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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	Dave Kendall to Elizabeth Drye [partial] (1 page)	12/02/1996	b(6)

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Elizabeth Drye
OA/Box Number: 10453

FOLDER TITLE:
DLC [Democratic Leadership Council] Healthcare Initiative

2014-0046-S
rc1374

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker
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[001]

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Sayeon Kim (b)(6) 5:00 pm
Peter Cardiello
Omni Shoreman — 1 [617-654-7326]

To: Elizabeth Drye

From: Dave Kendall

(b)(6)

Here is the new project I mentioned. Let me know what you think. Maybe you could mention it to John Graham. I would like to discuss it with him as well. I'll fax it to him and call him soon.

(b)(6)

Health Priorities Project Prospectus

November 25, 1996

The Progressive Foundation proposes a yearlong "Health Priorities Project" to establish goals and priorities for health policy. It will develop a policy framework for answering a basic question: Where does the government's health-related spending and regulations provide the greatest health benefit? The Project's aim is to create policies that ensure Americans have access to the information, services, and support they need to maintain and improve their own health.

Explicit goals and priorities for health policy are necessary to meet the challenges ahead. The overall cost of health care is expanding as public resources are diminishing. Early in the twenty-first century, the financial demands of an aging population's health needs will fall upon a declining base of workers, many of whom will not be able to afford their own health care coverage. Sustaining our global leadership in scientific discovery and health innovation will require a greater commitment to funding related research. Further, the health care delivery system needs new methods for adopting innovations fairly and efficiently.

Today, the nation lacks a coherent, integrated, and dynamic *health* policy. Instead, we have a reactive, *illness* policy, representing an accumulation of responses to powerful constituencies, special interest lobbying, historical accidents, and ideological battles. It has produced glaring contradictions and unsustainable trends. Here are some prime examples:

- The government subsidizes health care for millions of wealthy retirees through Medicare and provides no assistance to millions of uninsured workers and their families.

- Public investment in research that cures diseases is declining and public spending to treat diseases through inefficient health care entitlements and tax subsidies is rising.

- The country has missed opportunities to help prevent the devastating impact of diseases such as breast, cervical, and colon cancer while wasting money on ineffective and unnecessary treatments such as routine tonsillectomy.

A philosophy of entitlement, though well intentioned, is at the core of these problems. The desire to protect older Americans from financial ruin due to illness led to the creation of Medicare. Now, older American's support for the status quo is making needed reform difficult. Tax subsidies, which are used by most in the middle class for employment-based health insurance benefits, have grown in size while serving a smaller portion of workers. Historically, both of these policies have undermined individual responsibility for health promotion and informed decision making about health care based on need, quality, and price.

The entitlement philosophy has also undermined fiscal discipline. Funding for both Medicare and the tax subsidy of employment-based coverage is open-ended. As a result, it is exempt from the annual budget process for the basic functions of government: law enforcement, national defense, highways, education and training, environmental protection and research and development.

In blunt terms, the country's strongest constituencies -- seniors and most of the middle class -- have gained access to health insurance by the some of the most expensive means possible. Lacking budgetary and market discipline, the entitlements and tax subsidies have failed to encourage the cost-effective use of care. In contrast, Medicaid, an open-ended federal entitlement aimed at the poor, has begun to encourage cost-effective health care, but only as a result of budgetary discipline at the state level.

The consequence has been skewed policy priorities. The crippling costs of our current policies have forced us to consume dollars otherwise needed for funding of research and innovation and protection of vulnerable populations.

Soon, budgetary pressures from additional medical inflation and the aging of the population will force real cuts in funding for high priority policies.

Reordering Policy Priorities

The time has come for a radical reordering of health policy priorities. Support for the institutions of the status quo has diverted attention from the more basic goal: good health for all Americans. Medicare, Medicaid, and manipulations of the tax code are simply a means to an end. Unfortunately, many political leaders treat them as an end in themselves. Instead, our health policies should reflect the principles stated in the Progressive Foundation's *New Progressive Declaration*: "Public institutions should empower our citizens to act for themselves."

Much is at stake if we fail to set explicit priorities for government health policy. Millions of Americans will suffer unnecessarily -- or die prematurely according to at least one study -- because they lack appropriate health care

coverage. Millions more will die from diseases that could be cured or prevented as a result of additional research. As a moral matter, we must fulfill our duties to one another as a community while simultaneously enabling individuals to improve their own health.

Another core American value -- equal opportunity -- is also at stake. An individual's lot in life should not be diminished by a health condition that can be treated or cured. Equal access to health information and health care coverage is also critical to spread the benefits of health research and innovation fairly throughout society.

Finally, the country's overall economic potential is at stake. Healthier workers contribute to a more productive economy, and health research and innovation create new industries as well as new products for both domestic and global markets.

A New Health Debate

Neither of the two dominant political ideologies are capable of answering this challenge. Liberalism seeks to expand the entitlement approach and encompass all health spending as in a single payer health system. Under this approach, the government would make the "appropriate" and "rational" allocation of resources. But individuals have a fundamental role in decisions about the consumption of health care. A civil servant cannot, and should not, determine the amount of money each individual would want to spend to maintain their health.

The free-market ideology of conservatives is similarly inadequate for the very same kind of reason: it fails to acknowledge the extent to which good health has a collective value. While the marketplace is the most effective means for expressing individual preferences about private goods, health care is not an ordinary market commodity because society will not deny emergency care to someone who cannot afford it. While reform of some government policies would make health care delivery more efficient, the marketplace would fail altogether if all government involvement ended. In addition, the marketplace tends to undervalue a product like health care that most people want other people to have.

To view health care solely as a private commodity is as inadequate as viewing it solely as a public good. Health care can be both. A priority-based approach to health policy would sort out when to treat it as one or the other. For example, breast cancer screening for all women over age 50 (and younger women in the same risk category) is a public good because the benefits to society would outweigh the costs if coverage for the screening were universal. Other women not at high-risk for breast cancer, however, may want to pay for screening on their own or buy a more generous insurance plan that covers the expense if they are

particularly fearful of developing the disease.

During the balanced budget debate in 1996 the left-right ideological battle erupted as a fight over more or less government spending on current programs. But that kind of debate ignores the question of the appropriateness and priorities of current policies. Government spending for Medicare, Medicaid and other programs accounts for almost half of the nation's health care expenditures, and government policies ranging from the tax code to FDA regulations strongly influence the rest. Settling the relatively minor difference between liberals and conservatives over spending levels would solve very little when what matters much more is the allocation of resources within the overall budgetary and regulatory structure.

In addition, the traditional congressional debate that considers each health program and regulation in a piecemeal fashion fails to reveal the trade-offs between various public policy options. Only a comprehensive review of priorities and strategies has the potential of setting appropriate limits on existing government health care spending and financing unmet societal needs.

The Health Priorities Project

The transformation of the health policy debate from institutions to goals and priorities requires a new policy-making framework and tools. Health policy should be guided by clearly-stated goals, achieved by economically sound means, and evaluated in terms of successful health outcomes. In order to make well-informed trade-offs, elected officials need an evidence-based analysis of the relative effectiveness of health interventions. Cost-benefit and cost-effectiveness analysis as well as measures of consumer satisfaction and self-assessed health status can help fill this information gap in policy making. Further analysis of health promotion and health care as a public good versus a private good would determine the appropriate way to make available or implement the interventions.

The Progressive Foundation proposes a series of papers and public presentations to transform the health policy debate and provide a new framework and tools for policy-making. Most papers would be commissioned from outside writers except for the first and final papers, which would be written in-house. They would be released periodically throughout 1997 at a corresponding public event and distributed to the media, elected officials, and other interested parties. A brief description of each paper follows:

Reordering Health Policy Priorities. To launch a national debate about health policy priorities, the Progressive Foundation would spell out the case against existing priorities. This work would be in part based on the Harvard risk assessment project which has analyzed all existing data on the cost-effectiveness

of five hundred life-saving interventions.

Advancing Public Investment in Health Research. While the case for public funding of research has been made elsewhere, it has not been made in comparison with other lifesaving and life-enhancing interventions. This paper would analyze the cost-effectiveness of public funding for health research, the projected benefits offered by research to advance the state-of-the-art and existing health care practice, and the amount of public investment that would maximize benefits in comparison to other possible interventions. It would also analyze the historical split of funding responsibilities between the government, not-for-profits, and the private sector and would recommend appropriate responsibilities in the future. This paper would also examine the budgeting process and distribution of research funds from the point of view of health priorities and the serendipitous nature of research.

An Outcome-based Quality Agenda for Health Care. The recent success of market forces in restraining health care costs through managed care has raised the question: are savings the result of efficiency gains or the denial of necessary care? By the same token, the value of money spent under a less competitive, fee-for-service system was not known because doctors and patients lacked information about the marginal benefit of treatments and services. Unlike most other fields of human endeavor, health care delivery lacks objective quality standards based on systematic measurement. This paper would explore the potential for quality reports to empower consumers to set health care quality standards through their own choices and the role of government in setting minimal quality standards.

Cost-Effective, Affordable Health Care Coverage. This paper would address the question: what amount of government subsidy is appropriate for health care coverage based on health priorities? This analysis has two dimensions. First, it would examine health care benefits based on cost-effective procedures instead of the kinds of services and providers. Second, it would establish public subsidies for coverage varying by income levels so that public funds would not unnecessarily replace private health care spending. This analysis would help establish a baseline for appropriate funding of Medicare, Medicaid, and future subsidies to the uninsured.

Promoting Good Health: Replacing Costly Regulation with Cost-effective Health Risk Reduction. This paper would explore how to reconcile high cost, low benefit environmental and health policies with cost-effective risk reduction policies. For example, the federal regulations require substantial public and private expenditures for asbestos control, which have a minimal health impact in comparison to substance abuse prevention and treatment, a health risk reduction activity that receives far less support from government policies. This work would be conducted in conjunction with the Progressive Foundation's Center for

Innovation and the Environment.

Reinventing Public Health Agencies. The mission of public health agencies ranging from OSHA to the FDA has not adapted to the explosion of available health information and to the growth of managed health care. The reorganization of the health care delivery system has created a private vehicle to achieve public health goals and to deliver individualized health messages. It has also created a new means to ensure the appropriate and effective use of new technology. Moreover, many of these agencies have also failed to adopt new measures of public health that are population-based instead of disease-based. This paper would identify how public health agencies can apply the new paradigm of establishing population-based goals and outcome measures to their traditional role of protecting public health. In addition, it would explore how these agencies can engage individuals as partners in the promotion of their own health by providing access to personal health information based on individual health risks and available health resources.

Priority-based Health Budgeting. The final paper would integrate the previous papers and other work on health priorities into a unified health budget. It would also reflect the Progressive Policy Institute's previous work on the health care entitlements, tax subsidies, and coverage for the uninsured.

Health Priorities Project Advisory Group and Forum

The Health Priorities Project would have an advisory group to serve as a brain trust and bridge builder for a broad-based consensus. The group would help conceptualize, review, and promote the policy papers. It would consist of elected officials and leaders from all areas of the health field whose own work has already begun to examine and reorder America's health policy priorities.

The Progressive Foundation would also establish the Health Priorities Project Forum, a broader network of financial supporters and others who are interested in the project. The forum would meet periodically for briefings on current and forthcoming work.