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## INTRODUCTION AND SUMMARY OF KEY RECOMMENDATIONS

**A**t the founding of the Bipartisan Policy Center (BPC) in March 2007, its Advisory Board, former Senate Majority Leaders Howard Baker, Tom Daschle, Bob Dole, and George Mitchell decided to devote significant time to a specific policy project that would exemplify their commitment to bipartisan action. Recognizing the current flaws in the nation's health care system, as well as the existing political stalemate in the federal reform debate, they selected health care as their signature issue. Collectively, they believe that there are too many gaps between what medical science and our health professionals are capable of doing, and what the health system is actually achieving. The American people deserve better than the status quo of uneven quality of care, growing numbers of uninsured, and rapidly increasing costs.

This report presents key findings from the Leaders' sustained effort to develop consensus on bipartisan policy recommendations for health care reform. Their goal was to develop a comprehensive but achievable set of policies to ensure that all Americans have quality, affordable health insurance coverage, while constraining cost growth, promoting innovative delivery of care, and focusing treatments more on the patient, and not just the illness. Together, these changes are necessary to achieve a higher return on our health care spending, which now exceeds \$2 trillion per year.

In developing their recommendations, the Leaders deliberated solutions to the challenges facing the nation's health care system, and ultimately made the same very tough, politically sensitive decisions that Congress and key stakeholder groups will inevitably have to confront in order to enact comprehensive health reform. Both sides conceded positions that they feel strongly about, but did so recognizing that negotiations often require making tough choices. The Leaders acknowledge that they are no longer sitting members, and therefore do not have any direct purview over the efforts that will be required to enact broad, bipartisan health reform legislation. Rather, they hope to contribute the policy and political expertise they have garnered over decades of working across party lines to achieve progress on critical policy issues facing the nation.

To support the development of their recommendations, the Leaders sought advice and input from a broad range of health care providers, businesses, labor representatives, state and local policymakers, health plans, academics, and consumer advocates through a series of public policy forums and targeted outreach activities. Ultimately, the Leaders' report seeks to establish a constructive center in the often polarized health reform debate, and to advance a coherent strategy for modernizing the health care system to create a consistent source of health coverage for every American.

### **Core Problems in the Health System**

The problems policymakers seek to resolve through comprehensive health reform are significant. Today, the nation's health care system focuses primarily on treating illness and not improving population health. Additionally, health care spending and premiums are rising at a rate that is unsustainable for our nation's families, businesses, and governments. Growth in health care costs is much higher than growth in wages and gross domestic product (GDP). Consequently, despite a wider range of better medical treatments becoming available, more and more people are struggling to afford even the most basic levels of care.

Particularly in the face of the recent economic downturn, growing numbers of people are losing their jobs and the health benefits those jobs provide. Many others are finding that they can no longer afford to pay monthly insurance premiums and out-of-pocket cost sharing for needed medical services. Rising cost trends also extend to public health care programs, with states forced to cut other services, including education, to maintain their Medicaid programs. The federal government's long-term fiscal problem is largely related to cost and demographic trends that are causing unsustainable spending growth in Medicare, Medicaid, and the "tax expenditure" for employer-provided health insurance.

While the U.S. health system features some of the best medical capabilities in the world, many Americans do not consistently receive high-quality care or achieve good health outcomes. Even those with meaningful health benefits often do not receive preventive services that could delay the onset of chronic diseases and related complications. And, unfortunately, those who develop chronic diseases – which account for three quarters of all health care costs – frequently receive care that is neither well coordinated nor proven to be effective. These gaps in quality often occur despite the best efforts of health professionals. The current health care system, through provider payment mechanisms and health benefit designs, is largely focused on

the quantity and intensity of services delivered, and not on improving quality and health outcomes. Efforts to control costs in the short term by lowering provider payments or broadly restricting access to coverage or services have only exacerbated existing problems with health care quality.

Finally, U.S. health outcomes are significantly worse than many other countries, not just because of our problems with health care delivery and coverage, but also because of unhealthy personal behavior, as evidenced by the growing number of Americans who are obese. These problems are all reflected in alarming health disparities across racial, ethnic, and socioeconomic groups. To reduce the growth of health care spending while simultaneously achieving better health outcomes, reforms must be implemented in a way that makes fundamental improvements in health care delivery, and supports Americans in their efforts to stay healthy.

An unprecedented combination of political and policy consensus is emerging around the need for comprehensive health reform that accomplishes the complimentary goals of affordable coverage and high-value, innovative health care. The Leaders' policy recommendations recognize that efforts to achieve these goals must be made concurrently, and that neither can be accomplished without the other.

### **The Four "Pillars" of Health Reform**

The Leaders set forth specific policy recommendations organized around four substantive "pillars" of health reform. Pillar One includes a package of bold measures to **achieve greater health care quality and value**, building on recent efforts to identify and support more personalized, reliably high-quality, well-coordinated care. Pillar Two sets forth policies to **make health insurance available, meaningful, and affordable** by stabilizing insurance markets, offering subsidies to help individuals and employers purchase coverage, and promoting effective competition to achieve better value. Pillar Three includes proposals to **emphasize and**

**support personal responsibility and healthy choices** by providing better support to develop a culture of prevention and healthy lifestyles, and creating the expectation that individuals will purchase at least basic insurance coverage that promotes wellness and protects against very high expenses. Finally, Pillar Four outlines

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proposals to **develop a workable, sustainable approach to health care financing** in a manner that is budget neutral and credibly slows the growth in health care spending.

### **Promoting a Bipartisan Process**

The Leaders believe strongly in the importance of finding a real, bipartisan solution to the nation's health care crisis right now. This requires members of both parties to engage in a collaborative, constructive debate with the goal of achieving true compromise. The Leaders encourage truly bipartisan efforts in Congress, and support inclusiveness and transparency across all stages of the process – from policy development to final passage. Addressing an issue as complex and personal as health reform through the budget reconciliation process may impede the ability of lawmakers to pass legislation that is durable, lasting, and meaningful to all Americans. In similar regard, because timing is so critical, bipartisan legislation should be considered without extended floor debate or filibuster.

### **Policies That Work Together**

It is important to emphasize that the Leaders' recommendations are designed to be mutually reinforcing and are intended to function as a package. Each component is the product of extensive discussions and rigorous analysis, informed by many of the nation's top health care experts. These policies are inextricably intertwined, and consequently work together to

achieve more significant improvements in the health care system than could be achieved if they were considered separately. There is no one policy in this report, such as a personal responsibility requirement to purchase health coverage or improvements to the way that health care is delivered, that will singularly resolve the problems currently facing the system. Further, it is the Leaders' collective set of recommendations that amounts to bipartisan health reform. As such, extracting any one policy could very well undermine the carefully crafted consensus that has been achieved, as well as the structural soundness of the overall policy recommendations.

### **A Principled Approach to Compromise**

In achieving their historic policy agreement, the Leaders moved beyond many of the key tension points that have contributed to the impasse in the current reform debate. For instance, some policymakers and advocates argue for a system managed exclusively by the government and public entities, while others advocate equally for a privately-administered system. Likewise, many supporters of health care reform call for a national approach, while others note the country's longstanding tradition of federalism, and endorse a stronger role for states in administering and overseeing the health system. Personal responsibility is often touted as a key health reform priority, but is tempered

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with concerns that vulnerable individuals, including those who suffer from chronic illnesses, may need additional protections.

The Leaders recognize the significance these varying principles represent to lawmakers, stakeholders, and political constituencies, and believe that successful health reform can incorporate ideas from both ends of the political

spectrum. Accordingly, their recommendations envision a strong partnership between the public and private sectors, with the government providing a consistent regulatory framework by which the health care industry operates. They also call for a national and state approach to managing the health system, with the federal government providing minimum standards for states to implement and oversee. And, individuals are empowered to take greater responsibility for their health and health care.

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Additionally, the Leaders believe it is critical to assess the strengths as well as weaknesses of the health system. One of the most notable and unique features of the U.S. health care system is its long tradition of allowing consumers to choose their own physicians and health professionals, hospitals, and health insurers. The Leaders' policy framework preserves and enhances that level of choice, and ensures that Americans can keep their current providers and source of coverage if they so choose. While resolving the current cost, coverage, and delivery challenges facing the health care system will require a significant effort, the Leaders believe it can and should be done with the least amount of disruption possible.

### **Rejecting the Status Quo**

Guiding the Leaders' work is their shared belief that the status quo of large gaps in health care quality, skyrocketing costs, and growing numbers of uninsured is both unsustainable and unacceptable. The Leaders strongly believe that the time for meaningful, lasting health reform has arrived. Congress and the Administration face a unique opportunity this year to take critical steps toward systematic reforms that will protect patients, preserve and expand health insurance coverage, reduce spending growth,

and improve quality of care and health outcomes. The American people deserve nothing less than decisive, timely action.

### **Promoting Fiscal Responsibility**

When considering reforms of this magnitude, the Leaders believe that it is essential to apply principles of fiscal responsibility. Therefore, while the coverage reforms and other federal infrastructure investments in these recommendations are expected to have a gross

cost of approximately \$1.2 trillion over the 10-year budget window, they also propose policies that would completely offset this amount. To place this in appropriate context, it is important to consider that projected national health

expenditures for the next 10 years are expected to total \$35.2 trillion. Moreover, the Leaders believe the strong incentives they are recommending to improve health care delivery, when combined with coverage and financing reforms, will accrue additional private and public sector savings in the long term.

To pay for their health reform proposal, the Leaders recommend over \$1 trillion in specified financing, divided between federal health system savings and health-related revenues. The Leaders believe that the remaining cost, approximately \$200 billion, should be offset through one of three possible options:

First, Congress could choose to enact a set of specific health-savings policies and revenue enhancements that would more than cover the remaining cost. Second, Congress could create an explicit budget "trigger" that would be designed to measure targeted expenditures and automatically implement explicit policies that would achieve more savings if needed. Of course, this approach would be unnecessary if the comprehensive set of delivery system reforms and infrastructure investments produce long-term savings beyond what is scored by the Congressional Budget Office (CBO). Third, if Congress chooses to create an entity like the Independent Health Care Council (an issue

discussed later in this report), it could be charged with submitting specific proposals to Congress and the President to reduce any remaining financing shortfalls. The Council's recommendations could be reviewed by the President and submitted to Congress under expedited procedures, with limited opportunity for amendment. These three approaches to ensure budget neutrality are not mutually exclusive and could be reinforcing if implemented together.

## SUMMARY OF RECOMMENDATIONS

### PILLAR ONE: PROMOTING HIGH-QUALITY, HIGH-VALUE CARE

- ◆ **Invest in the Meaningful, Effective Use of Health Information Technology (HIT)**
  - ◇ Define “meaningful” HIT use
  - ◇ Align provider incentives with new payments to achieve higher-value care
  - ◇ Promote patient-centered care by providing patients useful information about treatments and conditions
  
- ◆ **Develop a Quality Measurement Infrastructure to Support Patient-Centered Care**
  - ◇ Fund development of consensus-based quality measures
  - ◇ Move to electronic, patient-centered quality reporting
  - ◇ Improve the Department of Health and Human Services’ (HHS) capacity to facilitate systematic use of measurements for care improvement
  - ◇ Improve data collection on health disparities
  
- ◆ **Reform Provider Payments in Federal Health Programs to Pay for Patient-Centered, High-Value Care**
  - ◇ Expand targeted pay-for-reporting and pay-for-performance initiatives
  - ◇ Reduce payments for low-value services
  - ◇ Phase-in bundled payments for providers once proven effective
  
- ◆ **Guarantee Patient-Centered Care for Chronically-Ill Beneficiaries**
  - ◇ Create community health teams (CHTs) to provide comprehensive support to prevent chronic illnesses and their complications
  - ◇ Establish a joint program for care coordination for dual eligibles
  - ◇ Ensure new care coordination programs improve outcomes for the chronically ill
  - ◇ Improve quality of palliative care
  
- ◆ **Develop a Health Care System That is Accountable for Value**
  - ◇ Establish Accountable Care Organizations (ACOs)
  - ◇ Share savings with ACOs meeting or exceeding quality benchmarks and reduce overall cost trends
  
- ◆ **Expand Comparative Effectiveness Research (CER) Relevant to Patient Decisions and Effective Health Care Policy Reforms**
  - ◇ Develop infrastructure to support comparing the effectiveness of medical treatments and practices
  - ◇ Prioritize comparative effectiveness research topics

◆ **Invest in Health Care Workforce**

- ◇ Offer funding for providers in underserved areas
- ◇ Integrate delivery reforms into graduate medical education (GME)
- ◇ Provide funding for education of nurses and allied health professionals
- ◇ Revise scope of practice laws that discourage use of advanced practice nurses, pharmacists, and other allied health professionals

◆ **Address Racial/Cultural Disparities**

- ◇ Guarantee that patients are treated with best practices, regardless of race or ethnicity
- ◇ Realign reimbursement in federal programs to improve patient outcomes and care coordination based on a patient's specific circumstances
- ◇ Ensure adequate provider capacity in medically underserved areas
- ◇ Invest in workforce to increase the number of minorities entering the medical and allied health professions
- ◇ Implement standard collection of patient race and ethnicity information

◆ **Establish an Independent Health Care Council (IHCC) that would:**

- ◇ Analyze and report on health care quality and cost trends in federal health programs and in the overall health care system
- ◇ Promote coordination among federal health programs
- ◇ Issue an annual report to the President with recommendations to improve quality of care and avoid unnecessary costs

◆ **Reform Medical Liability Laws**

**PILLAR TWO: MAKING HEALTH INSURANCE AVAILABLE, MEANINGFUL, AND AFFORDABLE**

◆ **Reform Health Insurance Markets**

- ◇ Guarantee access to coverage regardless of health status
- ◇ Limit variation in premiums
- ◇ Ensure a high level of participation by expecting individuals to purchase basic health coverage
- ◇ Achieve lower administrative costs via standardized electronic claims processing, public reporting of medical loss ratios, and administrative simplification
- ◇ Require state reporting on implementation progress
- ◇ Establish a federal fallback if states do not implement market reforms

◆ **Create a Network of State or Regional-Level Health Insurance Exchanges**

- ◇ Establish minimum operating guidelines for exchanges
- ◇ Provide startup funding for states to establish insurance exchanges
- ◇ Permit all individuals and small groups to purchase in the exchanges
- ◇ Ensure coverage is affordable and meaningful

- ◇ Make enrollee support tools and adopt strategies to improve plan choice
- ◇ Risk-adjust premiums paid to plans participating in exchanges
- ◇ Implement a federal fallback if states or regions do not create exchanges in a timely manner
- ◇ Provide for Competing State Plan Options
- ◇ Require Further Action if Coverage Affordability and Accessibility Goals Are Not Met

◆ **Ensure Meaningful Health Insurance Benefits**

- ◇ Establish minimum creditable coverage standards for health insurance
- ◇ Set additional standards for options available through insurance exchanges

◆ **Guarantee Affordable Coverage for All**

- ◇ Limit out-of-pocket premiums to no more than 15 percent of income for a minimum benefit package
- ◇ Offer enhanced protections for Americans under 400 percent of the federal poverty level (FPL)
- ◇ Provide additional protections for retirees
- ◇ Create new tax credits for small businesses to purchase coverage for their employees
- ◇ Ensure low-income families have coverage through the Medicaid program

**PILLAR THREE: EMPHASIZING AND SUPPORTING PERSONAL RESPONSIBILITY AND HEALTHY CHOICES**

◆ **Expect Individual Responsibility for Obtaining Basic Health Insurance**

- ◇ Establish a personal responsibility requirement for all Americans

◆ **Empower Individuals to Make Better Health Care Choices**

- ◇ Expand the Centers of Excellence program within Medicare
- ◇ Offer premium reductions for healthy behaviors
- ◇ Support the development of educational materials to improve health literacy

◆ **Create a Public Health and Wellness Fund to provide support for evidence-based wellness, prevention, and care coordination programs, including, but not limited to:**

- ◇ Eliminate cost-sharing for A and B-rated services by the U.S. Preventive Services Task Force (USPSTF) in both Medicare and in the health insurance exchanges
- ◇ Extend new authority to the Secretary of HHS to eliminate coverage for D-rated services by the USPSTF, at her discretion
- ◇ Allow Medicare coverage for health risk assessments and personalized prevention plans within routine wellness visits
- ◇ Provide tax credits for certain worksite wellness programs
- ◇ Fund the Community Health Teams (CHT) initiative to help coordinate care for Medicare beneficiaries, including dual eligibles
- ◇ Invest in grants to schools and community-based prevention and wellness programs

## PILLAR FOUR: DEVELOPING A WORKABLE AND SUSTAINABLE APPROACH TO HEALTH CARE FINANCING

- ◆ Reform Delivery and Payment Systems to Achieve Higher-Value Health Care (Pillar One)
- ◆ Implement a Balanced Set of Medicare and Medicaid Payment Reforms in Support of Delivery Reforms
  - ◇ Align Medicare Advantage payments more closely with fee-for-service Medicare
  - ◇ Adjust Medicare market basket updates to account for expected savings from delivery reforms
  - ◇ Adjust funding for uncompensated care to account for coverage expansions
  - ◇ Reduce payments to home health and skilled nursing facilities
  - ◇ Create an approval pathway for competing biologic products
  - ◇ Reform prescription drug payments in Medicare and Medicaid
  - ◇ Restructure Medicare and Medigap cost-sharing
  - ◇ Reallocate Medicare and Medicaid improvement funds
- ◆ Raise Additional Revenue from Coverage-Related Reforms
  - ◇ Link the Tax Exclusion to the Value of Benefits Received by Members of Congress
  - ◇ Institute a Fee for Certain Employers Not Offering or Paying for Health Benefits
- ◆ Ensure Budget Neutrality through one of the following options:
  - ◇ Enact additional, specified savings and revenue generating policies
  - ◇ Implement pre-specified targets for spending growth and enact a “trigger” mechanism that automatically enforces reductions
  - ◇ Empower the IHCC to develop policy recommendations that would be expected to achieve federal spending growth targets, and authorize the President to submit the recommendations for consideration under expedited procedures with limited opportunity for amendment
- ◆ Address Medicare’s Sustainable Growth Rate (SGR) Formula for Physicians