Health Care Reform

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www.ebri.org
Today’s Focus

• Background/history
• National/local health care proposals
• Long-term impact
Background/history
“Headlines”- Characterizations of the Employment-Based System

- Vanishing
- Employers are fleeing the system
- Employer-based health care is ending. It is dying in front of our very eyes
- Employer-based health coverage is melting away like a popsicle on the summer sidewalk
Percentage of Employers Offering Health Benefits, by Firm Size, 2007

Source: Kaiser Family Foundation.
Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 1994-2006

73.3% 73.3% 73.5% 74.2% 74.6% 74.9% 74.3% 73.0% 72.1% 71.7% 71.4% 70.9%

Increases in Health Insurance Premiums Compared with Other Indicators, 1988–2007

Source: KFF/HRET Employer Health Benefits Annual Surveys and www.bls.gov

Percent change

- Net cost of private health insurance administration
- Family private health insurance premiums
- Personal health care
- Workers earnings

Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four/the average premium increase is weighted by covered workers.
*2006 and 2007 private insurance administration and personal health care spending growth rates are projections.

Cost Sharing is Increasing

• More workers with deductibles of at least $500
• More workers with office-visit co-payments of at least $20
• Prescription drug co-payments are increasing
Percentage of Private Consumer Health Care Expenditures that are Out-of-Pocket and Private Health Insurance Payments, 1960-2005

Source: Centers for Medicare and Medicaid Services.
15 Most Costly Conditions Account for Over 50% of Spending

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart disease</td>
<td>9%</td>
</tr>
<tr>
<td>Trauma</td>
<td>7%</td>
</tr>
<tr>
<td>Cancer</td>
<td>6%</td>
</tr>
<tr>
<td>Pulmonary conditions</td>
<td>6%</td>
</tr>
<tr>
<td>Mental disorders</td>
<td>5%</td>
</tr>
<tr>
<td>Hypertension</td>
<td>4%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>3%</td>
</tr>
<tr>
<td>Arthritis</td>
<td>3%</td>
</tr>
<tr>
<td>Back problems</td>
<td>3%</td>
</tr>
<tr>
<td>Cerebrovascular disease</td>
<td>2%</td>
</tr>
<tr>
<td>Pneumonia</td>
<td>2%</td>
</tr>
<tr>
<td>Skin disorders</td>
<td>2%</td>
</tr>
<tr>
<td>Endocrine</td>
<td>2%</td>
</tr>
<tr>
<td>Infectious disease</td>
<td>2%</td>
</tr>
<tr>
<td>Kidney</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total spending</strong></td>
<td><strong>56%</strong></td>
</tr>
</tbody>
</table>
Workers Select Health Benefits Over Higher Pay

- $6,700 in employer-provided health insurance coverage:
  - 73% in 2001
  - 76% in 2004
  - 80% in 2005

- An additional $6,700 in taxable income:
  - 25% in 2001
  - 21% in 2004
  - 14% in 2005

Source: EBRI's Health Confidence Survey.
Reform Initiatives
Support for Features of Presidential Candidates’ Health Care Reform Proposals

“To what extent do you favor or oppose the following features of the presidential candidates’ health care reform proposals?”

- **Implement market regulations against risk selection**: Strongly favor 53, Favor 33 (Total 86)
- **Mandate health insurance with premium subsidies for low and moderate income**: Strongly favor 39, Favor 44 (Total 83)
- **Include a public plan option like Medicare in new group insurance “connector”**: Strongly favor 45, Favor 34 (Total 79)
- **Expand Medicaid and SCHIP to include adults at poverty level or above**: Strongly favor 46, Favor 33 (Total 78)
- **Employer pay-or-play mandate**: Strongly favor 32, Favor 39 (Total 71)
- **Set a minimum floor on insurance company medical-loss ratios**: Strongly favor 30, Favor 32 (Total 62)
- **Allow individuals, small businesses, and associations to buy private insurance across state lines**: Strongly favor 29, Favor 33 (Total 62)
- **Administer an individual mandate and income-related premium assistance through the tax code**: Strongly favor 17, Favor 35 (Total 52)
- **Eliminate the employer benefit tax exemption and replace it with standard income tax deduction or tax**: Strongly favor 11, Favor 34 (Total 45)

Seven of Ten Health Care Opinion Leaders Think the Next President Should Pursue Universal Coverage at the Same Time as Improving Quality, Efficiency, and Cost Control

“Most candidates’ plans also include provisions that would improve quality, efficiency, and cost control as well as increase coverage. In your view, which of the following provisions should the next president focus on?”

- Universal coverage at the same time as policies to improve quality, efficiency, and costs: 70%
- Universal coverage first, and then address quality, efficiency, and costs: 14%
- Address quality, efficiency, and costs first and then work on achieving universal coverage: 12%
- Not sure: 3%

Two-Thirds of Health Care Opinion Leaders Feel that Tax Incentives Are Not an Effective Approach to Controlling Health Care Costs

<table>
<thead>
<tr>
<th>Approach</th>
<th>Very effective</th>
<th>Not sure</th>
<th>Somewhat effective</th>
<th>Effective</th>
<th>Not effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax incentives for individual insurance market</td>
<td>3%</td>
<td>3%</td>
<td>26%</td>
<td>5%</td>
<td>64%</td>
</tr>
<tr>
<td>Mixed private-public group insurance system</td>
<td>2%</td>
<td>4%</td>
<td>41%</td>
<td>12%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Nine of Ten Health Care Opinion Leaders Support Financing Expanded Health Care with Taxes

“To what extent do you favor or oppose the following methods of financing expanded health care coverage?”

<table>
<thead>
<tr>
<th>Method of Financing</th>
<th>Strongly Favor</th>
<th>Favor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase taxes on tobacco or other products that are harmful to health</td>
<td>41</td>
<td>47</td>
</tr>
<tr>
<td>Repeal or expiration of recent tax breaks for families with incomes above $200K</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>Increase in general taxes</td>
<td>17</td>
<td>49</td>
</tr>
<tr>
<td>Implement a revenue assessment on insurers</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>Redirect current subsidies for uncompensated care</td>
<td>8</td>
<td>41</td>
</tr>
<tr>
<td>Introduce new national sales tax or value-added tax</td>
<td>12</td>
<td>26</td>
</tr>
<tr>
<td>Implement a revenue assessment on hospitals</td>
<td>7</td>
<td>28</td>
</tr>
</tbody>
</table>

Strong Public Support for Shared Financial Responsibility for Health Care Costs Across Income Levels

“Who do you think should pay for health insurance for all Americans?”
Percent responding “shared by individuals, employers and government”

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>66</td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>59</td>
</tr>
<tr>
<td>$20,000–$39,999</td>
<td>70</td>
</tr>
<tr>
<td>$40,000–59,999</td>
<td>69</td>
</tr>
<tr>
<td>$60,000 or more</td>
<td>71</td>
</tr>
</tbody>
</table>

Source: Analysis of the Commonwealth Fund Biennial Health Insurance Survey (2007).
A Majority of Public Favors Individual Mandate

“Would you favor or oppose a plan that requires everyone to have health insurance with the government paying for insurance for those who can’t afford it?”

Percent

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Somewhat favor</th>
<th>Strongly favor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>68</td>
<td>28</td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>79</td>
<td>55</td>
</tr>
<tr>
<td>$20,000–$39,999</td>
<td>70</td>
<td>43</td>
</tr>
<tr>
<td>$40,000–$59,999</td>
<td>68</td>
<td>38</td>
</tr>
<tr>
<td>$60,000 or more</td>
<td>61</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Analysis of the Commonwealth Fund Biennial Health Insurance Survey (2007).
Strong Public Support for Employer Requirement to Provide or Help Pay for Coverage Across Income Levels

“Some people believe that employers should either provide health insurance to their employees or contribute to a fund that would help cover workers without health insurance. Others say that employers should not have to provide or contribute. Which do you agree with?”

Percent responding “employers should either provide health insurance or contribute to a fund”

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Total</th>
<th>Less than $20,000</th>
<th>$20,000–$39,999</th>
<th>$40,000–59,999</th>
<th>$60,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81</td>
<td>82</td>
<td>85</td>
<td>83</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Analysis of the Commonwealth Fund Biennial Health Insurance Survey (2007).
Health Reform and the Presidential Candidates

• Leading Republicans:
  – Tax incentives for purchase of individual insurance
  – Make employer health insurance contributions taxable income to employee
  – Buy insurance from any state
  – Greater state flexibility to reallocate Medicaid/SCHIP dollars
  – Tort reform, transparency, IT, pay for performance, prevention
Health Reform and the Presidential Candidates

- Leading Democrats:
  - Mixed private-public group insurance
  - Shared financial responsibility (government, employers, households), employer & individual mandate, though do not address ERISA
  - New group insurance “connectors” with private & public plan options like Medicare
  - Expansion of Medicaid/SCHIP
  - Insurance market regulations against risk selection
  - HIT, prevention, chronic care management, comparative effectiveness, pay for performance, transparency
  - Finance with repeal/expiration of high-income tax breaks and system reforms
<table>
<thead>
<tr>
<th>Features of Candidates’ Approaches to Health Care Reform</th>
<th>Clinton</th>
<th>Obama</th>
<th>Huckabee</th>
<th>McCain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual Mandate</strong></td>
<td>X</td>
<td>Children only</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Employer Shared Responsibility</strong></td>
<td>TK% of payroll, small businesses exempt</td>
<td>TK% of payroll</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Addresses ERISA</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Subsidies for Low-income Uninsured</strong></td>
<td>Tax credit for premium $&gt;TK% of income</td>
<td>Sliding scale premium subsidies</td>
<td>Tax credits for low-income families</td>
<td>Tax credit $2,500 for individuals, $5,000 for families</td>
</tr>
<tr>
<td><strong>Medicaid/SCHIP expansion</strong></td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Risk pooling</strong></td>
<td>Private Health Choices Menu through FEHBP &amp; public insurance plan option modeled after Medicare</td>
<td>National Health Insurance Exchange with private &amp; public plan options</td>
<td>States as laboratories for market-based approaches</td>
<td>Purchase private insurance in any state</td>
</tr>
<tr>
<td><strong>Quality and Efficiency Measures</strong></td>
<td>HIT, Transparency, P4P, Prevention, Comparative effectiveness, Chronic disease management, Disparities, Malpractice reform</td>
<td>HIT, Transparency, P4P, Prevention, Comparative effectiveness, Chronic disease management, Disparities, Malpractice reform</td>
<td>HIT, Prevention, Malpractice reform</td>
<td>HIT, Transparency, P4P, Prevention, Chronic disease management, Malpractice reform</td>
</tr>
</tbody>
</table>
### Candidates’ Agreement on Health Care Reform Features

<table>
<thead>
<tr>
<th></th>
<th>Clinton</th>
<th>Obama</th>
<th>Huckabee</th>
<th>McCain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Most Candidates From Both Parties Agree</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanding coverage</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Health IT</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Transparency</td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>Malpractice reform</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Prevention</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Some Candidates Agree</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay for performance</td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td><strong>Candidates Differ</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universal coverage</td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Individual mandate</td>
<td>X</td>
<td>All children</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Employer pay or play</td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Changes to employer benefit tax exemption</td>
<td>X</td>
<td>No</td>
<td>Unclear</td>
<td>Unclear</td>
</tr>
<tr>
<td>Regulation of insurance markets</td>
<td>X</td>
<td>X</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
State/Local “Reform”
Drivers of State/Local Efforts

- Continued increase in number of uninsured
- Declines in employer-sponsored insurance
- Health insurance becoming increasingly unaffordable for working families
- Improved economic outlook coupled with increased state revenues
- Lack of national consensus
- Greater political will among Governors and legislators to tackle the problem
State/City Initiatives

• States & Cities are focusing on mandated health coverage for residents
• Generally there is an employer “fair share” component
• Massachusetts, San Francisco
• Challenges to State Mandates – ERISA Preemption
• Washington State mandates haven’t made it through committee, but what does it hold for the future?
MASS: Reforming the Non-Group Market

- Guaranteed issue and renewal
- Adjusted community rating (age, Zip, etc.)
- Individual mandate creates credible statewide risk pool for non-group
- Merger with small-group market enlarges product offerings and risk pool
State Efforts Examples

- http://www.masshealthreform.org/
- http://www.mahealthconnector.org/portal/site/connector/
- http://calhealthreform.org/
- http://www.calhealthreform.org/content/view/62
Long – term impact
Strategic Approaches for Improving Value

- Producing and Using Better Information
- Promoting Health and Disease Prevention
- Aligning Incentives Quality & Efficiency
- Correcting Price Signals in the Health Care Market
Fifteen Options that Achieve Savings
Cumulative 10-Year Impact

Producing and Using Better Information
• Promoting Health Information Technology -$88 billion
• Center for Medical Effectiveness & Health Care Decision-Making -$368 billion
• Patient Shared Decision-Making -$9 billion

Promoting Health and Disease Prevention
• Public Health: Reducing Tobacco Use -$191 billion
• Public Health: Reducing Obesity -$283 billion
• Positive Incentives for Health -$19 billion

Aligning Incentives with Quality and Efficiency
• Hospital Pay-for-Performance -$34 billion
• Episode-of-Care Payment -$229 billion
• Strengthening Primary Care & Care Coordination -$194 billion
• Limit Federal Tax Exemptions for Premium Contributions -$131 billion

Correcting Price Signals in the Health Care Market
• Reset Benchmark Rates for Medicare AdvantagePlans -$50 billion
• Competitive Bidding -$104 billion
• Negotiated Prescription Drug Prices -$43 billion
• All-Payer Provider Payment Methods & Rates -$122 billion
• Limit Payment Updates in High-Cost Areas -$158 billion
**Total National Health Expenditures, 2008 – 2017**
Projected and Various Scenarios

**Dollars in Trillions**

- **Projected under current system**
- **Insurance Connector plus selected individual options**
- **Spending at current proportion (16.2%) of GDP**

**Source:** Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending, Commonwealth Fund, December 2008

*Savings options include: Health Information Technology, Center for Medical Effectiveness, Public Health, Episode-of-Care, Strengthening Primary Care, Benchmark Rates, and Prescription Drug Prices.*
U.S. Health Costs Threaten Global Competitiveness

**U.S. health care costs affect many business decisions:**
- divestitures of lower margin businesses
- where work is located
- investing to compete tomorrow, e.g. R&D

**Company case in point:**
- 90% worldwide direct health care cost is in US but US has only 33% workforce
- 2007 projected per capita cost in US $7.2K vs. $262 Asia (medical/disability)
- Few US IT companies subsidize retiree health care vs. This firm: $5.9B 1995-2006

**Employers are necessary partners in reform conversation**
- cover 60% of population, more than 177 million Americans
- employers have been innovators in those domains we can influence:
  - healthcare quality, choice and access
Employer View on Reform Imperatives

**Flexibility is key:**
- Avoid over-insurance since health status and household needs vary
  - Member specific enrollment @Company
- Set the base right, stem the pipeline of costly care and provide options for buying up
  - Focus on primary care, prevention and chronic disease outcomes

**Improving access without **Transformation** is suicide**
- Loci of care: new model, new role for primary care v. specialty care
- Provider practices won’t change without right information, metrics & payment reform
- Patient behavior:
  - Want to discharge financial responsibility but can’t: inadequate systems for information
  - Want to save but can’t: consolidate confusing savings accounts, create real savings opportunities

**Enable **Innovation** in the marketplace by employers, payers and States**
- Transparency in Prescription Drug Purchasing
- National Health Access & Retiree Health Access
- States: can use wide authority to innovate respecting ERISA plans
  - e.g. purchasing pools for small business, insurance connectors, reinsurance programs
Employer View on Essential Congressional Actions

• **Uninsured:** ensure all residents have affordable, adequate, portable care
• **Equalize tax treatment for all buyers**
• **Contain costs and improve quality**
  ‣ Payment reform: recast reimbursement to primary care, prevention, wellness, care outcomes
  ‣ Technology: overuse harms & $$$$, underuse kills & $$$$
  ‣ Transparency: give patients information on high quality, efficient health care providers

• **Fund & deliver open and interoperable standards for health IT**
  ‣ Saves lives from errors, evidence-based practice, increased efficiency, lower costs

• **Maintain ERISA**
  ‣ Must have uniform rules for administering benefits in different states
  ‣ Provides equity and flexibility to employees/families in national companies
  ‣ Permits leveraging purchasing power, keeps costs down, facilitates mobility
Cross-Cutting Themes and Conclusions

- Covering everyone and achieving savings with improved quality and health outcomes should be possible.

- Addressing total health system costs, not shifting costs, will be key to long term improvement.

- There are no “magic bullets” that alone fully address rising costs and inefficiency.

- It will take a multi-faceted approach combined with well-designed insurance to substantially improve performance.

- Value means more than just savings – some investments yield substantial gains safety, quality, and health.

- Achieving high performance will mean that every stakeholder must share in the solution and focus on the potential national gain.

- Leadership to build consensus is critical.
The EBRI Difference

• Objective research without position advocacy.
• Focus on universe and national data and multiple-scenario forecasts.
• Insights on implications of trends and alternative program and policy directions.
• Use of results by organizations and individuals on all sides of issues because of objective approach.
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Appendix

• Obama and McCain Details
• The Problem
• **Millions of Americans are uninsured or underinsured because of rising medical costs:** 47 million Americans — including nearly 9 million children — lack health insurance with no signs of this trend slowing down.

• **Health care costs are skyrocketing:** Health insurance premiums have risen 4 times faster than wages over the past 6 years.

• **Too little is spent on prevention and public health:** The nation faces epidemics of obesity and chronic diseases as well as new threats of pandemic flu and bioterrorism. Yet despite all of this less than 4 cents of every health care dollar is spent on prevention and public health.
Obama

- Quality, Affordable and Portable Coverage for All
- Obama's Plan to Cover Uninsured Americans: Obama will make available a new national health plan to all Americans, including the self-employed and small businesses, to buy affordable health coverage that is similar to the plan available to members of Congress. The Obama plan will have the following features:
  - Guaranteed eligibility. No American will be turned away from any insurance plan because of illness or pre-existing conditions.
  - Comprehensive benefits. The benefit package will be similar to that offered through Federal Employees Health Benefits Program (FEHBP), the plan members of Congress have. The plan will cover all essential medical services, including preventive, maternity and mental health care.
  - Affordable premiums, co-pays and deductibles.
  - Subsidies. Individuals and families who do not qualify for Medicaid or SCHIP but still need financial assistance will receive an income-related federal subsidy to buy into the new public plan or purchase a private health care plan.
  - Simplified paperwork and reined in health costs.
  - Easy enrollment. The new public plan will be simple to enroll in and provide ready access to coverage.
  - Portability and choice. Participants in the new public plan and the National Health Insurance Exchange (see below) will be able to move from job to job without changing or jeopardizing their health care coverage.
  - Quality and efficiency. Participating insurance companies in the new public program will be required to report data to ensure that standards for quality, health information technology and administration are being met.
• **National Health Insurance Exchange**: The Obama plan will create a National Health Insurance Exchange to help individuals who wish to purchase a private insurance plan. The Exchange will act as a watchdog group and help reform the private insurance market by creating rules and standards for participating insurance plans to ensure fairness and to make individual coverage more affordable and accessible. Insurers would have to issue every applicant a policy, and charge fair and stable premiums that will not depend upon health status. The Exchange will require that all the plans offered are at least as generous as the new public plan and have the same standards for quality and efficiency. The Exchange would evaluate plans and make the differences among the plans, including cost of services, public.

• **Employer Contribution**: Employers that do not offer or make a meaningful contribution to the cost of quality health coverage for their employees will be required to contribute a percentage of payroll toward the costs of the national plan. Small employers that meet certain revenue thresholds will be exempt.

• **Mandatory Coverage of Children**: Obama will require that all children have health care coverage. Obama will expand the number of options for young adults to get coverage, including allowing young people up to age 25 to continue coverage through their parents’ plans.

• **Expansion Of Medicaid and SCHIP**: Obama will expand eligibility for the Medicaid and SCHIP programs and ensure that these programs continue to serve their critical safety net function.

• **Flexibility for State Plans**: Due to federal inaction, some states have taken the lead in health care reform. The Obama plan builds on these efforts and does not replace what states are doing. States can continue to experiment, provided they meet the minimum standards of the national plan.
• **Lower Costs by Modernizing The U.S. Health Care System**

• **Reducing Costs of Catastrophic Illnesses for Employers and Their Employees:** Catastrophic health expenditures account for a high percentage of medical expenses for private insurers. The Obama plan would reimburse employer health plans for a portion of the catastrophic costs they incur above a threshold if they guarantee such savings are used to reduce the cost of workers’ premiums.

• **Helping Patients:**
  - Support disease management programs. Seventy five percent of total health care dollars are spent on patients with one or more chronic conditions, such as diabetes, heart disease and high blood pressure. Obama will require that providers that participate in the new public plan, Medicare or the Federal Employee Health Benefits Program (FEHBP) utilize proven disease management programs. This will improve quality of care, give doctors better information and lower costs.
  - Coordinate and integrate care. Over 133 million Americans have at least one chronic disease and these chronic conditions cost a staggering $1.7 trillion yearly. Obama will support implementation of programs and encourage team care that will improve coordination and integration of care of those with chronic conditions.
  - Require full transparency about quality and costs. Obama will require hospitals and providers to collect and publicly report measures of health care costs and quality, including data on preventable medical errors, nurse staffing ratios, hospital-acquired infections, and disparities in care. Health plans will also be required to disclose the percentage of premiums that go to patient care as opposed to administrative costs.
Obama

- **Ensuring Providers Deliver Quality Care:**
  - Promote patient safety. Obama will require providers to report preventable medical errors and support hospital and physician practice improvement to prevent future occurrences.
  - Align incentives for excellence. Both public and private insurers tend to pay providers based on the volume of services provided, rather than the quality or effectiveness of care. Providers who see patients enrolled in the new public plan, the National Health Insurance Exchange, Medicare and FEHBP will be rewarded for achieving performance thresholds on outcome measures.
  - Comparative effectiveness research. Obama will establish an independent institute to guide reviews and research on comparative effectiveness, so that Americans and their doctors will have the accurate and objective information they need to make the best decisions for their health and well-being.
  - Tackle disparities in health care. Obama will tackle the root causes of health disparities by addressing differences in access to health coverage and promoting prevention and public health, both of which play a major role in addressing disparities. He will also challenge the medical system to eliminate inequities in health care through quality measurement and reporting, implementation of effective interventions such as patient navigation programs, and diversification of the health workforce.
  - Insurance reform. Obama will strengthen antitrust laws to prevent insurers from overcharging physicians for their malpractice insurance and will promote new models for addressing errors that improve patient safety, strengthen the doctor-patient relationship and reduce the need for malpractice suits.
Obama

- **Lowering Costs Through Investment in Electronic Health Information Technology Systems:** Most medical records are still stored on paper, which makes it hard to coordinate care, measure quality or reduce medical errors and which costs twice as much as electronic claims. Obama will invest $10 billion a year over the next five years to move the U.S. health care system to broad adoption of standards-based electronic health information systems, including electronic health records, and will phase in requirements for full implementation of health IT. Obama will ensure that patients' privacy is protected.

- **Lowering Costs by Increasing Competition in the Insurance and Drug Markets:** The insurance business today is dominated by a small group of large companies that has been gobbling up their rivals. There have been over 400 health care mergers in the last 10 years, and just two companies dominate a full third of the national market. These changes were supposed to make the industry more efficient, but instead premiums have skyrocketed by over 87 percent.

- Barack Obama will prevent companies from abusing their monopoly power through unjustified price increases. His plan will force insurers to pay out a reasonable share of their premiums for patient care instead of keeping exorbitant amounts for profits and administration. His new National HealthExchange will help increase competition by insurers.

- **Lower prescription drug costs.** The second-fastest growing type of health expenses is prescription drugs. Pharmaceutical companies are selling the exact same drugs in Europe and Canada but charging Americans more than double the price. Obama will allow Americans to buy their medicines from other developed countries if the drugs are safe and prices are lower outside the U.S. Obama will also repeal the ban that prevents the government from negotiating with drug companies, which could result in savings as high as $30 billion. Finally, Obama will work to increase the use of generic drugs in Medicare, Medicaid, and FEHBP and prohibit big name drug companies from keeping generics out of markets.
McCain

- John McCain is willing to address the fundamental problem: the rapidly rising cost of U.S. health care.

- Bringing costs under control is the only way to stop the erosion of affordable health insurance.
- Families should be in charge of their health care dollars.
- Provide access to health care for all our citizens.
- Promote competition throughout the health care system - between providers and among alternative treatments.
- Make patients the center of care and give them a larger role in both prevention and care, putting more decisions and responsibility in their hands.
- Require transparency by providers regarding medical outcomes, quality of care, costs, and prices.
- Facilitate the development of national standards for measuring and recording treatments and outcomes.
- Reform the payment systems in Medicare to compensate providers for diagnosis, prevention, and care coordination. Medicare should not pay for preventable medical errors or mismanagement.
- Dedicate federal research on the basis of sound science resulting in greater focus on care and cure of chronic disease.
- Give states the flexibility to, and encourage them to experiment with: alternative forms of access; risk-adjusted payments per episode covered under Medicaid; use of private insurance in Medicaid; alternative insurance policies and insurance providers; and, different licensing schemes for medical providers.
- Permit providers to practice nationwide.
- Promote rapid deployment of 21st century information systems.
- Support innovative delivery systems, such as clinics in retail outlets and other ways that provide greater market flexibility in permitting appropriate roles for nurse practitioners, nurses, and doctors.
- Where cost-effective, employ telemedicine, and community and mental health clinics in areas where services and providers are limited.
- Foster the development of routes for safe, cheaper generic versions of drugs and biologic pharmaceuticals. Develop safety protocols that permit re-importation to keep competition vigorous.
- Pass tort reform to eliminate frivolous lawsuits and excessive damage awards. Provide a safe harbor for doctors that follow clinical guidelines and adhere to patient safety protocols.
- Protect the health care consumer through vigorous enforcement of federal protections against collusion, unfair business actions, and deceptive consumer practices.
McCain

• John McCain believes that insurance reforms should increase the variety and affordability of insurance coverage available to American families by fostering competition and innovation.

• Reform the tax code to eliminate the bias toward employer-sponsored health insurance, and provide all individuals with a $2,500 tax credit ($5,000 for families) to increase incentives for insurance coverage. Individuals owning innovative multi-year policies that cost less than the full credit can deposit remainder in expanded health savings accounts.

• Families should be able to purchase health insurance nationwide, across state lines, to maximize their choices, and heighten competition for their business that will eliminate excess overhead, administrative, and excessive compensation costs from the system.

• Insurance should be innovative, moving from job to home, job to job, and providing multi-year coverage.

• Require any state receiving Medicaid to develop a financial "risk adjustment" bonus to high-cost and low-income families to supplement tax credits and Medicaid funds.

• Allow individuals to get insurance through any organization or association that they choose: employers, individual purchases, churches, professional association, and so forth. These policies will be available to small businesses and the self-employed, will be portable across all jobs, and will automatically bridge the time between retirement and Medicare eligibility. These plans would have to meet rigorous standards and certification.
McCain

- John McCain Believes in Personal Responsibility
- We must do more to take care of ourselves to prevent chronic diseases when possible, and do more to adhere to treatment after we are diagnosed with an illness.
- Childhood obesity, diabetes and high blood pressure are all on the rise. We must again teach our children about health, nutrition and exercise - vital life information.
- Public health initiatives must be undertaken with all our citizens to stem the growing epidemic of obesity and diabetes, and to deter smoking.