

The Real Lessons of Health Reform

We need to focus on reforming the delivery system—not just overhauling health insurance.

Despite a disastrous economic downturn, health-care providers started 2009 with a sense of cautious optimism. In February, the stimulus package authorized billions of dollars for investments in health IT, extended insurance benefits for laid-off workers, and increased funding for Medicaid. Adversaries in the previous battle over reform (1993-94) met in March and promised to share equitably in the extensive sacrifices demanded by reform. Medical stocks as a group went up while the overall stock market went down.

Reform's inevitability was plausible because the problems were so serious—rising expenditures, unacceptable quality, and declining insurance coverage. But these problems were hardly unprecedented. Newly elected presidents have sounded identical battle cries for health reform in every decade since Medicare and Medicaid were created in the 1960s.

Yet things were different in the spring of 2009: Reform was now being led by people who were there for the debacle of 1993-94 and had, presumably, learned its lessons. They have worked diligently not to repeat steps that led to failure for the Clintons. However, prospects for solving health care's problems declined dramatically over the summer, and fall's political storms augured a winter of discontent for those who were sure that 2009 was finally "the year."

What Went Wrong?

Veterans of the previous battle correctly remembered that it was lost because it was controlled by the White House. However, they incorrectly concluded that this year's effort would succeed if it were controlled by Congress instead. They failed to anticipate the consequences of deep philosophical divisions within the Democratic party and profound cultural differences between the House and the Senate—a lesson not learned in

1993-94 because Congress was involved in the process only at the quick, bitter end.

Reform leaders also correctly remembered that providers and payers joined forces to torpedo the Clinton plan because they were excluded from the process of creating it. This year, they invited providers and payers to participate in the process from the beginning, and the different stakeholders quickly agreed to general principles. However, the lesson of past reform battles is that the devil is in the details. This year's strategy failed to realize that inclusion in the process would not automatically create agreement on the specifics.

Leaders of the current campaign for health reform apparently did not remember that they lost the previous battle because they tried to do too much. Candidate Clinton promised to cut spending on health care to less than 10 percent of the gross domestic product; he did not promise to expand insurance. (Remember his mantra in 1992: "It's the economy, stupid!") Universal coverage only entered the picture after the election when President Clinton delegated reform to his wife, who had a longstanding commitment to insurance for all. This year's effort to reduce spending and increase coverage simultaneously is a clear case of history repeating itself.

However, health reform in 2009 arguably floundered above all for failure to understand another lesson of history: legislative solutions need to be sensible and feasible. The 1,369-page bill that the White House sent to Capitol Hill in 1994 was neither. It was a concoction of diverse and untested ideas jury-rigged at the last minute by several "expert" task forces. It was an easy target for Harry and Louise and Bob (Dole) and Newt (Gingrich) because it didn't make sense. This year's situation has been remarkably similar, with five congressional committees pursuing so many different and uncoordinated ideas that the

opposition only needed to raise questions, not propose viable alternatives.

The Wrong Historical Precedent

Finally, health reform did not evolve as initially expected because leaders considered the lessons of only the Clinton administration. They should have reflected on the previous administration of George H. W. Bush instead. Congress, the White House, and key stakeholders collaborated in 1988 and 1989 to pass a catastrophic health insurance law. Voters rebelled when they discovered that they were expected to pay for the expanded coverage, and the law was repealed in 1990. History could repeat itself because this year's focus quickly downshifted over the August recess from reforming the delivery system to overhauling health insurance.

What's a healthcare financial manager to make of all this? American voters want significant changes in health care, but they do not want to pay any more than they are currently spending. Enduring reform won't come from Washington acting alone. It can come only from purposeful improvements in the business relationships of providers, payers, and public and private purchasers. Healthcare financial managers should think globally and act locally, working with purchaser and payer peers to solve systemic problems in their markets so that the nation needn't be subjected to another disappointing battle over health reform in the next administration.

In my next column in the Spring 2010 issue of *Strategic Financial Planning*, I will address the business competencies that healthcare organizations need to develop—no matter what reform legislation emerges. ☞

Jeffrey C. Bauer, PhD, medical economist and health futurist, is a Chicago-based partner in management consulting for ACS Healthcare Solutions, and a member of HFMA's First Illinois Chapter (jeff.bauer@acs-inc.com).

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Dr. Bauer invites you to e-mail him your views about health reform.