How To Get To Value In Health Care

JOHN KITZHABER, MD

@ppi | @progressivepolicyinstitute | /progressive-policy-institute

In pre-coronavirus America, the Democratic primaries were dominated by a contentious debate over how best to achieve universal coverage. The pandemic—with its profound social and economic consequences—has offered us a poignant yet urgent opportunity to move the national debate beyond the narrow focus on universal coverage, to the larger question of how to address the fundamental conditions of injustice which underlie disease by focusing on value and reducing the total cost of care. The urgency of this challenge is reflected in the disproportionate impact the coronavirus is having on low-income Americans, and particularly on communities of color—very little of which has to do with access to the health care system.

Consider the pattern of viral infections and deaths. In Michigan, for example, where blacks comprise only 14 percent of the population, they account for 33 percent of confirmed cases and 41 percent of deaths.[1] The same pattern is reflected across the nation from Washington, D.C. to Louisiana; from Illinois to North Carolina. Certainly, the lack of coverage plays a role here. Controlling the spread of this virus depends on our ability to treat those who have contracted the disease, identify those who have been exposed, and take steps to ensure they don't infect others. Yet today, millions of Americans will delay seeking treatment, or even getting tested, because they are afraid of how they will pay for it.

Compromised access to the health care system, however, is not the primary reason for the disproportionate impact of COVID 19 on communities of color. There is a much deeper problem involved, which is the long-standing health disparities that exist within these populations, reflected in higher rates of chronic diseases like diabetes and asthma, inadequate housing, poor nutrition; the stress that comes from living paycheck to paycheck and being trapped low-wage jobs with no way up and no way out.

Whether you support a Medicare for All like approach, as proposed by Senator Bernie Sanders, or Joseph R. Biden Jr.'s Public Option, or something in between, these approaches

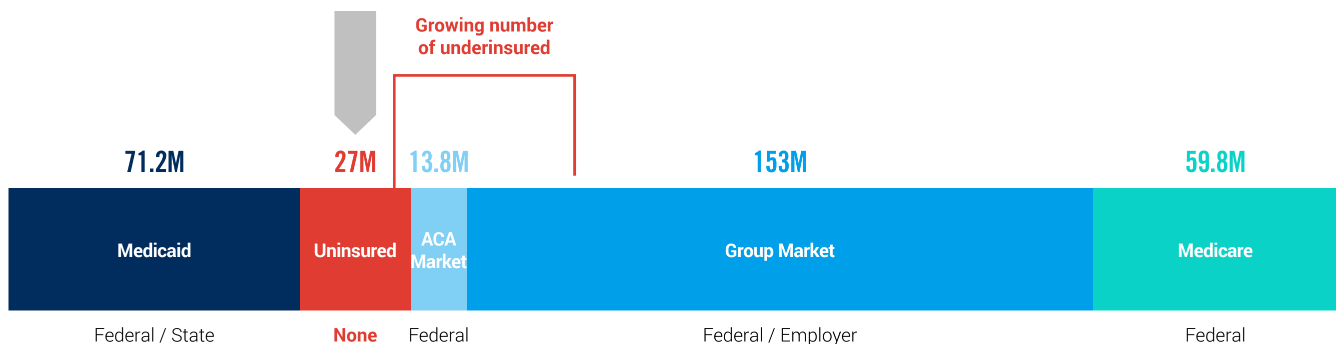
1 Samantha Artiga, Rachel Garfield, and Kendal Orgera,"Communities of Color at Higher Risk for Health and Economic Challenges due to COVID-19," Kaiser Family Foundation, April 2020. https://www.kff.org/disparities-policy/issue-brief/communities-of-color-at-higher-risk-for-health-and-economic-challenges-due-to-covid-19/

2 Bureau of Labor Statistics, Leave benefits: Access, private industry workers, March 2019. https://www.bls.gov/ncs/ebs/benefits/2019/ownership/private/table31a.pdf

offer different ways to achieve the same goal: universal coverage—and they rely largely on expanding public subsidies to help more people afford the cost of health care. As discussed in *Reframing the 2020 Health Care Debate*, published by the Progressive Policy Institute last July, health care is the only economic sector that produces goods and service that none of its customers can afford. The only reason the health care "market" works is because the cost of care for individuals is heavily subsidized with public dollars—either directly through public insurance programs like Medicare and Medicaid; or indirectly through the tax exclusion for employer sponsored health insurance; and the subsidies available through the ACA exchanges.

This "subsidy map," shows that over 90 percent of Americans depend on public subsidies to help them cover the cost of their health care. The only people who don't get a public subsidy are the 27 million uninsured and their plight is shared by the growing ranks of the "underinsured"— whose subsidy is increasingly inadequate. These are people who have health insurance, but face copayments and deductibles so high that they cannot afford the cost of care.

SUBSIDY MAP



The point is that subsidizing the cost of health care for individuals with public resources — which is what holds the US health care system together — *does nothing to reduce the cost of the care that is being subsidized*. And it is the relentless escalation in the total cost of care that leads to all the problems we are trying to address; the uninsured, the underinsured, high deductible plans, junk insurance policies and outrageous drug prices, to mention but a few. So, while the Sanders and Biden camps will continue to debate how best to expand coverage, there is an opportunity to build a *unifying theme* around *value* and directly addressing the total cost of care. Let me elaborate.

We all understand "coverage"— it means having the ability to pay for the cost of the health care you need — without suffering economic hardship, without crippling copayments and deductibles, without having to choose between paying for prescriptions and paying for rent, without fear of surprise billings. Both the Sanders and Biden proposals seek to expand coverage to all Americans. "Value" is something else entirely.

Value is the recognition that the purpose of our health care system is not just to finance and deliver medical care; it is to keep people *healthy*. It is the recognition that not only must all Americans have coverage but that the care

they receive and the system through which they receive it must produce positive health outcomes; and that we should not be spending our limited public resources on overtreatment, unnecessary care, inflated prices or care that is inefficient, uncoordinated or ineffective.

Most of all, value is the recognition that the things that have the greatest impact on the *health* of our people, have little to do with our health care system and everything to do with the conditions of injustice which underlie disease — poverty, hunger, unemployment, the erosion of community, the lack of hope. And, more than anything else, it is the cost of our health care system that undermines our ability to invest in the very things that make us healthy individuals and as a society. And that brings us back to the total cost of care.

In today's system, there is *no ceiling on the total cost of care*; there are no fiscal constraints because as cost grows, the two major third party payers — government and private sector employers — have off ramps that allow them to avoid confronting cost. Instead of taking the politically courageous steps to reduce cost, it is simply shifted to individuals by dropping them from coverage or increasing premiums, copayments or deductibles; or shifted to the national debt for future generations to pay. If we cannot address this fundamental problem, we cannot narrow the growing inequities and disparities in our health care system and across our society. And the only way to address it is to *cap the total cost of care through a global budget indexed to a sustainable growth rate*, while putting the delivery system at financial risk for quality and outcomes. In short, we must demand value for the public dollars we spend on health care.

As discussed in *Reframing the 2020 Health Care Debate*, an objective we should be able to agree on—certainly among Democrats, but I think across the political spectrum, is to create a financially sustainable system that improves the health of Americans. Doing so requires that everyone has timely access to effective, affordable, quality medical care; *and* that we have room in the budget to make strategic long-term investments in stable families, housing, nutrition, safe communities and economic opportunity. In other words, the key elements are universal coverage, financial sustainably and effective social investment. The economic reality is that the only way these three elements can exist together, is if universal coverage is accompanied by a reduction in the rate of medical inflation; and the only way we can effectively reduce medical inflation is through a global budget indexed to a sustainable growth rate. Furthermore, this path offers the political "sweet spot"— the intersection between Republican concerns over cost and Democratic concerns over access and quality.

The observation that *health* is the product of a number of things, only one of which is medical care, is not a new one. It was made over fifty years ago by Robert Kennedy in a speech he made to the City Club of Cleveland on April 5, 1968, the day after the assassination of Dr. Martin Luther King. His speech was about the stain of violence in America, but then he said: "For there is another kind of violence, slower but just as deadly, destructive as the shot or the bomb in the night. This is the violence of institutions; indifference and inaction and slow decay. This is the violence that afflicts the poor, that poisons relations between men because their skin has different colors. This is a slow destruction of a child by hunger, and schools

without books and homes without heat in the winter."

Schools without books, and homes without heat in the winter … and hunger and homelessness, and families under economic stress, disintegrating neighborhoods, unemployment, and the creeping menace of despair and fading hope of a better future. These are cancers on the body of our community and they have nothing to do with lack of access to the health care system — but rather to the cost of that system. And it is our failure to demand value for the public dollars that support that system, which is directly responsible for our inability to invest in those things that can bring relief to these struggling Americans…that can lift them up and give them *health* and hope and an *equal opportunity* for a better life.

Do we need to continue to fight for universal coverage? Absolutely — and there is room to disagree on how best to achieve that goal. But if we do so only by spending more public resources to prop up the current dysfunctional, hyperinflationary health care business model, we will be abandoning millions of nameless, voiceless people whose health and opportunity for a better life are being undermined by the cost of that system. Let me offer an example from my own state; one that touched me deeply. I have only changed the names to respect the privacy of those involved.

Susan was born into an abusive family. She was sexually and physically abused by her alcoholic father and fled from her home to the streets of Portland. Alone, homeless, looking for love and somewhere to belong, she continued to be victimized, abusing alcohol herself and becoming pregnant at 17. Without any prenatal care or emotional support, she continued to use alcohol and drugs during her pregnancy. Giving birth to a child – surely one of life's greatest joys and greatest gifts – was, for Susan, a nightmare.

When her daughter Patty was born, she was both premature and suffering from fetal alcohol syndrome. Susan returned to the streets and today remains homeless, transient and addicted. At the young age of 19, any hope she might ever have had for a healthy nurturing life – a life of contribution, accomplishment and satisfaction – has all but evaporated.

Her daughter Patty is today a ward of the state. She has been diagnosed with depression and multiple mental disorders including Attention Deficit Disorder. Her original adoptive parents gave her up because of her severe mental disorders. She had 26 different foster placements—twenty-six—before being admitted to a residential mental health facility where she now lives.

All of this happened before her tenth birthday.

I know of no yardstick that can measure the depth of this tragedy. The tragedy of mother who is still drug addicted and who will never know her daughter. The tragedy of a young girl who is severely mentally ill and who will live out her life within the walls of an institution. And the tragedy of knowing that we could have prevented this outcome – but failed to do so.

None of this had anything to do with access to our acute care medical system. Nor would a system of universal coverage have materially changed the outcome or the tragedy. This is the result of institutions obsessed by the delivery of medical care is an economic commodity at the expense of the health of the people of our country.

Our challenge, and indeed our responsibility, is to move the national conversation beyond this either-or choice—by giving voice to the voiceless and making visible those who are now unseen—by demanding value for the public resources we commit to expanding access; by calling out that the thirty percent waste in our health care system is a trillion dollars a year that could and should be invested in healthy families and strong communities. We must continue our unrelenting advocacy for universal coverage, yes—but we must also temper and hone that advocacy by adding to it a powerful and compelling voice for value in the allocation of public resources; and for the proposition that everyone in this country deserves, indeed has the right, to an equal opportunity to be healthy.

The Progressive Policy Institute is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving America beyond ideological and partisan deadlock.

Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton's "idea mill." Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

© 2020
PROGRESSIVE POLICY INSTITUTE
ALL RIGHTS RESERVED.

PROGRESSIVE POLICY INSTITUTE
1200 New Hampshire Ave NW,
Suite 575
Washington, DC 20036

Tel 202.525.3926
Fax 202.525.3941

info@ppionline.org
progressivepolicy.org