The Future of Health Care in Different Systems – Yesterday, Today and Tomorrow

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U.S. Department of Health and Human Services
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From Yogi Berra

• “It's tough to make predictions, especially about the future.”

• “It's like deja vu all over again”
Objectives

• The near future – health reform implementation

• The recent past political debate – a guide to the future?

• The future – can health care systems be sustainable, equitable and improve health – or will we settle for “two out of three ain’t bad”
Health Reform at Last
LBJ signs the Medicare Bill
Throughout all the various proposals, up to and including the final bill in 1965, the AMA argued that any involvement by the government in the medical care profession was the equivalent of socialized medicine.

Ronald Reagan played the socialized medicine theme to the hilt, suggesting that the idea of government sponsored medical insurance was little short of the entering wedge of socialist domination of America.
Medicare Now

- Despite challenging fiscal problems, key component of the U.S. economy, social structure and health care system
- Income security for elderly and disabled
- Financial stability for providers
- Significant contributor to medical education and innovation
- Political turnaround – in recent health reform debate, Republicans became Defenders
#1 on Yale’s List of the year’s most memorable quotes

- "Keep your government hands off my Medicare."
Republican View of the Democrat’s Approach
Immediate Challenges Ahead – How we Meet them will Impact the Future of U.S Health Care

• Repeal efforts
• Modification efforts
• Legal battles
• Implementation issues
  • Insurance reforms
  • Insurance exchanges and subsidies
  • Medicare as a laboratory for payment and delivery system change
• Individual vs. government or health plan decision making, market competition vs. regulation
A conservative economist when asked how the richest nation on earth could not afford health insurance for all its citizens responded archly “Maybe not having universal coverage is the reason we are the richest nation on earth”

from a Washington Post editorial
Economics joke

• Q: How many conservative economists does it take to change a light bulb?

• A: None. If the government would just leave it alone, it would screw itself in.

• (free market dynamics would assure an appropriate equilibrium position between the bulb and the socket)
And...to be fair and balanced

• Q: How many liberal economists does it take to change a light bulb?

• A: Unknown – the government would screw up screwing in the light bulb
Do we have a private or public health care system?

<table>
<thead>
<tr>
<th>Spending</th>
<th>NHE Definition</th>
<th>Move FEHBP to public</th>
<th>Include tax benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>55%</td>
<td>50%</td>
<td>41%</td>
</tr>
<tr>
<td>Public</td>
<td>45%</td>
<td>50%</td>
<td>59%</td>
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</table>
So for the political debate

- “Get your facts first, and then you can distort them as much as you please.”

Mark Twain
Implications for health policy in the future

- The stakes will be higher, the issues more complex and the choices more difficult
- Solutions will likely involve a mix of market-oriented and regulatory policies
- Educated public deliberation and social consensus will be important
- Recent U.S. experience does not support optimism
Challenges for Health Care Systems in the Future

• Containing costs and improving quality while addressing:
  • Aging Populations
  • Increasing prevalence of chronic diseases
  • Rapid innovation of new technologies
  • Cultural, political, financial barriers to change
Structural challenges for the health care system

- demographic ageing
- medicinal and pharmaceutical innovations
- financing of SHI-funds based dominantly on wages
- Fragmented care
- Lack of incentives for managed care, referrals, care coordination
- Traditional focus on acute care → neglect of chronic conditions
- Doctor-fixation → “Eminence”-based medicine, few responsibilities for other health care professionals
Per Capita Total Current Health Care Expenditures, U.S. and Selected Countries, 2006

OECD estimate.

Notes: Amounts in U.S.$ Purchasing Power Parity; see www.oecd.org/std/ppp; includes only countries over $2,500. Total Current Expenditures on Health is defined by the OECD as the sum of expenditures on personal health care, preventive and public health services, and health administration and health insurance; it excludes investment. United Kingdom not included because it does not provide a breakdown of Total Health Expenditures into Current and Investment expenditures; the Total Health Expenditure Per Capita for the UK in 2006 was $2,760.

International Health Care Spending Through 2015
Calculated Figures

Source: OECD, Projecting OECD Health and Long Term Care expenditures: what are the main drivers, Working Paper 477, February 2006
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Aging of the Population</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Changes in Third-Party Payment</td>
<td>10</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Growth of Personal Income</td>
<td>11–18</td>
<td>5</td>
<td>&lt;23</td>
</tr>
<tr>
<td>Prices in the Health Care Sector</td>
<td>11–22</td>
<td>19</td>
<td>*</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>3–10</td>
<td>13</td>
<td>*</td>
</tr>
<tr>
<td>Defensive Medicine and Supplier-Induced Demand</td>
<td>0</td>
<td>*</td>
<td>0</td>
</tr>
<tr>
<td>Technology-Related Changes in Medical Practice (Residual)</td>
<td>38–62</td>
<td>49</td>
<td>&gt;65</td>
</tr>
</tbody>
</table>
Trends in Global Ageing

Percent of Population Aged 65 & Over: History and UN Projection

Source: UN (2005)
Proportions Aged 65+ and Under Five: 1950-2050
The World’s 15 ‘Oldest’ Countries and the U.S.

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent Age 65 or Older</th>
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<tbody>
<tr>
<td>Japan</td>
<td>19.5</td>
</tr>
<tr>
<td>Italy</td>
<td>19.5</td>
</tr>
<tr>
<td>Germany</td>
<td>18.6</td>
</tr>
<tr>
<td>Greece</td>
<td>17.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>17.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>17.2</td>
</tr>
<tr>
<td>Belgium</td>
<td>17.1</td>
</tr>
<tr>
<td>Portugal</td>
<td>17.0</td>
</tr>
<tr>
<td>Spain</td>
<td>16.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>16.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>16.5</td>
</tr>
<tr>
<td>Croatia</td>
<td>16.4</td>
</tr>
<tr>
<td>France</td>
<td>16.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>16.0</td>
</tr>
<tr>
<td>Finland</td>
<td>16.0</td>
</tr>
<tr>
<td>United States</td>
<td>12.4</td>
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</table>

Sources: Carl Haub, 2006 World Population Data Sheet.
### Oldest and Youngest Countries:

(_median age_

<table>
<thead>
<tr>
<th>Nation</th>
<th>2005</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>43</td>
<td>55</td>
</tr>
<tr>
<td>Italy</td>
<td>42</td>
<td>51</td>
</tr>
<tr>
<td>Germany</td>
<td>42</td>
<td>49</td>
</tr>
<tr>
<td>WORLD</td>
<td>28</td>
<td>38</td>
</tr>
<tr>
<td>Mali</td>
<td>16</td>
<td>25</td>
</tr>
<tr>
<td>Niger</td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td>Uganda</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>USA</td>
<td>36</td>
<td>41</td>
</tr>
<tr>
<td>China</td>
<td>33</td>
<td>45</td>
</tr>
<tr>
<td>India</td>
<td>24</td>
<td>39</td>
</tr>
</tbody>
</table>
Percent of Total Health Care Expenses Incurred by Different Percentiles of U.S. Population: 2002

<table>
<thead>
<tr>
<th>Percentile</th>
<th>2002</th>
<th>2005-2006</th>
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<tbody>
<tr>
<td>Top 1% (≥$35,543)</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Top 5% (≥$11,487)</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>Top 10% (≥$6,444)</td>
<td>64%</td>
<td>59.5%</td>
</tr>
<tr>
<td>Top 20% (≥$3,210)</td>
<td>80%</td>
<td>81.9%</td>
</tr>
<tr>
<td>Top 50% (≥$664)</td>
<td>97%</td>
<td>95.7%</td>
</tr>
<tr>
<td>Bottom 50% (&lt;$664)</td>
<td>3%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>
Of U.S. population, 65-79 group is 9%, 80+ group 3% and Account for 36% of spending
Percent of Population and Spending by Number of Chronic Conditions, 2004

Source: Chronic Condition Warehouse, Centers for Medicare & Medicaid Services, Office of Research, Development, and Information
The Future

- Need for better coordinated care to address chronic conditions
- New models of delivery (ACOs, medical home) will need:
  - Cultural change
  - Payment change to support and provide incentives, reward quality
  - Changes in Workforce policy
The Martini

Sheingold’s Tips
1) Don’t forget Vermouth
    1:4 – 1:8 ratio
2) Add a few drops
    of spring water
3) Shake well
4) Use well chilled glass

For temporary relief of depression caused by listening to economics stuff
Use only as directed by your local bartender
WHAT IS AN ECONOMIST?

- An economist is someone who loves numbers but did not have the personality to become an accountant.
“no nation on earth can provide all of its citizens with all of the medical care that might do them some good. Choices must be made”

Victor Fuchs, interview from Health Affairs
HYPOTHESES ABOUT MEDICAL TECHNOLOGY

- No health care system can afford to make payment for all new medical technologies that will become available in the near future -- without harming those systems and/or the overall economies.
SHEINGOLD’S DEPRESSING HYPOTHESES

• As nations, we generally lack the means for public deliberation of these issues, and for making difficult choices; and in many cases there is a lack of legitimacy for current institutions to address these issues appropriately.

• We should begin addressing these issues now.
“We have always had hard choices to make in medicine, but now we have harder choices I believe, and we are still running away from them. We can give everybody decent health care, but we can’t give everybody everything.

And if we can’t give everybody everything they could possibly benefit from, then who is going to decide who gets what and how? Those are huge issues.”

Dr. Ruth R. Faden,
Director, Bioethics Institute
Johns Hopkins University
• Maybe its time for that second martini
Medical Technology and the “Malthusian Spectre”

- “We all want to Live Longer, Healthier Lives: But it’s Going to Cost Us”

  *Washington Post Editorial by David Brown, 1/11/2009*

- Compares limited resource issues to the Malthusian cycle of population growth and starvation

- A collision course for all nations between our wish to live longer healthier lives and our ability to pay for that wish
Garrett Hardin’s “Tragedy of the Commons”

- “Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all.”

- **Medical commons** - Lack of balance between individuals’ desires and financial incentives that accurately reflect social costs

- Even in the U.S. most of us are in risk pools that shield us from the economic costs of our treatment choices
• Uh Oh – here comes the “R” word – and the discussion won’t be easy
I dare you to talk about those Death Panels
Donald Berwick, MD – Nominee for CMS Administrator
Sen. ____ of _____, a member of the Senate GOP leadership team, said of Berwick, "He appears to be a big fan of rationing." ____ declined further comment, saying he'd only begun to review the nominee's credentials.
• Sen. ______ of ______ said Tuesday that he is not likely to vote to confirm Berwick: "He was knighted by the Brits for his efforts to help modernize the British system and put in 'NICE' [the National Institute for Health and Clinical Excellence] - that's the acronym for their rationing system. He is a proponent of rationing. Some of his statements I think are pretty egregious."
Dr. Berwick’s Crimes

• Being knighted by the Queen of England

• Speaking out against greater patient cost sharing as a means of market based rationing
Implications for the “rationing” debate

• Its not about the “basic” intent of rationing – there is some agreement that consumption of services that have a small incremental value must decline

• It is more about who makes the decisions and how
Rationing and the Future

- Forget about negative connotations – rationing simply means foregoing the consumption of something that might provide us with a some benefit
- Nations and their citizens make these decisions many times every day
- Because of the nature of health care, it has become more acceptable to make health care rationing implicit and less transparent rather than explicit and transparent
• But every decision not to ration explicitly is a decision to ration – we just hope to hide the effects by distributing them over many individuals and many sectors of the economy

• As health care grows as a % of GDP, hiding impacts becomes more difficult

• It's time to admit we ration and figure out how to do it more explicitly, efficiently and transparently

• How can every nation do better?

• Maybe it's time to lose the word
Health Care Systems Make Technology Decisions in Different Ways

- **Factors Considered:**
  - Effectiveness
  - Cost
  - Cost effectiveness
  - Need
  - Values

- **Decisions Implemented by:**
  - Pricing
  - Coverage (+ or -)
  - Limited use
  - Budgets
  - Provider agreements
  - Guidelines

Processes, institutional structures, locus of decision making vary considerably
The Future is to Make a Simple Decision that is Very Complicated

- Do we find explicit, transparent ways to ration rationally
- or
- Do we continue to not ration explicitly and ration by default, perhaps irrationally
All Nations Can Do Better to “Ration Rationally” – But Public Input is Needed On:

- What processes and institutions to use
- How explicitly to use CEA and CER
- How much to implement recommendations through individual, health plan and government decisions (coverage, pricing, coinsurance)
- Most importantly – how to engage in public deliberation and integrate public values
Recent Study

- Gold et. al., “Does providing cost effectiveness information change the coverage priorities for citizens acting as social decision makers?”  
  *Health Policy* 2006

- “Contrary to prevailing assumptions, the diverse sample understood CEA, were largely open to its use, and changed their funding priorities when given cost effectiveness ratio information”
The Optimistic Future

- The citizenry is fully engaged in educated deliberation related to allocation of limited resources
- Political leaders are not afraid to discuss limited resources
- Appropriate financial incentives are implemented through payment systems, and providers overcome traditional barriers to well coordinated care
- Technology industries understand they can earn adequate profits within a sustainable health care system – but that the system is not sustainable if they accrue greater profits than would occur in a well functioning market place
- If all this happens – the Chicago Cubs will win the World Series – last happened in 1908
Don’t Leave Here Too Depressed

- Sheingold also predicted that air travel would not be affected by volcanic activity this spring.
Is the Probability of this Occurring the Same As:
And Finally

• Q: Why did God create economists?

• A: In order to make weather forecasters look good.