Can We Afford Our Health Care?
New Directions and Solutions
NCSL Legislative Summit

Jeanne M. Lambrew, PhD
Associate Professor
LBJ School of Public Affairs, University of Texas
Senior Fellow, Center for American Progress

July 24, 2008

OUTLINE

• Challenges

• Options

• Key Questions
CHALLENGES
Health in State Budgets
Spending as a Percent of Gross State Product

Health Spending and the Economy
Projected Health Spending as Percent of Gross Domestic Product, 2007-82

Source: Congressional Budget Office, November 2007
Health In The Federal Budget
Federal Spending as Percent of Gross Domestic Product, 1962-2092

Source: Congressional Budget Office, 2008

Health Premiums Rising
Cumulative Growth in Health Premiums, Wages, & Inflation 2000-07

Source: Kaiser / HRET Health Benefits Survey 2007
**Fewer Small Firms Offering Health Benefits**

Source: Kaiser / HRET Health Benefits Survey 2007

**Dissatisfaction with Costs**

*Four Times As Many People Dissatisfied as Satisfied with Health Costs, 2007*

Growing Under-Insurance Problem
Unmet Needs or Delayed Care Among Insured Americans


Uninsured Population Rising Rapidly
Cumulative Growth, 2000-2006

Health Coverage Gaps
Nearly One-Third Have Gap in Coverage, 2003-2005

Uninsured At Some Point: 82 Million
Always Uninsured 26 Million
Temporarily Uninsured: 56 Million

Continuously Insured 68%
Uninsured 32%


Not Getting What We Pay For
Recommended Services Provided Only About Half of the Time

OVERALL 55%
Coronary Artery Disease 68%
Hypertension 65%
Asthma 54%
Diabetes 45%

Cost Drivers

• Prices
  – Labor intensive and specialized
  – Evidence of price collusion

• Use of Health Care
  – Higher use when greater uncertainty
  – Incentives toward more care, not better care
  – Chronic disease epidemic

• Administrative Costs

Growth in Private Health Spending By Service
Average Annual Growth Rate, 1998 to 2008

Source: CMS National Health Expenditures
Elements for Improving Value in Health

Seamless System with Sustainable Financing

OPTIONS
High-Value Health Care

• Standards
  – Comparative effectiveness information
  – Best practices and performance measures

• Health information technology
  – Electronic: Websites, electronic health records
  – Human: Provider networks, quality forums

• Incentives for use
  – Pay for performance
  – System prompts and defaults: making it easy
Reducing Coverage Cost

• Pools and competition
  – Providing small firms and individuals with access to group coverage and rates
  – Fostering competition on fewer, more important dimensions

• Public plan option
  – Removing risk and reducing marketing and underwriting

• Premium rate review and regulation

Promoting Prevention

• Setting priorities

• Pooling funding

• Extending health care workforce

• Making prevention easy
QUESTIONS
How to Share Risk and Responsibility
• High deductibles v. targeted cost sharing
• Individual responsibility to be insured
• Employer responsibility to offer and/or finance coverage
• Government responsibility for poor and sick

What Comes First: Affordability or Access
• “Can’t cover all until coverage is affordable”
• “Can’t achieve affordability until all are covered”
  – Ensuring adequate coverage for all Americans is, “a precondition for effective measures to limit overall health care spending.”