Reframing the 2020 Health Care Debate

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INTRODUCTION

"Health care and poverty are inseparable issues and no program to improve the nation's health will be effective unless we understand the conditions of injustice which underlie disease. It is illusory to think that we can cure a sickly child and ignore his need for enough food to eat."
Robert Kennedy, 1968

Last month's Democratic debates demonstrate how central health care will be in the 2020 election. Indeed, health care, more than any other issue, propelled the Democrats to regain control of the House of Representatives in 2018.Whether the upcoming election leads to meaningful relief for the millions of families struggling under the escalating financial burden of medical care, however, depends largely on how the issue is framed and on the clarity with which we see our policy goal and the steps necessary to achieve it.

Today the vast majority of dollars in our health care system are spent on the after-the-fact treatment of acute and chronic medical conditions rather than on investments that could prevent these conditions in the first place.

If we could reduce our health care spending from the current 18 percent of the GDP to the 12 percent average of most other industrialized nations, it would free up well over a trillion dollars a year for the social investments that actually improve health.[1]

What concerns voters most about health care and, by a wide margin, is the cost — but, and this is important — not the cost of the overall U.S. health care system, but the cost to them as individuals.[2] Most voters believe, to some extent in the abstract, that everyone should have access to affordable health care, but they are far more concerned that they as individuals have access to affordable health care. This is understandable because, at the end of the day, health care is intensely personal.

And yet, it is fair to say that nobody wants to need medical care or to be a "patient." When you are sick or injured it is important that you have timely access to care at a cost you can afford, but we also know that among the factors contributing most to lifetime health status, our medical system is a relatively minor contributor. Far more important are things like healthy pregnancies, affordable housing, nutrition, stable families, good jobs, safe communities and the other "social determinants of health."[3,4]

Therefore, our policy goal should be to improve the health of our people through a system that is financially sustainable, ensures that all Americans have timely access to effective, affordable, quality medical care; and also makes, strategic long-term investments in the social determinants of health. A system that can achieve this goal must include five core elements: (1) Universal coverage; (2) an affordable defined benefit; (3) a delivery system that assumes risk and accountability for quality and outcomes; (4) a global budget indexed to a sustainable rate of growth; and (5) savings reinvested upstream in the community to address the social determinants of health. A system that incorporates these elements can take many forms, but without all five we cannot achieve our goal of improving health care in a financially sustainable way.

The most significant obstacle to achieving this goal is the total cost of care and the structure of the delivery system that is driving it. Health care is the only economic sector that produces goods and services none of its consumers can afford. Such a system only works because the care for individuals is heavily subsidized—increasingly with public resources—either directly through public insurance programs like Medicare and Medicaid; or indirectly through the tax exclusion for employer sponsored health insurance; and the public subsidies for those purchasing insurance through the Affordable Care Act (ACA) exchanges.

For decades, the national health care debate has been focused on these subsidies—on who pays them and how much they pay—rather than on why health care costs so much in the first place. The political paralysis around this issue is due largely to the fact that neither Republicans nor Democrats assume any change in the health care delivery model: we either pay for it or we don't, creating a false choice between cost and access. Republicans want to spend less on health care (e.g. "repeal and replace" the ACA) while Democrats want to spend more (e.g. Medicare for All). Neither approach directly addresses the total cost of care.

The burden of rising health care costs on individuals manifests itself in a variety of ways: rising insurance premiums and deductibles, short-term insurance policies that actually cover very little, the denial of coverage based on preexisting medical conditions, surprise billing, and the high cost of prescription drugs. It is not surprising, then, that most Democratic voters blame insurance companies and drug companies for the high cost of care. Generally, consumers do not blame health care providers,

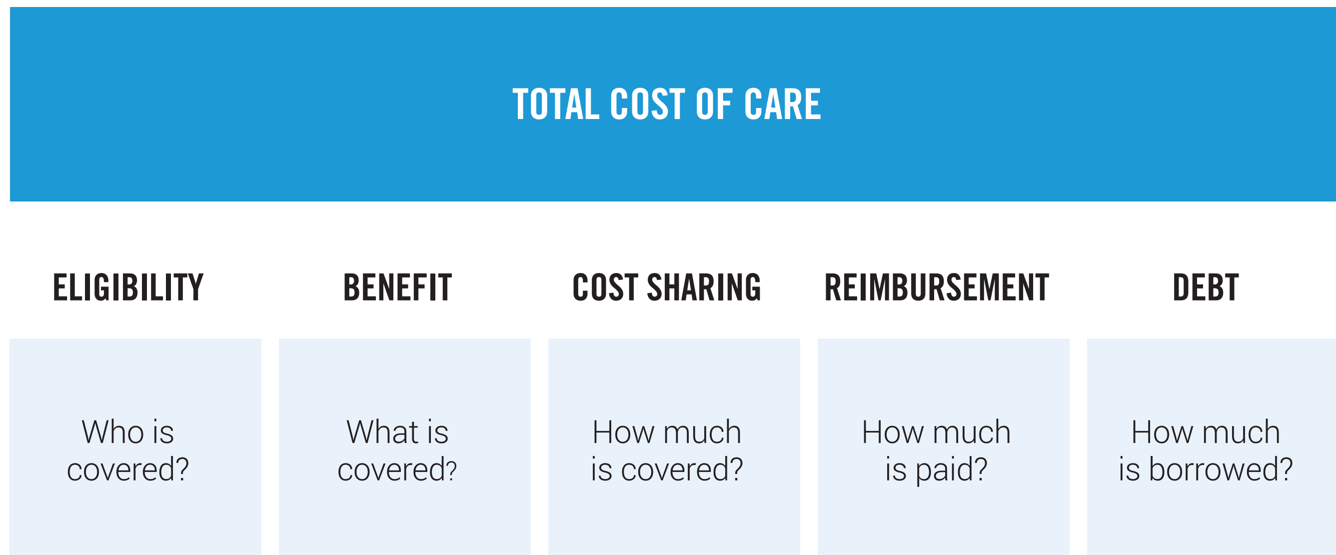
the delivery system itself, or the many new health care related startups and huge private equity firms that are making a profit off the $3.5 trillion health care budget.[5]

And while Democrats are right to go after short-term junk health insurance policies, huge drug price increases, and surprise health care bills, these fixes only address shortcomings with health insurance rather than the total cost of medical care. The total cost of care is the primary driver of increases in insurance premiums as well as the increase in copayments and deductibles.

Since none of the current proposals address the systemic cost of care, they cannot prevent cost shifting onto individuals. All of these short-term fixes are worth making, but they are treating symptoms of the problem, not the problem itself.

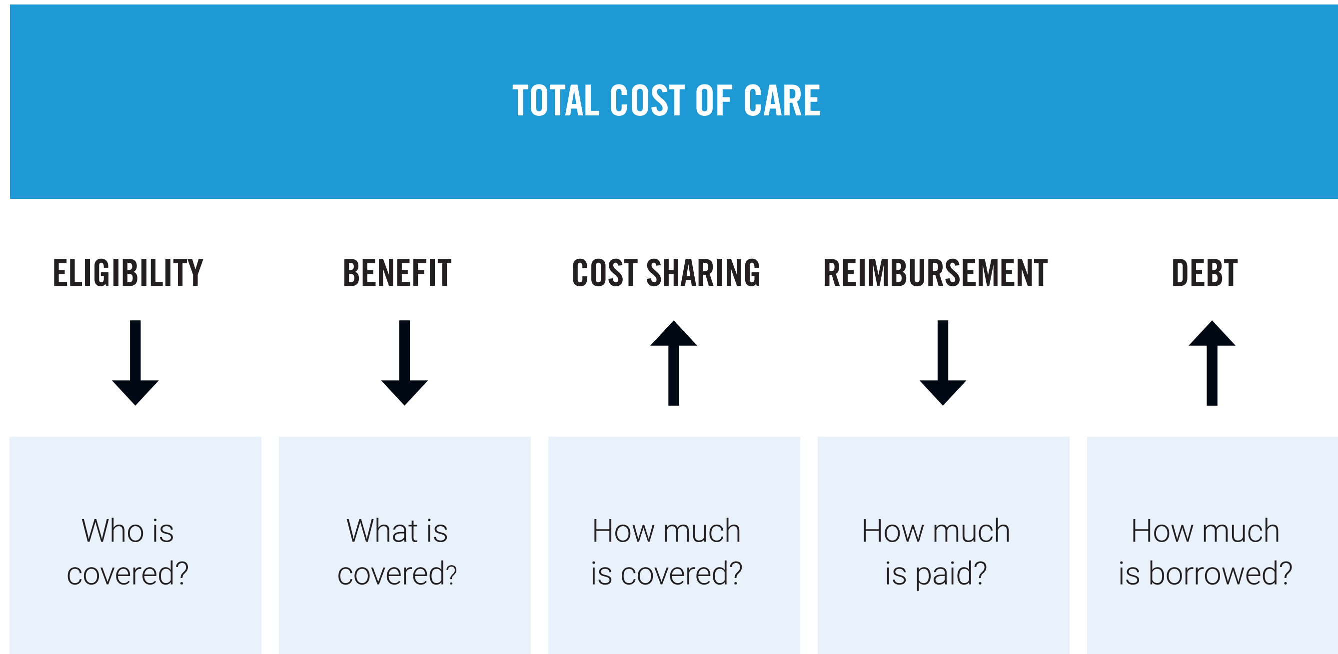
The problem is illustrated by viewing our health care system through the lens of five questions or “variables”: (1) who is covered (eligibility); (2) what is covered (benefit); (3) how much is covered (cost-sharing—e.g. premiums, copayments, deductibles); (4) how much are we paying (reimbursement); and (5) how much is borrowed (debt financing).

FIVE KEY VARIABLES THAT DETERMINE THE TOTAL COST OF CARE:



When the total cost of care exceeds the ability/ willingness of the major third-party payers (government and private sector employers) to pay for it, instead of seeking to reduce the cost of care, payers use one of five strategies to shift the cost to individuals who cannot afford it; or to future generations. These strategies include: reducing eligibility, reducing benefits and/or raising premiums, copayments and deductibles— all of which shift cost to individuals; reducing provider reimbursement which often results in efforts by providers to avoid caring for those who cannot pay; and pushing the cost of care into the national debt, shifting cost to future generations.

HOW POLICYMAKERS, EMPLOYERS, INSURERS AND PROVIDERS SHIFT THE COSTS BETWEEN VARIABLES WITHOUT CHANGING THE TOTAL COST OF CARE:



Cost shifting is the way we avoid directly confronting both the reality of fiscal limits and the fact that health care in the United States has simply become unaffordable for individuals, employers and the government. Cost shifting does not reduce the total cost of medical care. Furthermore, at 18 percent of our GDP, the cost of medical care, more than anything else, is undermining our ability to invest in children and families, housing, economic opportunity and the many other things that contribute to health. This is the primary reason why the U.S. has such embarrassingly poor population health statistics when compared to other industrialized nations that spend far less on medical care and far more on the social determinants.[6]

The one indispensable step in moving toward a realistic and effective solution is to cap the total cost of care through a global budget indexed to a sustainable annual growth rate, while requiring providers to assume financial risk and accountability for quality and outcomes within that budget. Taking this step will fundamentally shift the debate from the subsidies to the delivery system. As long as we allow an ever-increasing share of our public resources to be spent paying whatever prices are demanded—whether for prescription drugs, hospital care or to grow profits of private equity funds—American families will continue to struggle under the burden of medical costs and this crisis will deepen.

Capping the total cost of care will allow us to expand coverage for a basic benefit package to all Americans (universal coverage); and to begin to invest upstream in the social determinants of health. The only way to expand access and to make room in the federal budget for serious investment in the social determinants of health is to reduce the total cost of care.

We already have two very successful examples of how global budgets work to bring down the total cost of care: Oregon's Coordinated Care Organizations, which manage the state's Medicaid program, and Medicare Advantage, that today serves more than 20 million seniors. Under these care models, providers receive a fixed amount of money each year (global budget) to provide care for a defined population, without sacrificing quality.[7] If the global budget is exceeded in any given year, the providers are at financial risk for the difference. In short, these care models begin to change the system incentives from rewarding sickness to rewarding wellness.

Extending these models more broadly across the U.S. health care system will reduce the total cost of care and free up resources to invest in the social determinants of health. It's not necessary at this point in the 2020 election cycle to be prescriptive about how providers, insurers and other stakeholders in the current system will operate under a global budget cap indexed to a sustainable growth rate, but setting a target effective date for such a cap would fundamentally change the nature and the focus of the health care debate from where we want to go to how we are going to get there.

That is exactly what President John F. Kennedy did in 1962, when he challenged the nation to put a man on the moon. He did not give us a roadmap, he gave us a destination and, in so doing, unleashed American ingenuity and technological innovation to serve a common cause. Fifty years ago, this month, we achieved that goal. We succeeded in going to the moon because we were clear on our destination and because we imagined it; because the story preceded the accomplishment.

Surely, we can imagine linking the total cost of medical care to a sustainable growth rate within the next few years, then work backwards to create a health system that meets the objectives of both Democrats and Republicans: expanding coverage and improving health and quality; while reducing the rate of medical inflation through fiscal discipline and responsibility.

That's the challenge. It's not a challenge of technology—it is a challenge of political will and human compassion. And it's not nearly as difficult as going to the moon.

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7 The Institute of Medicine defines quality as "the degree to which health care services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge."

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