FEATURE STORY

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healthcare reform revisited

As we enter the final phase of the election cycle, discussions of healthcare reform are again claiming a significant place in the campaigns of the two leading presidential candidates.

A year ago, it seemed health care would hold a central role in the political discussion. It had been reported as the No. 2 issue for Republicans, Democrats, and Independents alike.

But then the economy began to falter. And with so much attention being given to the subprime mortgage morass coupled with the high price of gasoline, it is hardly surprising that issues relating to the economy, economic security, and Iraq have somewhat eclipsed health care.

With all this economic turmoil, it's a testament to the importance of the issue of health care that it has remained so much in the limelight. It remains a significant concern particularly for swing voters, who are important determiners of election results. And the problems it poses are formidable—unsustainable increases in healthcare spending, the sizeable and growing number of people without health insurance coverage, and substantial numbers of people experiencing problems with patient safety and clinical appropriateness.

Lessons from the Past

As all who have any interest in healthcare reform painfully remember, the last serious flirtation with major reform strategies for health care occurred during the election of 1992 and the period surrounding the Clinton administration's Health Security Act, which commenced in the next year.

During 1993 and 1994, healthcare reform had been termed a "political imperative" by various

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political pundits, with predictions that Congress would be forced to pass major legislation or face the consequences of an angry public. In fact, the opposite turned out to be closer to the truth. Instead of being a rebuke to those who did not support the Clinton plan, the 1994 election ushered in a majority Republican Senate and, for the first time in 40 years, a Republican House of Representatives. Polls before and after the election indicated that a backlash to the Clinton health plan was a significant factor in the off-year election results.

How could seasoned politicos have missed the mark by so much? Disconnects between what people say from one moment to the next are notorious in polling data, and statements taken out of context can be misleading about what the public will embrace or fear. For example, a person responding to a poll might agree that the nation's health care is in need of major change, but the same person might also say, "I am pretty satisfied with my own health care." Or someone might readily respond that requiring employers to provide health insurance coverage is good—unless it costs jobs.

Also, there are deep divisions within each of the parties about how to reform health care. These differences are usually glossed over during presidential election campaigns but return in full force once the elections are over. Ultimately, only those proposals that have 218 votes in the House and 60 votes in the Senate can usually be passed into law and then only assuming the support of the president.

The critical lesson for me from the 1993-94 effort and the failure of healthcare reform in the various efforts before that was a failure to correctly assess the best package that could win the support of Congress and the White House and to push forward with that legislation. I have little doubt that a major reform could have been passed by Congress in 1993-94 that would have provided a federally funded benefit for at least all poor and some low-income Americans and that also would have included many of the insurance reforms included in the Health Insurance Portability and Accountability Act of 1996. But because the administration would not support anything that did not involve universal coverage, nothing else was ever given serious consideration.

Learning this lesson appears to me to explain the reluctant but ultimate support of some members of Congress for the Medicare Modernization Act. Whatever its flaws, it was the most that could have gotten through Congress during that session and probably any other session until 2009-10, and that was enough for a majority—but just barely.

What This Means for 2009

Campaigns raise philosophical differences that exist between the candidates, and this campaign is no different in that regard, including when it comes to their healthcare proposals. Neither candidate assures universal coverage as Sen.Clinton did with her mandates.

The Obama and McCain plans have some elements in common, at least when considered at a high enough level of generality. Both raise the importance of better treatment of chronic disease and prevention, of care coordination and health IT, and of making information on price and/or quality more transparent. Although it is difficult to specify precisely how plans articulated as part of a presidential campaign process would work, there is enough information to define how each candidate proposes to reform health care, which in both cases means, as it should, more than expanding insurance coverage.

The Obama plan. Sen. Obama's plan focuses on expanding insurance coverage through the provision of subsidies to individuals and small business in addition to expansions in eligibility for

AT A GLANCE

- An important lesson to be learned from the failed efforts at healthcare reform of the early 1990s is that successful reform cannot be an all-or-nothing proposition.
- The McCain and Obama healthcare plans have some elements in common, but they also have important differences.
- Whoever wins the election will face the challenge of persuading Congress to go along with his proposal.

READ HFMA'S PAYMENT REFORM PAPER

The HFMA white paper *Healthcare Payment Reform: From Principles to Action* defines the importance of payment reform and outlines the approach that HFMA believes is necessary to achieve real and sustainable reform in health services. To read the paper, visit www.hfma.org/paymentreform.

Medicaid and the State Children's Health Insurance Program.

The proposal provides for a national health plan (NHP) to be made available through a health insurance exchange for anyone who does not have access to employer-sponsored insurance or is not eligible for any existing public program. Individuals meeting those conditions would be eligible to purchase the NHP. The plan would not allow exclusions for pre-existing conditions or differentiation in premium charges as a result of differences in health status.

People needing subsidies would be offered subsidies, but the plan does not specify who would be eligible and how much they would receive. The plan also does not state clearly what benefits would be included in the NHP; it is described only as being "like the plan available to members of Congress." Whether that means like the most common plan, the standard-option Blue Cross/Blue Shield, or the least expensive plan, the Mail Handlers plan, is not specified. Other plans would also be available through the exchange as long as they complied with new federal regulations and offered benefits at least as generous as the NHP.

Businesses would either have to provide health insurance to their employees or pay a percentage of their payroll toward the cost of the NHP—a "play or pay" strategy. It is not clear what the rate associated with the "pay" option would be. Small business would be exempt and would receive a refundable tax credit up to 50 percent on health insurance premiums paid. There is also a "reinsurance" provision whereby employers would be reimbursed for a portion of the costs experienced by their highest-cost employees as long as the money was used to lower employee premiums. The level of spending triggering the payment and the amount to be paid are unclear.

The only coverage mandate is for children, although the plan does not specify what coverage they would be required to have and how the mandate (actually a mandate on their parents) would be enforced.

The McCain plan. Sen. McCain's plan focuses on changes in the tax code and on creating a national insurance market as strategies to make lower-cost insurance coverage available, particularly for people who do not have employer-sponsored insurance and who are not eligible for existing public programs.

Anyone not eligible for an existing public program would receive a refundable tax credit that would offset the cost of purchasing insurance, whether the insurance is employer-sponsored or purchased from some other insurance provider. Families would receive a credit of $5,000, and individuals would receive a credit of $2,500.

The current tax exclusion, whereby employees do not count the amount that their employers contribute to their insurance as part of their taxable income, would be repealed. For employees choosing employer-sponsored insurance, the credit would be used to offset the cost of insurance. Others would use the credit to offset insurance purchased elsewhere, including insurance currently not available in their home states.

Individuals whose healthcare needs are predictably high cost because of pre-existing conditions or other reasons and who cannot obtain insurance at some percentage of the average cost of insurance would be able to purchase subsidized insurance through a "guaranteed access plan" (GAP). These plans would be established by the states with subsidies from the federal government. Cross-state pooling has been mentioned as a possible strategy for GAP plans, but the types of plans that would qualify as GAP plans have not been specified.

There is reference to these plans using incentives to reduce costs, such as through disease management and case management, but it is not specified whether the plans would be required to contain these provisions. The McCain plan also does not specifically state what percentage of cost above the cost of an average premium would trigger access to a GAP plan and what level of subsidy would occur. Additional assistance would be

available for those below certain income limits, but how much assistance would be available and the income level that would trigger the extra assistance are not specified.

The Challenges

At least two major healthcare challenges face each candidate if he is elected president: First, the president would have to establish a credible source of funding to finance his expansions in coverage and other proposals. And second, he would need to find the majority support in Congress needed to pass his proposal.

For Obama, in particular, the major challenge will be finding the money needed to finance his proposal, which has been estimated to have a gross cost of about $110 billion, with some assumed but already controversial savings reported by the campaign to bring the cost to around $65 billion.

For McCain, the biggest challenge will be to get what almost certainly will be a more Democratic Congress to seriously consider the change in tax law that is fundamental to his healthcare proposal.

Will 2009 be the year of significant healthcare reform? Ultimately, the answer will depend on the president's ability to present a proposal that will garner support from enough members of Congress for a majority position, particularly in the Senate.

And *that* will be a challenge for the next U.S. president, whoever it might be. ●

About the author

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She is an informal adviser to the McCain campaign, but the material here represents her own views and not the views of the McCain campaign or Project HOPE.