Health Politics and Policy in the United States

PH 150
November 25, 2013
Prof. Tom Rice
Dept. of Health Policy and Management
Topics Covered

(1) U.S. health system performance in an international context
(2) Politics of cost containment
(3) Recent reform legislation: The Patient Protection and Affordable Care Act
U.S. Health System Performance
SPENDING
International Comparison of Spending on Health, 1980–2010

Average spending on health per capita ($US PPP)

Total health expenditures as percent of GDP

Notes: PPP = purchasing power parity; GDP = gross domestic product.
Source: Commonwealth Fund, based on OECD Health Data 2012.
Total Health Expenditure per Capita and GDP per Capita, US and Selected Countries, 2008


Notes: Data from Australia and Japan are 2007 data. Figures for Belgium, Canada, Netherlands, Norway and Switzerland, are OECD estimates.
Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage

ACCESS
Percentage of Population Covered Under Public Programs
(Source: OECD Health Data, 2008)
Percentage of Population Uninsured, 2007
(Source: OECD Health Data, 2008)
Projected Trend in the Number of Uninsured in Absence of Health Reform in Absence of Health Care Reform, 2009–2020

Data: Estimates by The Lewin Group for The Commonwealth Fund.
Cost-Related Access Problems in the Past Year

<table>
<thead>
<tr>
<th>Percent</th>
<th>AUS</th>
<th>CAN</th>
<th>FR</th>
<th>GER</th>
<th>NETH</th>
<th>NZ</th>
<th>NOR</th>
<th>SWE</th>
<th>SWIZ</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not fill prescription or skipped doses</td>
<td>16</td>
<td>15</td>
<td>11</td>
<td>14</td>
<td>8</td>
<td>12</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>Had a medical problem but did not visit doctor</td>
<td>17</td>
<td>7</td>
<td>10</td>
<td>12</td>
<td>7</td>
<td>18</td>
<td>8</td>
<td>6</td>
<td>11</td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>Skipped test, treatment, or follow-up</td>
<td>19</td>
<td>7</td>
<td>9</td>
<td>13</td>
<td>8</td>
<td>15</td>
<td>7</td>
<td>4</td>
<td>11</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>Yes to at least one of the above</td>
<td>30</td>
<td>20</td>
<td>19</td>
<td>22</td>
<td>15</td>
<td>26</td>
<td>14</td>
<td>11</td>
<td>18</td>
<td>11</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: 2011 Commonwealth Fund International Health Policy Survey of Sicker Adults in Eleven Countries.
Access to Doctor When Sick or Needed Care

Base: Adults with any chronic condition

Percent

Same-day appointment

6+ days wait or never able to get appointment

Data collection: Harris Interactive, Inc.
Source: 2008 Commonwealth Fund International Health Policy Survey of Sicker Adults.
## Wait Times for Elective Surgery and Specialist Appointments

<table>
<thead>
<tr>
<th>Percent</th>
<th>AUS</th>
<th>CAN</th>
<th>FR</th>
<th>GER</th>
<th>NETH</th>
<th>NZ</th>
<th>NOR</th>
<th>SWE</th>
<th>SWIZ</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specialist appointment</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 4 weeks</td>
<td>54</td>
<td>41</td>
<td>53</td>
<td>83</td>
<td>70</td>
<td>61</td>
<td>50</td>
<td>45</td>
<td>82</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>2 months or more</td>
<td>28</td>
<td>41</td>
<td>28</td>
<td>7</td>
<td>16</td>
<td>22</td>
<td>34</td>
<td>31</td>
<td>5</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td><strong>Elective surgery</strong>**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 month</td>
<td>53</td>
<td>35</td>
<td>46</td>
<td>78</td>
<td>59</td>
<td>54</td>
<td>44</td>
<td>34</td>
<td>55</td>
<td>59</td>
<td>68</td>
</tr>
<tr>
<td>4 months or more</td>
<td>18</td>
<td>25</td>
<td>7</td>
<td>0</td>
<td>5</td>
<td>8</td>
<td>21</td>
<td>22</td>
<td>7</td>
<td>21</td>
<td>7</td>
</tr>
</tbody>
</table>

* Base: Needed to see specialist in past 2 years.
** Base: Needed elective surgery in past 2 years.

Source: 2010 Commonwealth Fund International Health Policy Survey in Eleven Countries.
QUALITY
**HEALTHY LIVES**

**Infant Mortality Rate**

Infant deaths per 1,000 live births

- **National average and state distribution**
  - U.S. average
  - Bottom 10% states
  - Top 10% states

- **International comparison, 2007**

^ Denotes years in 2006 and 2008 National Scorecards.


Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2011.
### Medical, Medication, or Lab Test Errors in Past Two Years

<table>
<thead>
<tr>
<th>Percent reported:</th>
<th>AUS</th>
<th>CAN</th>
<th>FR</th>
<th>GER</th>
<th>NETH</th>
<th>NZ</th>
<th>NOR</th>
<th>SWE</th>
<th>SWIZ</th>
<th>UK</th>
<th>US</th>
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</thead>
<tbody>
<tr>
<td>Wrong medication or dose</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Medical mistake in treatment</td>
<td>10</td>
<td>11</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>13</td>
<td>17</td>
<td>11</td>
<td>4</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Incorrect diagnostic/lab test results*</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Delays in abnormal test results*</td>
<td>7</td>
<td>11</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Any medical, medication, or lab errors</td>
<td>19</td>
<td>21</td>
<td>13</td>
<td>16</td>
<td>20</td>
<td>22</td>
<td>25</td>
<td>20</td>
<td>9</td>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

* Base: Had blood test, x-rays, or other tests in past two years.
Source: 2011 Commonwealth Fund International Health Policy Survey of Sicker Adults in Eleven Countries.
U.S. Lags Other Countries: Mortality Amenable to Health Care

Deaths per 100,000 population*

* Countries’ age-standardized death rates before age 75; including ischemic heart disease, diabetes, stroke, and bacterial infections. Analysis of World Health Organization mortality files and CDC mortality data for U.S.

Readmitted to Hospital or Went to ER from Complications During Recovery

Base: Adults with any chronic condition who were hospitalized

Percent

AUS 11
CAN 17
FR 7
GER 9
NETH 17
NZ 11
UK 10
US 18

Data collection: Harris Interactive, Inc.
Source: 2008 Commonwealth Fund International Health Policy Survey of Sicker Adults.
## Overall Ranking

<table>
<thead>
<tr>
<th>Country Rankings</th>
<th>1.00–2.33</th>
<th>2.34–4.66</th>
<th>4.67–7.00</th>
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<tbody>
<tr>
<td>AUS</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>CAN</td>
<td>6</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>GER</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>NETH</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>NZ</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>US</td>
<td>7</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
</table>

**Overall Ranking (2010)**

<table>
<thead>
<tr>
<th>Category</th>
<th>AUS</th>
<th>CAN</th>
<th>GER</th>
<th>NETH</th>
<th>NZ</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Care</td>
<td>4</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Effective Care</td>
<td>2</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Safe Care</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Coordinated Care</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Patient-Centered Care</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Access</td>
<td>6.5</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td>Cost-Related Problem</td>
<td>6</td>
<td>3.5</td>
<td>3.5</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Timeliness of Care</td>
<td>6</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Efficiency</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>7</td>
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<td>Equity</td>
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<td>5</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Long, Healthy, Productive Lives</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Health Expenditures/Capita, 2007</td>
<td>$3,357</td>
<td>$3,895</td>
<td>$3,588</td>
<td>$3,837*</td>
<td>$2,454</td>
<td>$2,992</td>
<td>$7,290</td>
</tr>
</tbody>
</table>

Note: *Estimate. Expenditures shown in $US PPP (purchasing power parity).
Source: Calculated by The Commonwealth Fund based on 2007 International Health Policy Survey; 2008 International Health Policy Survey of Sicker Adults; 2009 International Health Policy Survey of Primary Care Physicians; Commonwealth Fund Commission on a High Performance Health System National Scorecard; and Organization for Economic Cooperation and Development, OECD Health Data, 2009 (Paris: OECD, Nov. 2009).
Features of U.S. Health Care System

• Insurance coverage is not universal and relies on a system of voluntary private insurance
  – Employers do not have to offer coverage
  – Individuals do not have to purchase coverage
  – This will change partly on January 1, 2014
• There is no overall budget
• Rationing is largely carried out on the demand rather than supply side
  – Price rather than personnel or technology is limiting factor
Politics of Cost Containment
A Fundamental Identity in Health Economics*

Total Revenue = Total Expenditures = Total Income
\[ T + R + C = P \times Q = W \times Z \]

where,
- \( T \) = taxes
- \( R \) = private insurance premiums
- \( C \) = direct charges to patients
- \( P \) = average price of health care services
- \( Q \) = quantity of health care services provided
- \( W \) = average wage
- \( Z \) = total inputs used (labor and capital)

*from Robert Evans
Some Political Implications Regarding Cost Containment from this Economic Identity

\[ T + R + C = P \times Q = W \times Z \]

• If we cut taxes, we either have to cut prices or services provided to deal with reduced revenue.
• If revenue is reduced, either wage or inputs (e.g., employment) will have to be cut.
• There are therefore strong forces that will oppose particular cost containment proposals because every dollar of costs that are contained means that someone’s income or job will be at stake.
Patient Protection and Affordable Care Act of 2010 (ACA)*

* Most provisions go into effect on January 1, 2014
Insurance Coverage

• From about 55 million to about 31 million uninsured:
  – Income-based subsidies to uninsured
  – Employer mandate
  – Individual mandate
  – Medicaid (low-income coverage) expansion but at states’ option

• Mechanisms:
  – Private: Each state create insurance exchange for individuals w/o coverage and small employers
  – Public: the Medicaid expansion
Coverage (continued)

• Subsidies: sliding scale up to 400% poverty level
• Medicaid: everyone covered whose income is less than 138% of poverty level – if state agrees
• Individual mandate: Everyone must buy coverage or pay a penalty (by 2016, $700/individual, $2100/family), unless this exceeds 8% of income.
• Employer mandate: Employers with more than 50 employees must provide coverage or pay penalty of $2000/employee. (This has been delayed to 2015.)
Health Insurers...

• Cannot turn applicants down who have history of illness
• Cannot terminate coverage
• Must renew coverage
• Cannot charge more to those who history of illness (older people can be charged maximum of 3 times that of younger person)
• Return at least 80% of premiums in the form of health service benefits
Quality Enhancement

• Establish office to support “comparative effectiveness research”
• Pilot program to develop “bundled payment” systems for hospital, physician, and post-acute services to “accountable care organizations”
• Pay hospitals based on performance on quality measures, with nursing homes and home health care to follow
Financing

• Increase Medicare Part A payroll tax from 1.45 to 2.35%, and 3.8% extra tax on investment income, for those with incomes over $200,000 individual or $250,000 family

• “Cadillac tax” on employer health plans with values above $10,000 individual/$27,500 families, beginning 2018. Tax = 40% of amount above thresholds

• Reduce payments to Medicare managed care plans

• Effect other reductions in Medicare spending; establish Board to submit proposals to contain costs if Medicare spending rises too quickly

• 10% tax on indoor tanning services
Examples of How Politics Affected ACA

• Insurance exchanges only include private companies; no government option
• Comparative effectiveness research cannot consider costs, and cannot influence what services will be covered or their reimbursement
• No coverage for undocumented individuals
• More generally, very little in the way of cost containment is included
Issues “du jour”

• “Disastrous” roll-out of the websites for purchasing insurance

• President Obama’s original assurance that “If you like your plan, you can keep it.”