

American Health Reform as Massive Incrementalism

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Are Current Health Reform Proposals...

- Radical?
- Fundamental?
- A government takeover?
- Universal?
- Transformative?
- Mindblowingly expensive?

- *Not really....*
- American health system is and will remain complex, fragmented and expensive.

Step Back About a Year

- **McCain health plan: Simple but broad changes**
 - Replace tax deduction for employer-related health insurance with standard tax credits for any purchased insurance
 - Medicare & Medicaid cuts?
- **Obama campaign plan: Complex, targeted changes**
 - National health plan for uninsured & small business, with low-income subsidies
 - Medicaid expansion
 - Improve insurance regulation
 - Employer pay or play & mandate to cover children
 - Various cost containment (esp. Medicare)

2008 Estimates of Costs & Impact

	Obama	McCain
Fed Cost 2009-2018	\$1.6 trillion	\$1.3 trillion
Reduction in uninsured, 2009	-18.4 mil.	-1.3 mil.
Reduction in uninsured, 2018	-33.9 mil.	-2.0 mil

- Under McCain most of the tax gains went to those already insured. Thus, little bang for buck.

Source: Urban Brookings Tax Center, 2008

Forms of Health Insurance: Now and Proposed

Now

Govt. Programs

- Medicare
- Medicaid
- CHIP
- Military & Veterans

Govt. Subsidized

- Employer-sponsored

Partly Subsidized

- Individual private

Proposed

Govt. Programs

- Medicare
- Medicaid ↑
- CHIP ?
- Military & Veterans

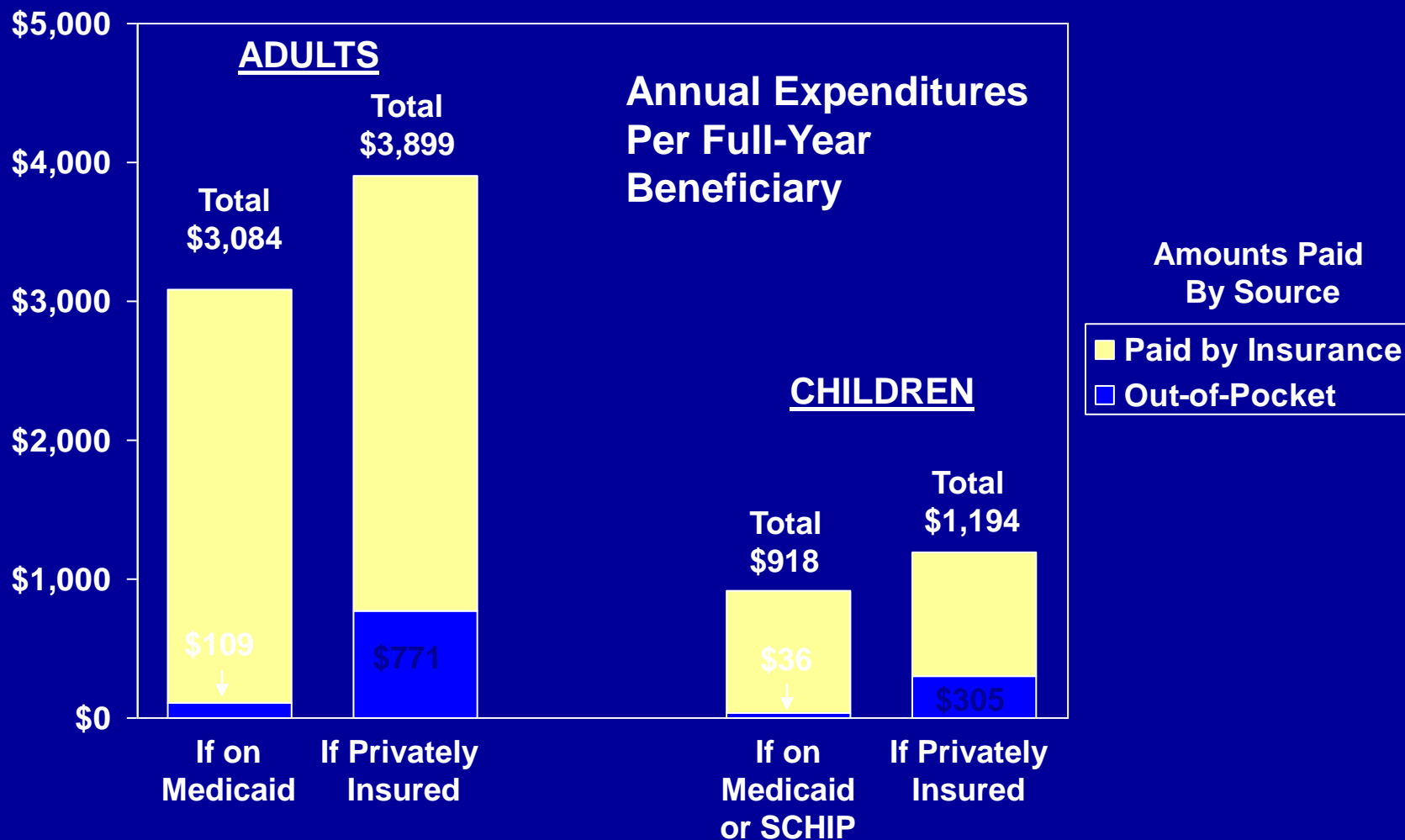
Govt. Subsidized

- Employer-sponsored ↑↓

Partly Subsidized

- Individual private ↓
- **Health ins exchange** ↑

Why Expand Medicaid? Costs 26% More to Cover Uninsured Adults with Private Insurance Than Medicaid. Out-of-Pocket Costs Six Times Higher.



Source: Ku & Broaddus, Health Affairs, June 2008, analysis of 2005 Medical Expenditure Panel Survey

Total Federal Health Budget & Uninsured Impact, House Version, 2010-2019 (\$ trillions)

	Baseline	House	\$ Diff	% Diff
Subsidies for private care	\$3.80	\$4.27	+\$0.47	+12%
Medicare	6.18	5.74	-.44	-7%
Medicaid	3.47	3.92	+.43	+14%
Other fed. hlth	2.16	2.13	-.03	-1%
Total	15.61	16.08	+.47	+3%
# Uninsured in 2019	54 mil.	18 mil.	-36 mil.	-67%

Source: Author estimates, based on CBO, JCT and CMS 2009

Total Federal Health Budget & Uninsured Impact, Senate Version, 2010-2019 (\$ trillions)

	Baseline	Senate	\$ Diff	% Diff
Subsidies for private care	\$3.80	\$3.78	-\$0.22	-1%
Medicare	6.18	5.79	-.39	-6%
Medicaid	3.47	3.80	+.33	+10%
Other fed. hlth	2.16	2.11	-.05	-1%
Total	15.61	16.08	-.13	-1%
# Uninsured in 2019	54 mil.	24 mil.	-31 mil.	-56%

Source: Author estimates, based on CBO, JCT and CMS 2009

Will Health Reform Contain Costs?

- Still a long way before passage and enactment.
- Could do more to contain health costs, but:
 - Would make it harder to pass
 - Hard to save in fragmented system.
 - More can and will be done in future
- May save more or less than projected.
 - CBO tends to not score improved health as saving money: community health centers, Medicare, prevention. Arcane reasons.
 - Will all proposals be implemented as planned?

Incremental Reform Is Necessary But..

- Leaves system fragmented
- No singular visions to address cost containment, quality improvement or health workforce needs.
- Many will remain uninsured.
- Many major gains and contributions, but not a cure-all.
- Big challenges to be addressed in the future.