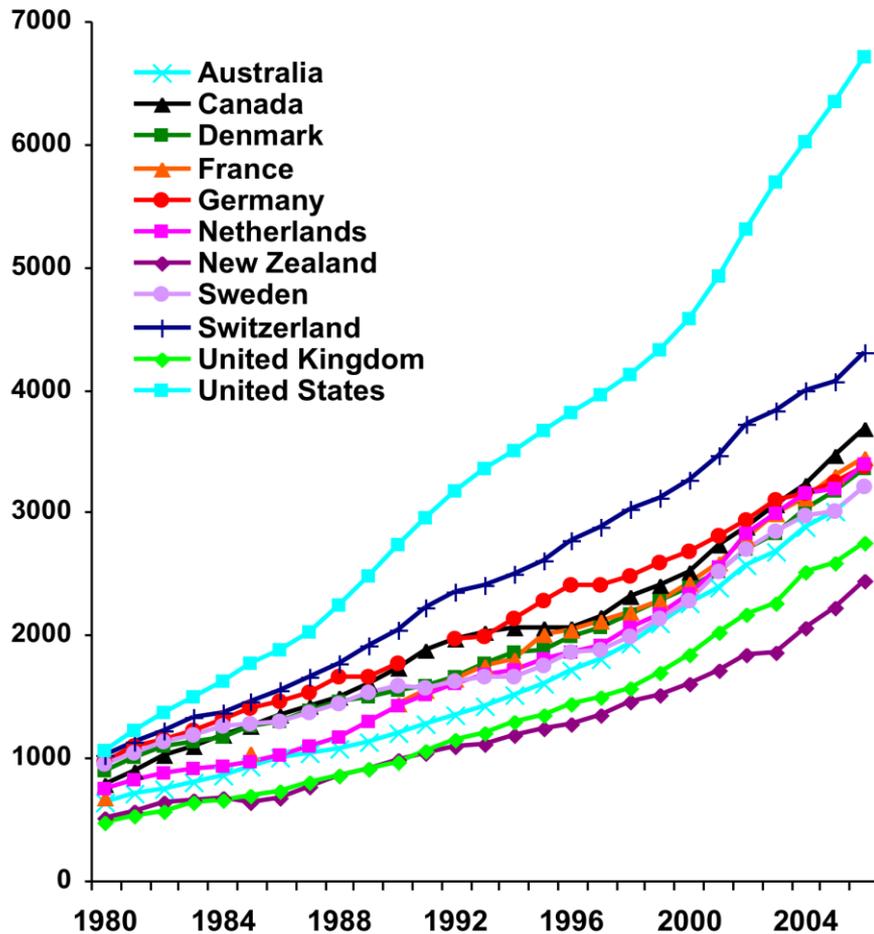
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November 2010**

- **Urgent need for reform: case for change**
- **Timeline for reform**
- **Major elements of the insurance reform**
- **Reforms not fully addressed – care delivery**

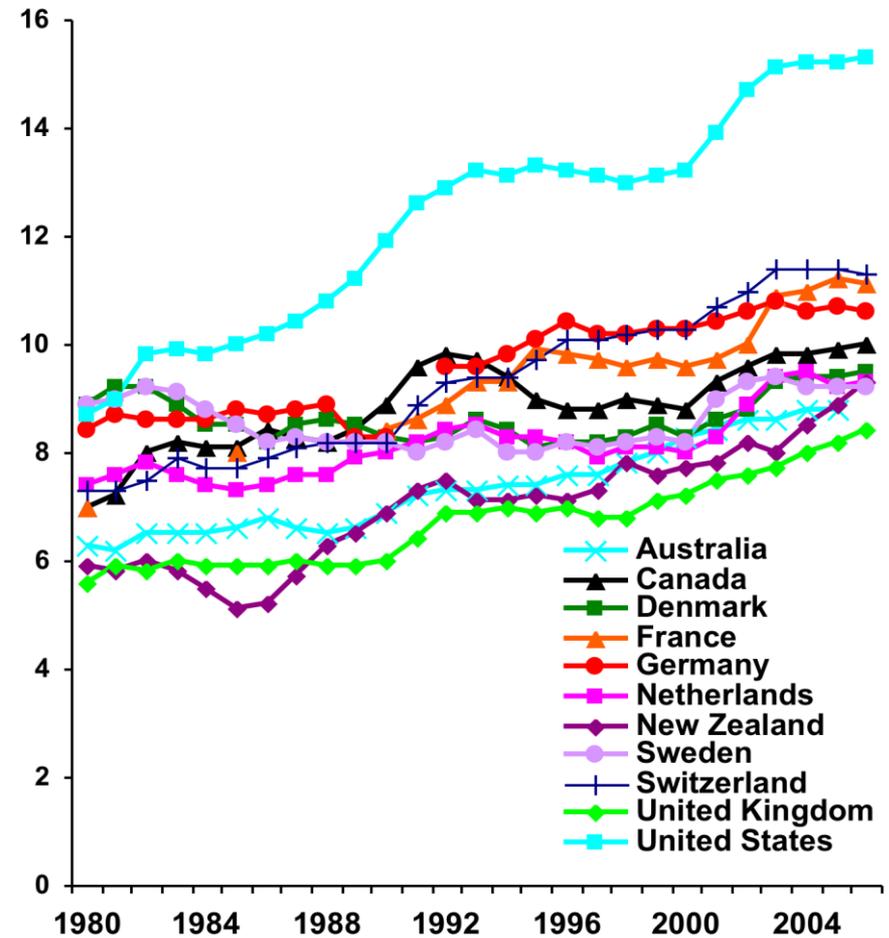
- **Crisis of *access***: more than 50 million in US without health insurance - exacerbated by job loss in 2008-2009
- **Crisis of *cost*** (average \$12,000/year/pp); *affordability* (businesses, individuals); year-over-year *rate of increase* in cost
- **Crisis of *confidence***: increasingly visible variation in quality and health outcomes; social inequity and disparity by class, race, geography

International Comparison of Spending on Health 1980–2006

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



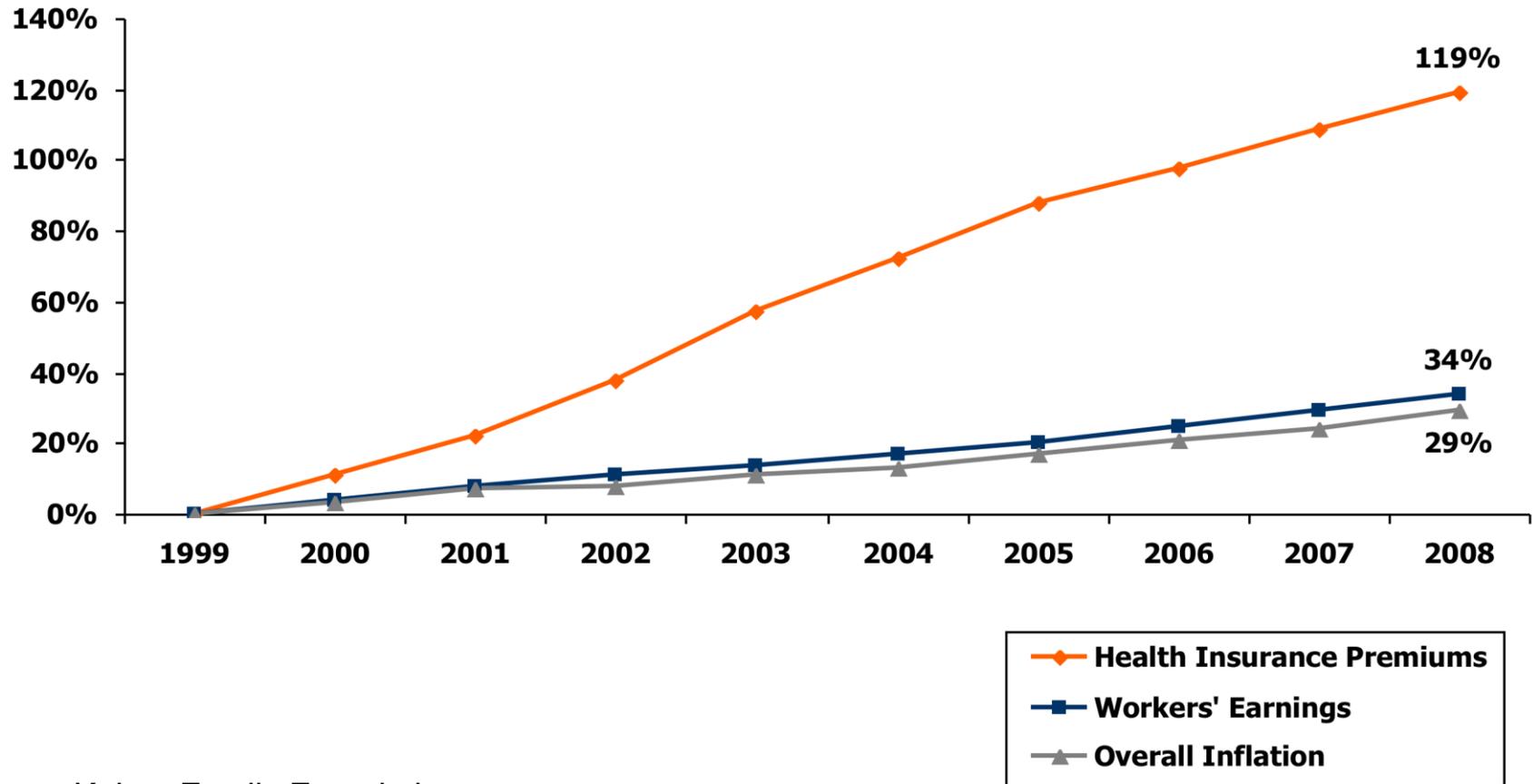
Total expenditures on health as percent of GDP



Data: OECD Health Data 2008 (June 2008)

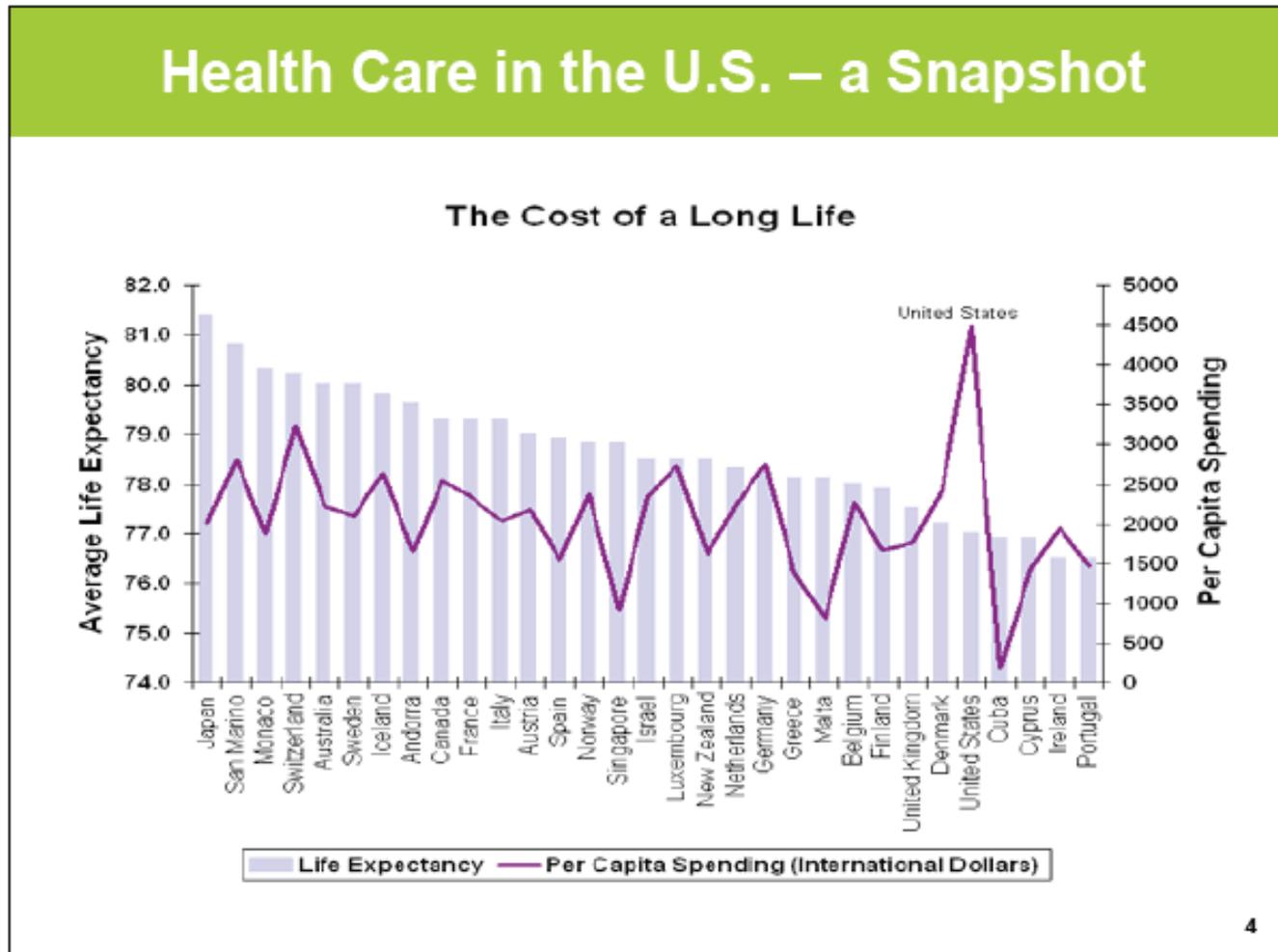
Source: Commonwealth Fund

Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008



Source: Kaiser Family Foundation

Health Care in the U.S. – a Snapshot



- **Most elements of reform - 2014 to 2018**
- **Largest domestic program since the 1940's, involving 1/7th of the US economy, 2.5 trillion US\$ – 16.7% of GDP in 2009**
- **>2500 pages of law; years of regulations and rulemaking ahead to actually implement**
- **9/23/10 –insurers must cover children; federal funding of state “high-risk pool” for those uninsurable because of health conditions; young adults up to age 26 can be insured on parents health plan**

- Insurers can not deny coverage for “pre-existing condition”
- No lifetime limits (or, “caps”) on coverage
- Everyone must have/buy health insurance
- Establishes “Insurance Exchanges”, new marketplace in each State for individuals and small businesses to shop for and buy insurance – rules of Exchange set by Federal government, run by the States
- Subsidies for low-income purchasers (individuals and small businesses) through the Exchange
- 32 million newly insured by 2018 (94% population)

- **Builds on, rather than replaces, employment-based health insurance**
- **Expands coverage through public programs for the poor (Medicaid) – raises income level for eligibility**
- **Sets new rules for insurers in the private market: standardized insurance products**
- **Lays a foundation for future efforts at cost control: goal is to lower the rate of year-over-year rate increases**

- **3 major drivers of cost in the US**
 - 1) **“Fee-for-Service” – pay for volume of services, not health outcomes, for doctors and hospitals**
 - 2) **Rapid uptake, spread of new technology: marketing, not proof of benefit**
 - 3) **Expensive, administrative complexity, particularly in individual market: insurance Exchanges likely to reduce. New law limits allowable administrative expenses**

- Addressing *affordability*, and improving *quality and value* requires fundamental change
how we pay for care and how care is organized and delivered 1)
2)
- Consensus that “fee-for-service” must change
- New payment models to reward value, efficiency of resource use (accountability for the *quality and cost* of care) will drive new organizational models
- Accountable Care Organizations (ACO):
“physicians and hospitals jointly responsible for the *quality and cost* of care received by the ACO’s panel of patients”

Elements of Accountable Care Systems

- **Unified electronic medical records**
- **Coordination of care across conditions, providers (doctors and hospitals), settings, and time**
- **Fully functioning team-based care**
- **Ability to both measure and improve care**
- **Ability to accept responsibility for the full spectrum of quality and cost performance**
- **Rewards based on delivering health and economic value to a dedicated population of patients**

- **Shared Savings (ACO pilot) 2012 – FFS plus bonus for efficiency**
- **Medicare and Medicaid Innovation Center 2011- new models of payment in public plans**
- **National Healthcare Workforce Commission 2010 address scope-of-practice issues, adequacy and types of health care workers needed**
- **Patient-Centered Outcomes Research Institute (CER)- 2010 – comparative effectiveness research**
- **Hospital performance measures**
- **Quality bonus in Medicare Advantage program**

- **Very ambitious new domestic program in a severe recession**
- **President Obama 2/09: reform must be deficit neutral, with financing coming from**
 - 1) savings based on health system improvements in quality, efficiency and**
 - 2) new sources of revenue (fees, taxes, surcharges etc)**
- **Total price tag estimated at >\$980 Billion**

Many Social Policy Issues Raised by Health Reform Debate

- **What is the relationship between government and its citizens?**
- **What is the role of government?**
- **Which responsibilities should be addressed by the Federal government and which by the States?**
- **How do we balance the private market and government programs to achieve the best results?**
- **What kind of social safety net should the government provide for the most vulnerable in society?**
- **How will new government services be paid for?**

- **Very ambitious domestic program, with profound social, cultural, economic and political implications**
- **Will impact everyone in the US, every sector of the economy**
- **Long time horizon for full implementation and realization of benefits; will evolve over time**
- **Changes in political leadership may bring challenges to unpopular elements of the program**
- **But, inaction was no longer possible**