Health Care for the 21st Century:

A Call to Action

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THREE TAKE HOME POINTS

1. Must control costs
2. Cannot control costs by defining narrowly as an insurance problem

   To control costs:
   - Underlying structure US Healthcare System
   - Rethink "benefit" and delivery
3. We are not powerless

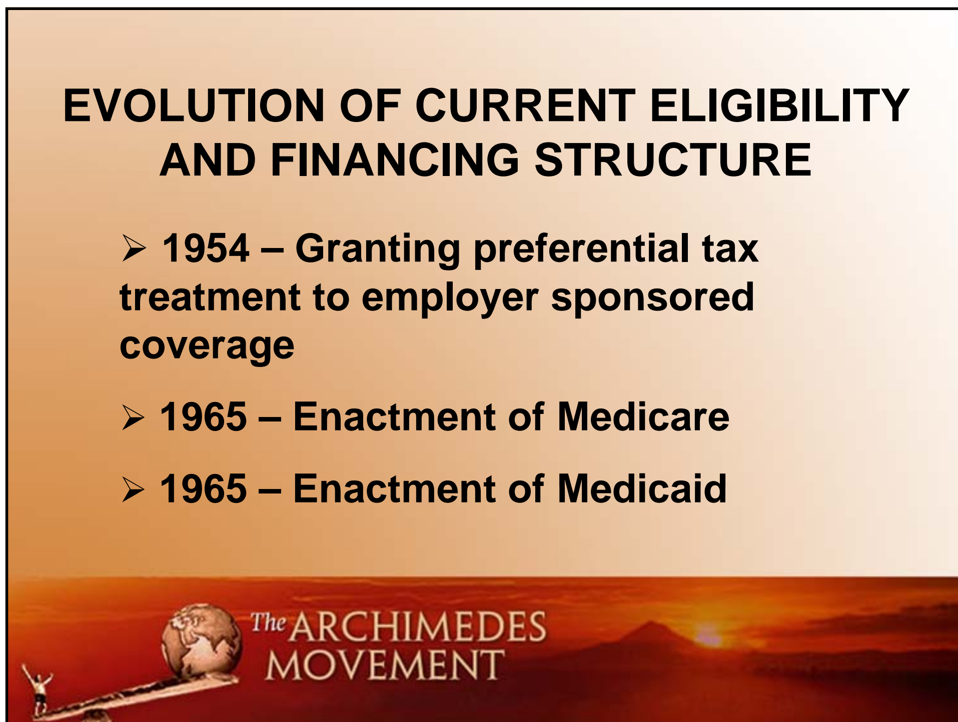
PUBLIC RESOURCES
The ARCHIMEDES
MOVEMENT

MAXIMIZE THE BENEFIT

PUBLIC EDUCATION

- Explicit entitlement to public education
- Explicit public subsidy
- Everyone contributes to the subsidy
- All children eligible for the same “benefit”
- Those with more income can purchase additional services

CATEGORICAL ELIGIBILITY
The ARCHIMEDES MOVEMENT


EVOLUTION OF CURRENT ELIGIBILITY AND FINANCING STRUCTURE
➢ 1954 – Granting preferential tax treatment to employer sponsored coverage
➢ 1965 – Enactment of Medicare
➢ 1965 – Enactment of Medicaid
The ARCHIMEDES MOVEMENT

EMPLOYER SPONSORED COVERAGE: An Accident of History

- Labor Shortage WWII
- Wage and Price Controls
- “Non-monetary” benefit

GENERAL MOTORS

- 1950 Union contract negotiations
- Charles Wilson (GM) & Walter Reuther (UAW)
- Offered all workers a health care and pension plan

TAX REFORM ACT of 1954

Preferential Tax Treatment Given to Employer Sponsored Health Insurance Coverage

DEPENDENCY RATIO

Number of non-workers to number of workers (e.g. 1 retiree per 10 workers = dependency ratio of 1-10)

ASSUMPTIONS

- Company will always have enough active workers to pay for the benefits for retired workers.
- The financial strength and economic success of company will be stable long into the future.

CIRCUMSTANCES CHANGED

- Became more efficient
- Made more cars & better cars with smaller workforce
- Every time they laid someone off
  - Turned worker making money into retiree drawing benefits

GENERAL MOTORS

1962 464,000 workers to 40,000 retirees (1 - 11.6)

2005 141,000 workers to 453,000 retirees (3.3 – 1)

EVOLUTION OF CURRENT ELIGIBILITY AND FINANCING STRUCTURE

- 1954 – Granting preferential tax treatment to employer sponsored coverage
- 1965 – Enactment of Medicare
- 1965 – Enactment of Medicaid

PREFERENTIAL TAX TREATMENT

Employer Sponsored Coverage

(Tax Reform Act of 1954)

No one could have envisioned:

- **Highly competitive global economy**
- **Public subsidy would grow to >$200B per year**
- **Paid by all taxpayers, including those without coverage**

MEDICARE

Purpose: To improve financial access for the elderly

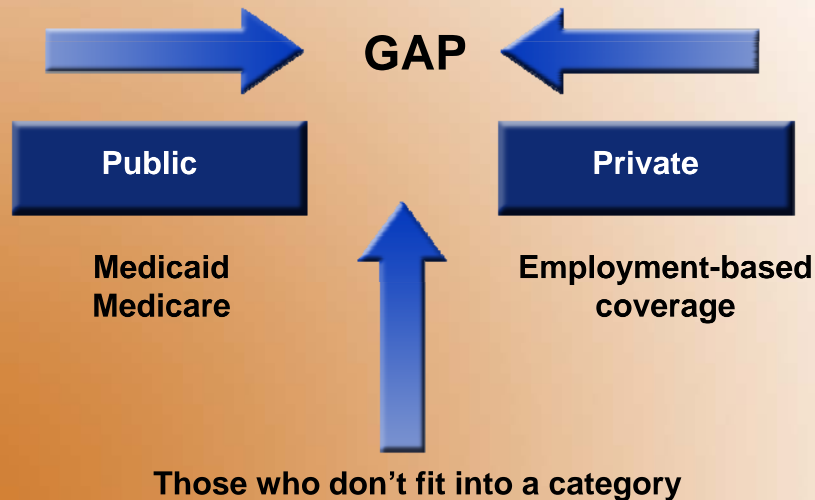
- **Entitlement program**
- **Financed by taxes on those who are working**
- **Does not cover long-term care services**

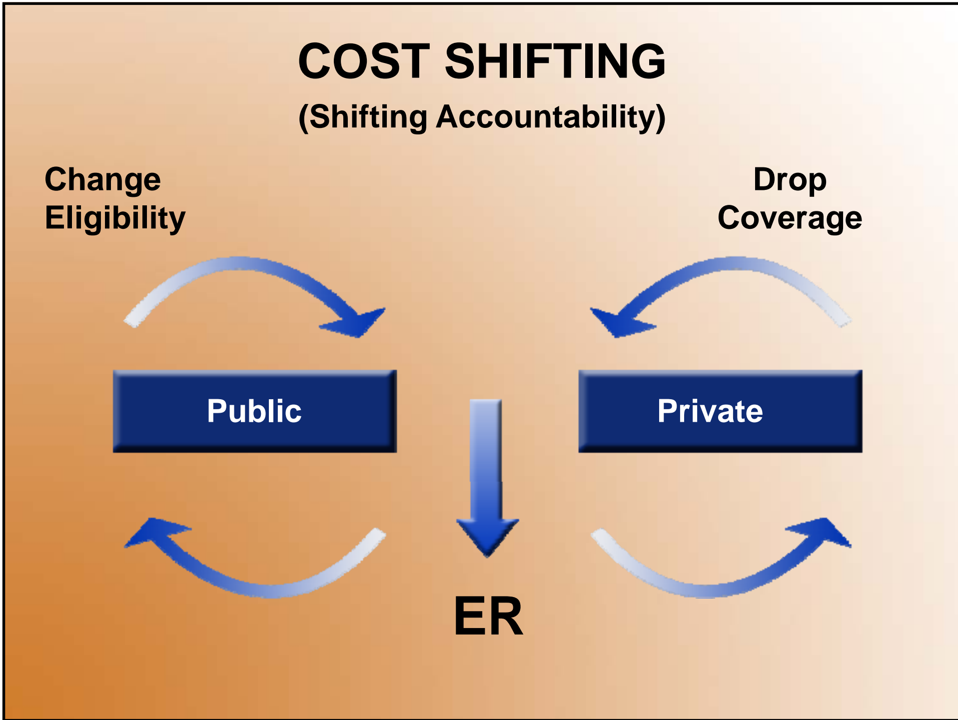
MEDICAID

Purpose: To improve financial access for certain categories of the poor

- Poor children
- Blind and disabled
- Elderly needing long term care
- Pregnant women

COVERAGE GAP





Bill for an Act

Health Care Equity
and Empowerment Act of 2007

The ARCHIMEDES MOVEMENT

Preamble

(1) There shall be no explicit policy objective adopted to guide the allocation of public health care resources.

(2) No clear responsibility shall be assigned for financing the care of those who cannot pay for it themselves.

Section I

Categories shall be established to differentiate between the "deserving poor" and the "undeserving poor."

(1) The "deserving poor" shall include women who are pregnant, families with dependent children, and those who are blind or disabled. People in these categories shall be provided with publicly financed health care.

(2) The "undeserving poor" shall include poor women without children who are not pregnant and poor men. People in these categories shall be denied publicly financed health care.

Section II

(1) All those who are over 65 years old shall be entitled to publicly financed healthcare, regardless of their income.

(2) All those who are employed and under the age of 65, regardless of whether they can afford health care for themselves and their families, shall be required to pay a portion of their taxes to purchase health care for wealthy citizens over the age of 65.

Section III

(1) The public program for the elderly (Medicare) shall not provide coverage for long term care services.

(2) The public program for the poor (Medicaid) shall provide coverage for long term care services.

(3) The elderly in need of long term care shall be required to spend themselves into poverty in order to become eligible for Medicaid, at which point their needs will compete directly with those of poor women and children.

Section IV

(1) The criteria of financial need and ability to pay shall not be used to determine eligibility for a public subsidy.

(2) The relative effectiveness of various medical interventions in producing health shall not be considered in deciding which services will be paid for by public resources.

Bill for an Act

Health Care Equity and Empowerment Act of 2007

KEY STEPS

1. Describe a clear vision of a new health care system
2. Expose the contradictions and inequities of the current system
3. Create a tension between the status quo and the vision

WAIVERS

Create Pressure for Change

Senate Bill 27

The Oregon Better Health Act

www.WeCanDoBetter.org

Senate Bill 27
The Oregon Better Health Act
www.wecandobetter.org

- Develops plan for Congressional consideration to allocate the public dollars currently being spent on health care in Oregon in a way which optimizes the health of Oregonians and maximizes the value of this expenditure.
- Explicitly defines a “core benefit” of essential health services for which all Oregonians will be eligible (“core benefit”).

Senate Bill 27
The Oregon Better Health Act
www.wecandobetter.org

- Finances the “core benefit” from a pool of public funds to which all Oregonians will equitably contribute.
- Ensures that the “core benefit” will be portable and not tied to employment, relieving employers and employees of this cost while still leaving them free to offer and purchase secondary insurance for additional services.

Senate Bill 27
The Oregon Better Health Act
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- **Establishes a process through which the adequacy of the "core benefit" can be publicly debated and agreed upon.**
- **Realigns financial incentives to ensure fair and reasonable payment to providers; value-based cost sharing for consumers; and the transition to a more efficient delivery system.**

Senate Bill 27
The Oregon Better Health Act
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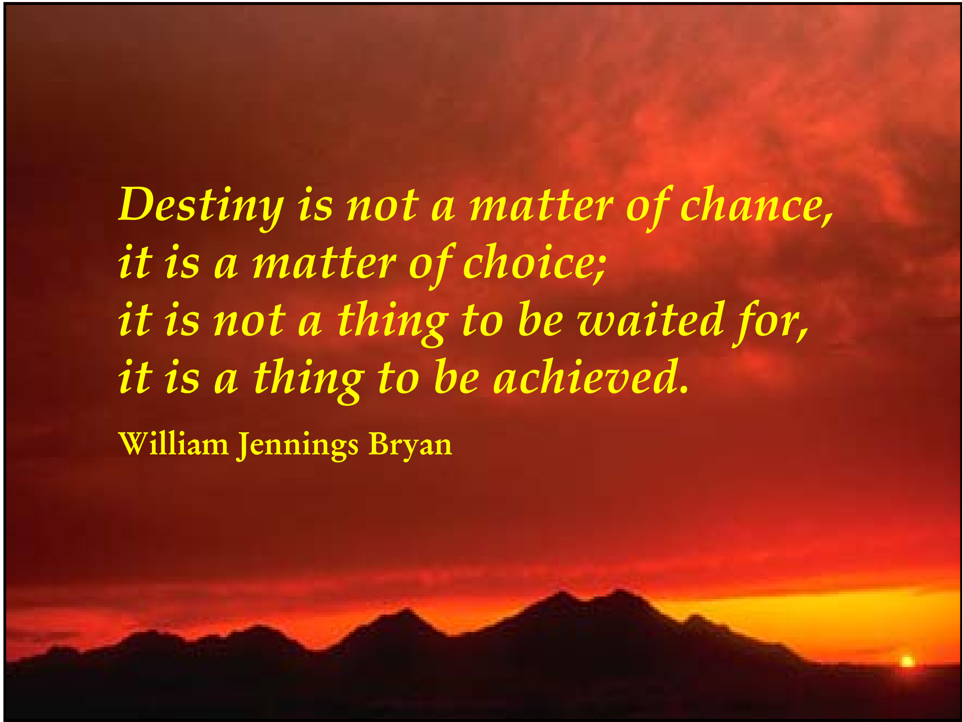
- **Creates a process whereby the general public, employers, employees, senior citizens, and health care providers have an opportunity to compare the new system with the current system *before* we move forward with implementation.**

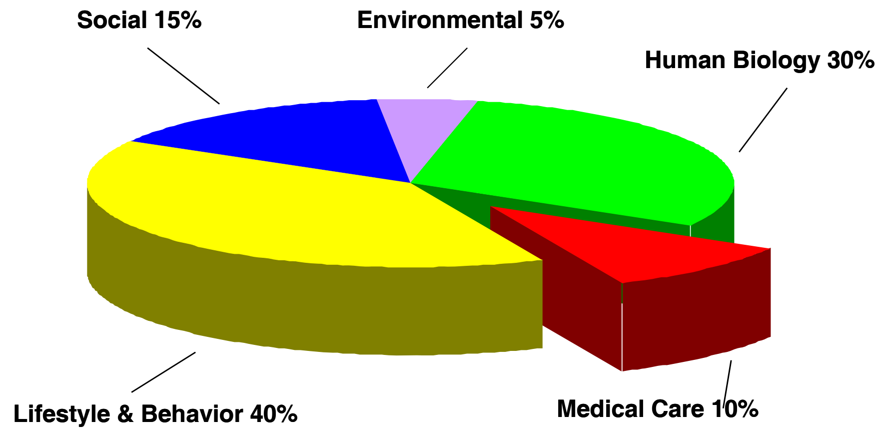
DEMAND A DIFFERENT STANDARD FOR PUBLIC RESOURCES

- A health benefit for the dollars allocated for health care
- A benefit to all of us, not just some of us

LEADERSHIP STARTS WITH US


Destiny is not a matter of chance,
it is a matter of choice;
it is not a thing to be waited for,
it is a thing to be achieved.
William Jennings Bryan

Health Field Model
Influence Factors on Health Status



Source: McGinnis J.M., Williams-Russo, P., Knickman, J.R. (2002). *Health Affairs, 21(2),* 83