Introduction to Health Care Policy

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Markets, Patients, and Providers:
Partnership for Reform 2008
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Overview

• Why health care is a public issue
• Design issues—the special challenges of health care
• Standard alternative approaches to system design
• The problems in the U.S. (& California) to be addressed
  – Coverage/Access
  – Cost
  – Consequences/Quality
• The imperative to act
• Options for universal public-private partnerships
• Massachusetts and California
When you consider **the best way to think about health care services** (provided by doctors, nurses, other health professionals, clinics, hospitals, etc.), which one of the following three statements comes closest to your own opinion? Health care services are “**private goods**” that people should buy somewhat like cars and televisions, and based on what they can afford; **Basic health care services** that should be available to everyone, like public education, but people who can afford to should be able to buy more or better care, similar to paying for private schools; or All effective health care services should be universally available, provided to everyone as a **right of citizenship** and based on the services they need. (Pre-Election Survey)

![Bar chart showing the distribution of opinions on health care services.](chart.png)

Source: Blue Sky module, UCLA Team, 2006 Cooperative Congressional Election Survey, N=1,000
Design Issues—The Special Challenges of Health Care

• **Distribution of Risks**
  - The 20/80 “law” of health care—fragmented pools and “cherry picking”
  - “Guaranteed issue” and the problem of “adverse selection”
  - “premium caps” without cost containment
  - Insurance “death spiral”

• **Equity in Financing**
  - “Actuarially fair” premiums
  - “Head-tax” premiums/contributions
  - “Ability-to-pay” contributions (closest to the international standard)

• **Administrative Efficiency**
  - Underwriting, marketing, utilization review, unstandardized payments
• **Cost Management**
  – Budgets and fee schedules (closest to the international standard)
  – Competition: Among comparable health plans
  – Competition: Patients as “price-conscious consumers” at point of service

• **Adoption of Information Technology**
  – Problem of who invests vs. who receives the gains—value of a “closed system”

*Cannot address risk, equity, administrative efficiency, cost management, and IT issues without:*

• **Universal Coverage—Requires Compulsion**
  – Through tax payment
  – Through employer mandate
  – Through individual mandate
  – Or some combination
<table>
<thead>
<tr>
<th>Approach</th>
<th>Financing (Dominant)</th>
<th>Delivery (Dominant)</th>
<th>International Example</th>
<th>U.S. Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Health Service</td>
<td>Public (e.g., gen’l taxes)</td>
<td>Public</td>
<td>United Kingdom</td>
<td>VA/DoD (U.S. President)</td>
</tr>
<tr>
<td>Single-Payer</td>
<td>Public (e.g., payroll tax)</td>
<td>Private</td>
<td>Canada</td>
<td>Medicare</td>
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<tr>
<td>All-Payer</td>
<td>Private, Publicly Defined (payroll %)</td>
<td>Private</td>
<td>Germany</td>
<td>[Employer Mandate+]</td>
</tr>
<tr>
<td>Structured Competing Plans</td>
<td>Private, Publicly Defined (premium?)</td>
<td>Private</td>
<td>Netherlands</td>
<td>FEHBS/CalPers</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td>Private, Publicly Defined (premium “head tax” w/ subsidy)</td>
<td>Private</td>
<td>Singapore (sort of)</td>
<td>Massachusetts</td>
</tr>
</tbody>
</table>
Percent of U.S. Population Covered by Various Types of Health Insurance, 1940-2005

Source: Mark A. Peterson, “Getting to Health Reform: Institutions, Politics, and Lessons from the Past,” book manuscript, Chapter 4, Figure 14.
Chart I-8. Significant Percentage of Underinsured Adults Indicates Access to Care Not Just Issue for Uninsured

Uninsured is defined as uninsured for some time during the past year.


Uninsured rates are two year averages, 2001-2003.
Chart I-14. Percent of Population Uninsured All Year or Part-Year Varies by Race and Ethnicity, 2000

Percent of population uninsured all year or part-year, 2000

Chart I-9. Gaps in Insurance Coverage Hinder Access to Care

Percent of adults ages 19–64 reporting the following problems because of cost:

Did not fill a prescription
- Insured all year: 18%
- Insured now, time uninsured in past year: 9%
- Uninsured now: 57%

Did not see specialist when needed
- Insured all year: 27%
- Insured now, time uninsured in past year: 18%
- Uninsured now: 61%

Skipped medical test, treatment, or follow-up
- Insured all year: 12%
- Insured now, time uninsured in past year: 35%
- Uninsured now: 40%

Had medical problem, did not see doctor or clinic
- Insured all year: 13%
- Insured now, time uninsured in past year: 39%
- Uninsured now: 51%

Any of the four access problems
- Insured all year: 29%
- Insured now, time uninsured in past year: 75%
- Uninsured now: 61%

Chart I-10. Being Uninsured Is a Leading Cause of Death

Deaths of Adults Ages 25–64, 1999


1. Cancer – 156,485
2. Heart disease – 115,827
3. Injuries – 46,045
4. Suicide – 19,549
5. Cerebrovascular disease – 18,369
6. Uninsured – 18,000
7. Diabetes – 16,156
8. Respiratory disease – 15,809
9. Chronic liver disease and cirrhosis – 15,714
10. HIV/AIDS – 14,017

International Comparison of Health Care Expenditures, Percent GDP, 1960-2006, OECD

U.S.-Canada Comparison, Percent GDP, 1960 to 2006, OECD

Twelve-Month Percent Change in Prices, Percent-Point Difference Between All Items and Medical Care Services, 1936-2007

Sources: See Mark A. Peterson, “Getting to Health Reform: Institutions, Politics, and Lessons from the Past,” book manuscript, Chapter 3, Figure 4, Part (b), calculated from the Bureau of Labor Statistics, U.S. Department of Labor, using the data retrieval for the Consumer Price Index for “All Urban Consumers” found at http://data.bls.gov/cgi-bin/surveymost?cu (accessed November 21, 2007), data sets “U.S. All items, 1982-84=100 - CUUR0000SA0” and “U.S. Medical Care Services, 1982-84=100 - CUUR0000SAM2” for 1935 to 2007.
Total State Medicaid Spending as a Percentage of Total State Spending, Fiscal 1992 to 2007

Source: See Mark A. Peterson, “Getting to Health Reform: Institutions, Politics, and Lessons from the Past,” book manuscript, Chapter 3, Figure 10 (data from National Association of State Budget Officers).

Percentage Changes in Employer-Sponsored Health Insurance Premiums and Out-of-Pocket Spending Compared to Inflation and Workers’ Earnings, 1988 to 2006

Infant Mortality Rate, 2002

Infant deaths per 1,000 live births


Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006
Healthy Life Expectancy at Age 60, 2002

Developed by the World Health Organization, healthy life expectancy is based on life expectancy adjusted for time spent in poor health due to disease and/or injury.

Years


Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006

Rankings Based on Age-Standardized Death Rates (SDRs) Per 100,000 from Amenable Mortality (Both Sexes Combined) in Nineteen OECD Countries, 1997-98 and 2002-03

Chart II-1. U.S. Adults Receive Half of Recommended Care, and Quality Varies Significantly by Medical Condition

Percent of recommended care received

- Overall: 55%
- Breast Cancer: 76%
- Hypertension: 65%
- Asthma: 54%
- Diabetes: 45%
- Pneumonia: 39%
- Hip Fracture: 23%

Map 1.4. Age, Sex, Race, Price and Illness Adjusted Medicare Reimbursements for Outpatient Services (1996)

In general, reimbursements for outpatient services were higher in the Midwest and West than on either coast. Hospital referral regions in the lowest quintile of outpatient reimbursements were widely scattered and often contiguous with areas in the highest quintile of spending.

The World Health Organization’s Ranking of 191 Health Systems

Overall level of health

Distribution of health in the population

Overall level of responsiveness

Distribution of responsiveness

Equity of financial contribution

1 France
2 Italy
3 San Marino
4 Andorra
5 Malta
6 Singapore
7 Spain
8 Oman
9 Austria
10 Japan
11 Norway
12 Portugal
13 Monaco
14 Greece
15 Iceland
16 Luxembourg
17 Netherlands
18 United Kingdom
19 Ireland
20 Switzerland
21 Belgium
22 Colombia
23 Sweden
24 Cyprus
25 Germany
26 Saudi Arabia
27 United Arab Emirates
28 Israel
29 Morocco
30 Canada
31 Finland
32 Australia
33 Chile
34 Denmark
35 Dominica
36 Costa Rica
37 United States
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<th>Country Rankings</th>
<th>1.0-2.66</th>
<th>2.67-4.33</th>
<th>4.34-6.0</th>
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</thead>
<tbody>
<tr>
<td>AUSTRALIA</td>
<td>3.5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>CANADA</td>
<td>2.5</td>
<td>6</td>
<td>3</td>
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<tr>
<td>GERMANY</td>
<td>3.5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>NEW ZEALAND</td>
<td>1</td>
<td>6</td>
<td>4</td>
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<tr>
<td>UNITED KINGDOM</td>
<td>6</td>
<td>5</td>
<td>3.5</td>
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<tr>
<td>UNITED STATES</td>
<td>5</td>
<td>1</td>
<td>2.5</td>
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### Overall Ranking (2007)

<table>
<thead>
<tr>
<th>Category</th>
<th>AUSTRALIA</th>
<th>CANADA</th>
<th>GERMANY</th>
<th>NEW ZEALAND</th>
<th>UNITED KINGDOM</th>
<th>UNITED STATES</th>
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<tbody>
<tr>
<td>Quality Care</td>
<td>4</td>
<td>6</td>
<td>2.5</td>
<td>2.5</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Right Care</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1</td>
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<tr>
<td>Safe Care</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
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<tr>
<td>Coordinated Care</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>5</td>
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<tr>
<td>Patient-Centered Care</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Access</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>6</td>
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<tr>
<td>Efficiency</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Equity</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Long, Healthy, and Productive Lives</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4.5</td>
<td>4.5</td>
<td>6</td>
</tr>
</tbody>
</table>

### Health Expenditures per Capita, 2004

| Country            | $2,876* | $3,165  | $3,005* | $2,083  | $2,546  | $6,102 |

* 2003 data

Source: Calculated by Commonwealth Fund based on the Commonwealth Fund 2004 International Health Policy Survey, the Commonwealth Fund 2005 International Health Policy Survey of Sicker Adults, the 2006 Commonwealth Fund International Health Policy Survey of Primary Care Physicians, and the Commonwealth Fund Commission on a High Performance Health System National Scorecard.

Waiting Time to See Doctor When Sick or Need Medical Attention, Sicker Adults in Six Countries, 2005

Last time you were sick or needed medical attention, how quickly could you get an appointment to see a doctor?

Percent of adults

<table>
<thead>
<tr>
<th>Country</th>
<th>% Next day</th>
<th>% Same day</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>58</td>
<td>23</td>
</tr>
<tr>
<td>GER</td>
<td>56</td>
<td>13</td>
</tr>
<tr>
<td>AUS</td>
<td>49</td>
<td>17</td>
</tr>
<tr>
<td>UK</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>US</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>CAN</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

Percent of adults reporting 6 days or more

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>3</td>
</tr>
<tr>
<td>AUS</td>
<td>10</td>
</tr>
<tr>
<td>GER</td>
<td>13</td>
</tr>
<tr>
<td>UK</td>
<td>15</td>
</tr>
<tr>
<td>US</td>
<td>23</td>
</tr>
<tr>
<td>CAN</td>
<td>36</td>
</tr>
</tbody>
</table>

Data: 2005 Commonwealth Fund International Health Policy Survey of Sicker Adults (Schoen et al. 2005a).


Access to Doctor When Sick or Need Medical Attention, by Income, 2004

Percent waited six days or more for appointment when sick

- **Australia**: Below average income: 7, Above average income: 5
- **New Zealand**: Below average income: 3, Above average income: 3
- **United Kingdom**: Below average income: 14, Above average income: 12
- **United States**: Below average income: 24, Above average income: 13
- **Canada**: Below average income: 25, Above average income: 24

*Significant difference between below and above average income groups within country at p<.05.*

Difficulty Getting Care on Nights, Weekends, Holidays Without Going to ER, 2004

Percent saying “very” or “somewhat difficult”

Below average income Above average income

Australia 53 56 60 59
Canada 60 59 32 32
New Zealand 42 44 70 60
United States

*Significant difference between below and above average income groups within country at p<.05.

Current Misallocation of Resources to Achieve Optimal Health

Factors Influencing Health
- Health Behaviors 50%
- Genetics 20%
- Environment 20%
- Access to Care 10%

National Health Expenditures
- $1.2 Trillion
- Access to Care 88%
- Health Behaviors 4%
- Other 8%

Sources: Prepared by the Blue Sky Initiative, UCLA, based on information from the Centers for Disease Control and Prevention, University of California at San Francisco, Institute of the Future, 2000.
Runaway Health Costs

Peter Orszag, the director of the Congressional Budget Office, has used a version of this chart in recent talks. He says that if medical spending continues growing at its recent pace, it will take up a much larger share of the economy and could overwhelm the federal budget.

FEDERAL SPENDING ON MEDICAID AND MEDICARE

12% of gross domestic product

Health costs continue to grow faster than income

Costs grow only from aging population

Source: Congressional Budget Office

Two Models for Universal Public-Private Partnerships

From Public Program Build Out to Include Private Plan Options

Medicare with Medicare Advantage → “Medicare for All” with option to choose Competing Private Plans

With Individual Mandate for Private Plans Build Out to Include Public Plan Option

Private Plans with supplemental Public Programs → Individual Mandate with Competing Plans (possibly including Public Plan Option)
## Massachusetts and California

<table>
<thead>
<tr>
<th></th>
<th>Massachusetts</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>6.5 million</td>
<td>37 million</td>
</tr>
<tr>
<td><strong>Percent Non-White</strong></td>
<td>20%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Percent Immigrant</strong></td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Undocumented (#/%)</strong></td>
<td>100,000+ / 2%</td>
<td>2.4 million / 6.3%</td>
</tr>
<tr>
<td><strong>Budget Situation</strong> (at time of consideration)</td>
<td>Structural Balance</td>
<td>$14 billion deficit</td>
</tr>
<tr>
<td><strong>Advantage / Disadvantage</strong></td>
<td>Existing $610 million “free care pool”</td>
<td>2/3 vote required in Legislature to raise taxes</td>
</tr>
</tbody>
</table>

### Health Insurance Coverage (non-elderly)

<table>
<thead>
<tr>
<th></th>
<th>Massachusetts</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Uninsured</strong></td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Employer-Sponsored</strong></td>
<td>68%</td>
<td>54%</td>
</tr>
</tbody>
</table>
Demographics of Likely Voters and Not Registered to Vote