

BAKER HEALTHCARE CONSULTING, INC.

SUITE 2000, BOX 82058
ONE AMERICAN SQUARE
INDIANAPOLIS, INDIANA 46282
bakerhealthcare@yahoo.com

DALE E. BAKER
PRESIDENT

TELEPHONE
317-631-3613

A Synopsis of Critical, What We Can Do About the Health-Care Crisis by Tom Daschle, with Scott S. Greenberger and Jeanne N. Lambrew

FAX
317-631-0302

Synopsis by Dale E. Baker¹ and Neal A. Cooper²

The Obama team initially nominated Tom Daschle for dual positions of Secretary of HHS and Director of the White House Office of Health Reform. The South Dakotan former Senate Majority (and Minority) Leader is well liked and respected on Capitol Hill but withdrew his name from consideration for both positions as a result of underpayment of Federal income taxes. However, his book is likely the opening position of the Obama Administration on health care reform.

Perhaps once in a generation sweeping changes can be made to social programs such as Medicare. With the U.S. and the world in financial crisis, this could again be one of those times where "shock and awe" legislation could move through the Congress and permanently change the landscape of health care. The mood of the nation suggests that deficit spending may, at least from the perspective of lawmakers, largely be irrelevant for the next couple of years and that our Federal government must "jump start" the economy – regardless of cost. Arguably the last major health care legislation change occurred (almost a generation ago) within 100 days after President Ronald Reagan took office with the passage of the Inpatient Prospective Payment System on April 20, 1983. That legislation was the beginning of the end of cost reimbursement and resulted in significantly improved productivity in the field.

Critical –What We Can Do About the Health-Care Crisis was published in February of 2008 (St. Martin's Press), written by former Senator Tom Daschle and co-written with Scott S. Greenberger and Jeanne M. Lambrew. Ms. Lambrew, a Professor of Public Affairs at the University of Texas is apparently still a candidate for a major position by the Obama Administration. This Synopsis is designed not to critique the proposal but to summarize the major provisions of this book.

"The Crisis"

Daschle and team identify the following facts to illustrate the severity of the crisis:

- 47 million Americans (16% of the U.S. population) are uninsured.
- Employer based health insurance is increasingly restricting (or denying) coverage because of cost inflation.

¹ Mr. Baker is President of Baker Healthcare Consulting, Inc.

² Mr. Cooper is an attorney with Hall Render Killian Heath & Lyman, P.C.

- 16% of our GDP is spent on health care – 50% more than the next most expensive country (Switzerland).
- Direct-to-consumer advertising creates demand for treatment for issues such as "restless leg syndrome" that were not acknowledged medical issues until drugs were developed and marketed directly to the public.
- The American fascination for new high tech medical discoveries and treatments – our appetite for newness - is unmatched throughout the world-, adding significantly to the cost of U.S. health care.
- We pay our physicians, our nurses, our therapists and our drug companies more generously than any other country in the world.
- Ours is a disjointed health care system focused on shifting costs within the system, rather than reducing total costs.
- The economic drag of our expensive health care system reduces the competitiveness of U.S. industries in a global economy.
- The lack of implementation of medical digital information systems compared to other industries results in increased costs and decreased quality in our health care system.

What is currently being done?

Many states, tired of federal foot-dragging, have responded to the health-care crisis. Massachusetts has legislated a program to cover nearly 99% of the population. Vermont has a similar plan, and Arnold Schwarzenegger has proposed a plan for California. Many have proposed increasing coverage for the State Children's Health Insurance Program (SCHIP), which is set to expire in March 2009. (At the time of this writing, both the Senate and the House of Representatives have passed bills to extend SCHIP.)

History of Health Reform

Daschle traces health reform efforts from early in the Twentieth Century including the beginning of Medicare and Medicaid in the 1960's through the Clintons' reform efforts in the early nineties. His analysis is insightful and interesting but will not be reviewed in detail to maintain brevity. At the end of this summary, Daschle's thoughts on the failed Clinton efforts are shared.

Precedents and models for Health Reform and a "Federal Health Board"

Senator Daschle wants to depoliticize the health care system and move decision making to a "Federal Health Board". He cites various precedents for the centerpiece of his reform plans.

He first cites the "Base Realignment and Closure Commission" (BRAC), which Congress created to close unneeded military bases in 1976 with only a single up or down vote by Congress for the entire slate of closures. This approach sheltered Members of Congress from voting for individual base closures with negative consequences from the voters back home. He also cites the National Institute of Health, the Food and Drug Administration and NASA where Congress has deferred to expert commissions and seldom interferes with their technical deliberations.

Daschle deplores the impact on public policy that big spending drug companies, manufacturers of devices and other big health care interests have on the political processes (the Congress) that influence many major coverage decisions made in the Medicare and Medicaid programs. Once approved, a new procedure can be applied to more and more patients as physicians find the extent of additional benefits of procedures and diagnostic tests from cardiology to psychiatry. Cost, argues Daschle, is almost never an issue as the use of new technologies spreads.

Unlike in the U.S., several other countries' "national health boards" provide guidance on cost effective new procedures and medicine. In Great Britain, the National Institute for Health and Clinical Excellence (NICE), a part of the National Health Services (NHS), provides guidance on use of new and existing drugs, treatments and procedures. NICE considers "economic evidence" as a key part of their evaluation. When NICE determines clinical effectiveness of a cost effective new technology, that technology must be made available by the National Health Service within three months throughout England and Wales. Additionally NICE's "Centre for Clinical Practice" issues advice on best practices for specific diseases and conditions. Germany has similar boards to evaluate clinical effectiveness and cost efficiency.

The "Federal Reserve System" Model – the Keystone of the Daschle Plan

Daschle looks to the Federal Reserve Board ("Fed") as a model for a National Health Care Board. The Fed is noted for its political independence to adjust interest rates and promote economic expansion. The Fed is organized as follows:

- A seven member expert Board of Governors appointed to ten year terms by the President and approved by the Senate.
- Twelve regional Federal Reserve Banks each managed by nine member boards.
- Member banks – approximately 40% of all Federal or State chartered banks.
- Approximately 500 career staff mostly analysts or economists.
- An influential and charismatic chairman – currently Dr. Ben S. Bernanke – of the Board of Governors.

Daschle states the elements of the Fed that makes it an appealing model:

The Fed is largely insulated from the politics and passions of the moment, but it would be a mistake to assume that Congress and the White House have relinquished all control over monetary policy. First, members of the Board of Governors are political appointees, chosen by the President and confirmed by the Senate. Second, the Fed derives its authority from Congress, and Congress can dismantle it whenever it wants. Third, elected politicians have laid out the Fed's mission: to pursue both "maximum employment" and "stable prices." The Fed isn't free to ignore, amend, or supplement those directives. Finally, Congress has the power to overturn a Fed decision or remove a governor for good cause, though it has never done either.

(from Critical, page 133)

The Daschle Proposal for a Federal Health Board

Daschle proposes a Federal Health Board (FHB) based on the Fed. Congress would relinquish direct control of health care by delegating much of their current authority to the Congressionally appointed experts on the FHB. The FHB would:

- Preserve existing employer based health insurance by providing a framework to expand coverage assuring "accessible, affordable, and high-quality care." Nearly 80% of our population is covered by private health insurance or the three governmental programs (Medicare, Medicaid and the Veterans Administration).
- Provide evidence-based standards for coverage that would uniformly apply to Medicare, Medicaid, Veterans Administration and private health insurers. Coverage would be more comprehensive than today's disparate coverage that varies both in private insurance programs as well as between the three governmental programs.
- Establish standards of care based on the efficacy of treatment, and its cost effectiveness similar to NICE. These standards would steer the health care system to focus on better values (i.e. cost effective treatments, prevention and wellness) to be competitive in the marketplace.
- Offer a public plan (similar to Medicare) based on the Federal Employees Health Benefit Plan (FEHBP) that covers members of Congress and Federal employees.
- Encourage the development of private health insurance modeled on the FEHBP to preserve both public and private health insurance.
- Establish a Federal financial subsidy based on a sliding scale to expand insurance to universal coverage. The subsidy would be available to both the public FEHBP modeled plans and the competing employer based private FEHBP modeled plans (perhaps using tax credits).
- Align incentives for health care providers to target high-quality care, rather than high-margin products and services, through transparent data and outcomes-driven (as opposed to volume-driven) compensation.
- Focus health research from a system that works on "whether a particular medicine is safe and works" to a focus on comparative drugs and treatments considering relative costs of care as well as relative merits.
- Ensure transparency in pricing health care items and services.

Daschle proposes a stronger focus on preventative treatment, "P4P", stronger attention to early treatment of chronic conditions, electronic communications between doctors and pharmacies, and federally supported community health centers to achieve cost savings. The Federal Health Board and twelve regional boards could function as the vehicle for spreading the latest evidence-based medical guidelines throughout the country. Payment incentives could prove to be a powerful method of encouraging appropriate and cost effective medical diagnostics and procedures.

What happened to the Clintons' proposal in the early 1990s.

Senator Daschle's book is generally supportive of the Clinton proposal but notes critical flaws including the following:

The single payer plan was enormously complex, and was crafted by task forces that included 630 people in thirty-four working groups. This was jokingly referred to as "managed chaos".

The 630 people were largely from the Administration and did not include adequate representation of major stakeholders such as Members of Congress.

The bill morphed into a 1,342 page text and included ninety new councils or commissions and other bodies. White House staff quipped, "We came up with such a big, fat, ugly bill that was such an easy target. We created a target the size of Philadelphia."

For a variety of reasons (not exclusively the fault of the Clintons) the bill was not ready for Congress until year two of the Clinton Administration – a Congressional election year. By then, the opposing parties had invested heavily to create sophisticated lobbying vehicles such as the "Harry and Louise" TV "infomercials" that doomed passage of the Clinton health plan.

Prospects for Health Reform

Critical was published in February 2008, before the worldwide economic meltdown, and therefore, this portion of the book is in need of significant update. In capturing the spirit of Mr. Daschle's book, we believe the drum beat for reform is more pressing than ever and that the political will may be evolving for significant legislation to be enacted perhaps during 2009. Senator Kennedy seems intent on quick passage of comprehensive health reform – his vision since 1972 – and the Democratic party holds the Presidency as well as a majority in both houses of Congress. The unanswered question is whether health care reform will devolve into partisan wrangling, or Daschle's vision will become a blueprint for the future of our nation's health care system.

We hope this summary assists you in understanding Mr. Daschle's approach to health reform and we strongly encourage you to read this book, the probable backbone of the Obama Health Plan.

2998DEB