

Political Insiders Say Health Reform Likely in 2009

BY ALICIA AULT

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SAN FRANCISCO — With a new president and a likely Democratic majority in the House and Senate, conditions will be ripe for health care reform in early 2009, a bipartisan group of political insiders predicts.

The Democrats who spoke at Institute 2008, a meeting sponsored by America's Health Insurance Plans, were most certain of impending change. One Republican said he was optimistic, and two of his colleagues hedged their bets.

"I think something's going to happen in the next Congress," said former Sen. John Breaux (D-La.). Sen. Breaux noted that Congress is likely to be "dramatically different" next year.

Terry McAuliffe, longtime aide to former President Clinton and Sen. Hillary

Clinton (D-N.Y.), pointed out that 100 seats are up for grabs in the House of Representatives and the Senate. He predicted that Democrats would take at least 4-7 of the Senate seats and garner a majority in both chambers of Congress.

Why is this important? Traditionally, Democrats have called for bigger reforms and more government intervention, and Democratic presidential candidate Sen. Barack Obama (D-Ill.) is following that lead, Mr. McAuliffe said.

Despite concerns over the economy, energy prices, and taxes, "health care will be the number one domestic issue" in the presidential campaign and in the Congress early next year because "it affects everybody," he said.

"I do think health care will be still at the top of the list of things that need to get done," agreed Sen. Breaux.

Tommy G. Thompson, who served as

Health and Human Services secretary under President George W. Bush, agreed with the Democrats that health reform was likely next year. He said he was optimistic because candidates for the House and Senate and both presidential contenders were talking about reform. "That tells me that 2009 is going to be the biggest year we've ever had," said Mr. Thompson, who is also a former governor of Wisconsin. He said there were many pressing issues to address, including a looming shortage of physicians and nurses and the predicted bankruptcy of the Medicare Hospital Insurance Trust Fund in the next 5-10 years.

Former Sen. Bill Frist (R-Tenn.) agreed with Mr. Thompson that the Medicare trust fund would get lawmakers' attention early in the next Congress. But he said, "I'm not quite as optimistic that we'll see reform."

Sen. Frist said that he does not think health care reform will be a priority until the American people make it a priority. In 1993, during the last major attempt at health care reform, 42% of Americans said the old system needed to be scrapped; "today we're at 34%."

And, he said, the cost of adding coverage will have to be addressed, which could create some unsettling political realities.

Dan Bartlett, who served as President George W. Bush's communications director and counselor, agreed, noting that Sen. Obama had not been discussing details of his health proposals on the campaign trail.

Like Sen. Frist, Mr. Bartlett said he did not see reform as an imperative. "I don't see the mandate coming out of this election," he said, adding, "I think you'll see incremental change, but I don't think you'll see radical change." ■

Employers and Employees Are Both Slow to Start Using HSAs

BY ERIK L. GOLDMAN

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WASHINGTON — While health savings accounts and other forms of tax-deferred, consumer-driven health care financing options have captured the fancy of many policy makers, such options have met with a lukewarm welcome among American employers and the people who work for them.

According to data from Forrester Research Inc., an independent technology and market research company, between 8 million and 9 million Americans were enrolled in a health savings account (HSA) or other tax-deferred plan as of June 2007, with 4.5 million new enrollees in 2007 alone. But consumer awareness of these options is still very low. A recent study by the Visa Corporation indicated that only 35% of all Americans have even heard of HSAs, and only 14% expressed any interest in starting one.

That is likely to change as HSAs prove their worth, Elizabeth Bierbower, vice president of product innovation for Humana Inc., said at the fifth annual World Health Care Congress. She pointed out that 5 years after the introduction of health maintenance organizations (HMOs), combined enrollment in all existing plans was only 5.5 million. That changed quickly, once major employers became convinced—for better or for worse—that HMOs would save them money. Ms. Bierbower predicted a similar trajectory for HSAs.

Some companies are taking a very proactive role in pushing HSAs. Ms. Bierbower said Humana has been a strong HSA advocate for its employees. For those making under \$50,000 annually, Humana will contribute \$6 for every \$1 an employee contributes to an HSA. "[The ratio is] lower if your salary is higher, but there's still a big incentive to

do this. We try to encourage long-term thinking."

That, she said, is something grossly lacking in this country. People are simply not saving money, especially for health care needs, and they're in for a rude awakening as they reach retirement age.

Many baby boomers and Gen Xers will not be able to retire comfortably because they have not saved any money to do so. According to research from the Employee Benefit Research Institute, a majority of near retirees has already spent 95% of their preretirement income. The majority of workers aged 45-55 years have less than \$50,000 in savings.

With copayments, pharmacy costs, and out-of-pocket expenses on the rise, even people with relatively generous health plans are finding that they still come up short. A Kaiser Family Foundation survey in 2006 showed that 29% of families reported that one or more members had difficulty paying medical bills.

Advocates of HSAs and other forms of consumer-driven coverage say that one of the primary virtues of these plans is that they push the end-user of health care services to become more cost conscious, and presumably more judicious, in their health care choices. In practice, this seems to be borne out.

A McKinsey survey showed that people enrolled in HSAs or other consumer-driven plans were 50% more likely to ask about overall costs of health care services, and 100% more likely to ask about drug costs, compared with people in traditional health care plans.

Similarly, a Blue Cross Blue Shield Association study showed that 33% of HSA enrollees asked about prescription costs, compared with only 18% of enrollees in traditional plans. Twenty percent of those in HSAs asked about the costs of physician visits, versus 14% of those who have traditional insurance. ■

Private Foundations Roll Out Care System Reform Plans

BY MARY ELLEN SCHNEIDER

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The presidential candidates aren't the only ones with proposals to reform the American health care system.

While the designs are different, more and more players in the health care arena are unveiling their own detailed plans to provide health care coverage for all or most Americans.

For instance, the Commonwealth Fund recently outlined a proposal called "Building Blocks" that seeks to cover 44 million of the 48 million Americans estimated to be uninsured in 2008. At the center of the proposal is a national health insurance connector that would allow small businesses and individuals without large employer insurance to shop for a health plan.

The connector would feature both private plans and a "Medicare Extra" option. The Medicare Extra plan would offer premiums of \$259 a month for individuals and \$702 a month for families, 30% lower than the average premium charged to employers today, according to the Commonwealth Fund, a private foundation that supports research on health policy reform.

The plan also calls for expanding Medicaid and the State Children's Health Insurance Plan (SCHIP) to cover all adults and children below 150% of the federal poverty level. And the plan would include both individual and employer mandates for health coverage.

Using modeling from the Lewin Group, officials at the Commonwealth Fund estimate that the proposal would add \$15 billion to current total health spending in the United States during the first year and about \$218 billion over 10 years. But the plan could actually save \$1.6 trillion over 10 years if it is combined with other reforms such as changing Medicare payments to hospitals and physicians, investing in better health information technology, allow-

ing Medicare to negotiate drug prices, and improving public health, according to the Commonwealth Fund.

"This approach builds on group insurance coverage and the national reach of Medicare and at the same time addresses the high administrative and premium costs for individuals and small groups," Karen Davis, Commonwealth Fund president, said in a statement.

In the meantime, the Healthcare Leadership Council, a coalition of hospitals, health plans, and pharmaceutical and device manufacturers that aims to improve the quality and affordability of health care, has brought forward its own market-based proposal aimed at covering all Americans. Called "Closing the Gap," the proposal calls for subsidies and tax breaks to help individuals afford coverage, improving health care quality through health information technology and care coordination, and realigning the financial incentives in the health care system to pay for value.

For example, the plan calls on the government to provide premium subsidies to help employees afford their employer-sponsored insurance premiums. The plan also calls for applying the same tax breaks to individually purchased health insurance as apply to employer-sponsored coverage. However, the group did not endorse the idea of individual mandates for health insurance.

The plan also calls for moving away from a payment system that rewards physicians and hospitals for the volume of services they provide and instead paying for evidence-based care and prevention. The current model rewards inefficiency and pays better when patients are sicker, Dr. Denis Cortese, chair of the Healthcare Leadership Council and president and chief executive officer of the Mayo Clinic, said during a press briefing to release the plan.

"We really are suggesting we turn that upside down," he said. ■