Beyond “Repeal & Replace”: Ideas for Real Health Reform

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American Enterprise Institute
“Health Care Advice to the New Congress”
November 5, 2010
The Day After: Democrats’ Reaction?
“Network” Effects

So I want you to get up now. I want all of you to get up out of your chairs. I want you to get up right now and go to the window. Open it, and stick your head out, and yell, 'I'M AS MAD AS HELL, AND I'M NOT GOING TO TAKE THIS ANYMORE!' Things have got to change. But first, you've gotta get mad!... You've got to say, 'I'm as mad as hell, and I'm not going to take this anymore!' Then we'll figure out what to do ....
Inspector Kemp:
A riot is an ungly thing... undt, I tink, that it is chust about time ve had vun.
“The Peasants Are Revolting”
“It follows that we have no parliament to make use of and no legal right to organize the workers to strike. Basically, the task of the … Party here is not to go through a long period of legal struggle before launching insurrection and war, and not to seize the big cities first and then occupy the countryside, but the reverse.”

PROBLEMS OF WAR AND STRATEGY

November 6, 1938

Pre-Chairman Mao
The List
112th Congress

• OUT
  o Pre-Ex Med. Conditions
  o Blue Dog Democrats
  o Firewalls
  o Mandates
  o Managed Competition
  o Bronze Plan Minimums
  o Seats at the Table
  o Medicaid on Steroids
  o High Minimum Standards
  o Cost Shifting
  o Social Contracts
  o Losses
  o Botox Treatments

• IN
  o Fatal Political Conditions
  o Attack Dog Republicans
  o Stonewalls
  o Incentives
  o Competition
  o Zirconium Plans
  o Open Mike Town Halls
  o Maintenance of Everything Else
  o Flexible Minimal Standards
  o Cost Sharing
  o Personal Responsibility
  o Profits
  o Tanning Booths
The List  
112th Congress

- **OUT**
  - Top Down
  - Exchanges
  - Expert Theories
  - Getting Covered
  - Front Loading, Back Loading
  - Roadkill
  - Legacy
  - You break it…

- **IN**
  - Bottom Up
  - Markets
  - Proof in Practice
  - Getting A Job
  - Unloading
  - Roadmap
  - Albatross
  - You own it.
Reprogramming: Same Name, New Mission

• Cap & Trade – limiting & reallocating tax subsidies for health insurance
• Medical Home – sell off houses in foreclosure to miniclinic operators
• Certificate of Need – required to start any new government health programs or regs
• Midnight Basketball – courtside emergency room care (spillover capacity)
Reprogramming: Same Name, New Mission

• Agriculture set asides/conservation reserve – pay top 100 Academy Health researchers to stop publishing more policy advice
• TIPS – new class of investment securities to hedge against “medical” inflation
• Medical loss ratio -- require everyone to spend at least 80 percent of their income on health care services
• Apollo program – fly plaintiffs’ medical malpractice trial lawyers back to the moon
Real Health Reforms

• Alternative risk protection package (high-risk pools, continuous coverage incentives, front end rules for pools)
• Competition & entry (interstate sales/domicile reg; anti-tying for hospital services; data aggregation w/competitive perf measurement for outcomes & experience; AWB/AWS; Medicare competitive bidding)
• Lower subsidies, spread based on income/risk (def contrib, no net tax increase, front-end unsubsidized cost sharing, no mo MOE)
• Focus on 90 percent of avoidable mortality factors not involving health care services
• Decentralize level at which mistakes are made
Real Health Reforms

Alternative model of health benefits exchanges
• Info heavy/regulation light
• State leverage pre-2014 (new governors, positive action)
• Structural chokepoints
  Inside/Outside
  Keep insurance reg elsewhere
  Actuarial equivalence
  Compare vs.censor
  Menu sans prix fixe
  Integrated eligibility determinations
Outlook:
Cloudy, Chance of ThunderShowers

- Battlefield gridlock
- Permanent law has high ground
- Core problems still need solutions
- Downsize expectations; upsize responsibilities
- Remember administrability
- Evolution, not revolution
- Abstractions don’t translate or sustain well
- The only majority political position (thus far) is what no one can afford or implement, but only imagine
- The overall economy trumps all
Discuss among Yourselves

• “What Republicans Need to Do about ObamaCare”

• “How to Reform ObamaCare Starting Now”
  http://www.aei.org/article/102656

• “How to Cover Preexisting Conditions”
  http://www.aei.org/article/102211

• “A Better Prescription”