Building a Better Health Care System

SPECIFICATIONS FOR REFORM

A Report from the National Coalition on Health Care

HONORARY CO-CHAIRMEN
Former President George Bush
Former President Jimmy Carter
Former President Gerald R. Ford

CO-CHAIRMEN
The Honorable Paul G. Rogers
The Honorable Robert D. Ray

PRESIDENT
Henry E. Simmons, M.D., M.P.H., F.A.C.P.

EXECUTIVE DIRECTOR
Patricia Q. Schoeni

SENIOR VICE PRESIDENT FOR POLICY AND STRATEGY
Mark A. Goldberg

© 2004 by the National Coalition on Health Care
1200 G Street, NW, Washington, DC 20005, 202-638-7151
Preface

The United States is on the cusp of a major new debate — a necessary debate — about the future of our health care system.

In 1993 and 1994, our nation had such a debate — in Congress, the press, and the polity — about a variety of proposals, from many quarters, for health care reform. Political leaders in both parties agreed that the problems confronting health care then — in particular, rising costs and increasing numbers of Americans without health insurance — constituted a genuine crisis and warranted an urgent policy response. That debate ended without legislative action. The health care system was not reformed, its problems remained unchecked, and the sense of urgency that had animated and permeated the debate dissipated.

The system-wide problems that triggered an intense national debate more than a decade ago are larger now than ever. The growth of these problems has overwhelmed incremental measures meant to alleviate them. If we needed comprehensive health care reform in 1993 and 1994 — and we did — we need it even more today.

The recommendations for comprehensive reform that you are about to read come not from a single organization or interest, not even from one sector of American society. They were developed, in a year of study and deliberations, by the National Coalition on Health Care, which brings together many interests and sectors. The Coalition is an organization of organizations — of nearly one hundred of America’s largest businesses, unions, health care providers, associations of religious congregations, pension and health funds, insurers, and groups representing patients and consumers. Collectively, the Coalition is the nation’s largest and broadest alliance working for the achievement of comprehensive health care reform. Our members represent — as employees, members, or congregants — at least 150 million Americans. They speak for a cross-section — and a majority — of our population.
The organizations that belong to the Coalition are united by their commitment to the pursuit of five principles or goals for a reformed health care system:

- Health Care Coverage for All
- Cost Management
- Improvement of Health Care Quality and Safety
- Equitable Financing
- Simplified Administration.

The Coalition is rigorously non-partisan. Its honorary co-chairmen are former Presidents George H.W. Bush, Jimmy Carter, and Gerald R. Ford. Its co-chairmen are former Iowa Governor Robert D. Ray, a Republican, and former Florida Congressman Paul G. Rogers, a Democrat. Our members believe that an effective response to the crisis in American health care is urgently needed and that it will require leadership from both political parties and a willingness to compromise across ideological, economic, and social divides.

It is in that spirit that we offer a series of interconnected specifications for reform. This brief document does not describe one plan, one potential course of action. Instead, it sets out objectives for reform, criteria by which alternative proposals can be assessed, and options for policymakers and the public to consider. Our hope is that these specifications will help to accelerate and frame a renewed national debate about how to build a better American health care system — and that they will help to embolden political leaders to act soon.

The specifications summarized here are tough, thorough, and ambitious. Our members have set aside their preconceptions and predispositions in order to forge a consensus document. Individual members may have different first preferences on some of the items addressed, but they recognize that for progress to be possible, a compelling national interest — in the assurance of excellent and affordable health care for all Americans, in the creation of a health care system that can serve us all well in the decades to come — has to be given precedence over narrow self-interest. They are unified in believing that these specifications represent a sound and sensible set of concepts and precepts for a public-private partnership to reform American health care.
That these recommendations were developed by such a diverse and large aggregation of powerful organizations — representing such a broad swath of our economy and society — should be heartening to those who had given up on the prospects for policy responses commensurate with the scope of the challenges we face. We should not be resigned to settling for small steps forward — not when the problems of the health care system are growing by leaps and bounds.

We need systemic, and rapid, reform.
The American health care system is bedeviled by three huge and interlocking problems, any one of which would be reason enough for alarm: rapidly escalating costs; a huge and growing number of Americans without any health coverage; and an epidemic of substandard care.

**Rapidly Escalating Costs**

Health insurance premiums are now rising at high, and accelerating, rates. Not only premiums themselves, but the rate of increase in premiums, has jumped every year since 1998. The increase last year — 13.9 percent — was nearly four times the increase in 1998. To put last year’s premium surge into context: In 1993, when political leaders in both parties declared that the health care system faced a financial crisis because of rising costs, health insurance premiums increased by an average of 8.5 percent.

What makes recent increases in premiums especially striking is that we have been in a period of low inflation. When we consider premiums in real terms — that is, net of increases in the Consumer Price Index — the rate of rise is even steeper. Last year’s real increase of 11.7 percent was more than five times the 2.3 percent real increase in 1998 and more than double the 5.1 percent real increase in 1993.

Looking ahead, a variety of independent studies and surveys anticipate that premiums will continue to increase at double-digit rates over the next several years. The Coalition projects that the average annual premium for employer-sponsored family health coverage will surge to $14,545 in 2006 — more than $5,000 higher than last year’s average premium of $9,068 and more than double the average premium of $7,053 in 2001.
These increases are making it more difficult for businesses to continue to provide health coverage for their employees and retirees. In addition, individuals and families are finding it more difficult to pay their share of the cost of employer-sponsored coverage or, for those who are not offered coverage by employers and are not eligible for public programs, to purchase health insurance themselves in the non-group market.

It is clear that Americans are worried about rising health care costs — not as an abstraction or as an issue for politicians to contend over, but as a problem that could affect them personally and profoundly. In a recent Harris Poll conducted for the Coalition, respondents were asked whether they expected that in 2008 “the number of people like you [emphasis added] who won’t be able to afford the medical care they need will be bigger or smaller than it is today.” Seventy-eight percent said that they expected that number would be bigger; only 17 percent said that they anticipated that the number would decline. This sense of foreboding — of vulnerability to rising health care costs — is widespread; it is shared by those with health insurance and without it, by middle-income and lower-income Americans, by Republicans and Democrats.

The escalation of health care costs is not only a health care issue; it is also a major national economic problem. As these costs rise, they eat into corporate margins, reducing the capacity of firms across the economy to grow their businesses by investing in research, new plant and equipment, and product development. Health care cost increases slow the rate of job growth by making it more expensive for firms to add new workers. They suppress wage increases for existing workers by driving up total compensation costs. They compromise the viability and vitality of pension funds and offset increases in pension benefits for retirees. And double-digit premium increases — on top of what are already the highest per-worker health care costs in the world — put American firms at a steep and growing disadvantage in global markets, where they must compete against companies with much lower health care costs.

Sharply escalating health care costs have become the single most contentious issue in collective bargaining, with huge stakes and consequences for business and labor. For example, this issue precipitated a grocery industry strike in Southern California that lasted five months. During that period, three major companies lost a
total of more than $1.5 billion in sales. Sixty thousand workers lost hundreds of millions of dollars in wages, and many of them also lost their homes and life savings. The strike was about a problem — surging health care costs — too big, and too pervasive, for either side to control. And we can expect more discord over health care costs — and more losses and more pain — until we address this problem through changes in public policy.

Senior corporate executives know how important this problem is to their businesses going forward. Hewett Associates recently conducted a survey of chief executive officers, chief financial officers, and chief human resource officers at 648 large companies across the country. When asked about the impact of rising health care costs on overall corporate costs, 96 percent of these senior executives said this was an issue of significant or critical concern. Ninety-one percent expressed significant or critical concern about the impact of rising health care costs on employees.

Rising health care costs are also producing severe long-term federal budgetary problems. The Treasury Department, the Congressional
Budget Office, and the General Accounting Office have warned that anticipated increases in Medicare and Medicaid obligations under current law will generate tens of trillions of dollars in unfunded liabilities in the coming decades. According to Comptroller General David Walker, those increases will be “unsustainable.” He projects that by 2050, Medicare and Medicaid combined will consume more than double their current share of the gross domestic product.

Overall, the United States spends much more on health care than any other nation. According to the Centers for Medicare and Medicaid Services, national health expenditures in the United States will reach $2.6 trillion in 2010 — more than double the total in the year 2000. On a per capita basis, health care costs in the United States are more than twice the median level for the 30 industrialized nations in the Organization for Economic Cooperation and Development (OECD) — even though 15 percent of our population has no health coverage at all (and even though the health outcomes associated with our higher spending are no better and, by some measures, worse than outcomes in nations that spend much less).

A Huge and Growing Number of Americans Without Any Health Coverage

According to the most recent official figures from the U.S. Census Bureau, the number of Americans without health insurance rose to 43.6 million in 2002. That total reflected the largest year-to-year increase in the ranks of the uninsured — a jump of 2.4 million — since 1987. On the basis of several recent national surveys of employers and health plans about expected increases in premiums for employer-sponsored coverage, in combination with econometric studies that have modeled the relationship between premium increases and increases in the incidence of uninsurance, the Coalition projects that the number of uninsured Americans will reach 51.2 to 53.7 million in 2006. This would amount to an addition of at least 10 million Americans to the ranks of the uninsured since 2001.

Even these numbers, as dramatic and troubling as they are, do not capture the real scope of the uninsurance problem in America. Nearly 82 million Americans — 32 percent of the non-elderly population — spent at least a portion of 2002 or 2003 without coverage. Of these, nearly half — about 38 million — lived in
households with annual incomes of more than $37,000; 13.5 million were in families with annual incomes in excess of $74,000. And, as polls make clear, the sense of vulnerability to the potential loss of insurance is shared by tens of millions of other Americans who have managed to retain coverage in recent years.

The impacts of uninsurance on the uninsured are clear and severe. First, the uninsured receive less health care than those with coverage. In a survey last year by the Kaiser Family Foundation, 47 percent of those without health insurance said that they had postponed seeking care within the past twelve months because of costs and 35 percent said that they had needed care but had not been able to obtain it at all. (These circumstances were reported by 15 and 9 percent of insured respondents.) Second, the uninsured who did not receive care when they needed it suffered as a consequence, with 47 percent reporting that they had incurred a painful temporary disability and 19 percent reporting that they had experienced a long-term disability. Half of the uninsured who failed to obtain needed care said that they were able to spend significantly less time at important activities as a result. Third, the uninsured must live each day in financial as well as physical jeopardy, knowing that if they are injured or contract a serious disease, they either will not able to obtain care — or will be forced to liquidate their savings or possessions to pay for it.

As a practical matter, because those without insurance receive less care — and receive it later — than those with coverage, they are on average less healthy and less able to function effectively in their daily lives. And, sadly, their risk of mortality is 25 percent higher than it would be if they had health insurance.

The impacts of uninsurance are not confined to the uninsured. First, family members, neighbors, and colleagues at work are adversely affected by the incapacities that befall the uninsured. Second, as the number of uninsured Americans increases, so does the cost-shift for uncompensated care built into the insurance premiums of those who purchase coverage. Third, the high incidence of uninsurance generates losses throughout the economy, due mainly to the lower productivity of uninsured (and, on average, less healthy and functional) workers. The Institute of Medicine has estimated that total economic losses attributable to uninsurance amount to between $65 billion and $130 billion per year.
The HR Policy Association, which represents senior human resources officers at 200 of the nation’s largest companies, puts the annual cost of reduced productivity alone at between $87 billion and $126 billion.

An Epidemic of Sub-Standard Care

The American health care system provides excellent care to many of its patients much of the time, but, on the evidence, not to enough of its patients enough of the time. As a series of landmark reports from the Institute of Medicine has documented, there is in our health care system what the Institute terms a “quality chasm” — a wide gulf between the care that patients should receive and the care that is actually delivered.

Despite the heightened attention and effort devoted to improving the quality of care in recent years, that chasm endures. Six years ago, in a report prepared for the Coalition, a team of researchers at RAND offered this summary of an extensive review of the literature evaluating health care quality:

Number of Uninsured Americans
(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>41.2</td>
</tr>
<tr>
<td>2003</td>
<td>43.6</td>
</tr>
<tr>
<td>2006 (PROJECTED)</td>
<td>51.2 to 53.7</td>
</tr>
</tbody>
</table>

SOURCE: Adapted from Henry E. Simmons and Mark A. Goldberg, Charting the Cost of Inaction, National Coalition on Health Care, 2003, p.5.
The dominant finding of our review is that for most care that has been studied, there are large gaps between the care that people should receive and the care they do receive. This is true for all three types of care [preventive, acute, and chronic]. It is true whether one looks at overuse or underuse. It is true in different types of care facilities and for different types of health insurance. It is true for all age groups, from children to the elderly.

A major new RAND study makes clear just how vast those gaps remain. Researchers examined the medical records of random samples of thousands of patients across twelve metropolitan areas and evaluated the care that these patients received over a two-year period. Using 439 indicators of quality developed by multispecialty expert panels, the analysts found that participants in the study received only 54.9 percent of recommended care — a proportion that varied little across the categories of preventive, acute, and chronic care.

Mismatches of this magnitude between ideal and actual practices would not be tolerated in most industries. Why are they permitted to persist in health care, where they cost lives and produce pain and suffering?

The Institute of Medicine has estimated that between 44,000 and 98,000 Americans die each year from preventable medical errors in hospitals. That range of projections does not include the 88,000 deaths that, according to the Centers for Disease Control and Prevention, occur because of infections contracted during hospitalization, nor, obviously, does it include deaths due to preventable medical errors in settings other than hospitals. Dr. David Lawrence, the former chairman and chief executive officer of Kaiser Permanente, has calculated that mistakes in the use of medical technologies, across all settings of care, account for at least 400,000 deaths each year, of which about two-thirds can be attributed to preventable “health care accidents.” And, Dr. Lawrence adds,

These numbers do not include the impact of failing to treat what we know how to treat. Nor do they include the impact of overzealous use of the care.... Were fatalities from these additional sources added to those from accidents, the number of deaths would climb significantly.
The Coalition believes that the United States needs to mount an all-out effort to combat this hidden epidemic — now, before millions of more Americans die needlessly from the ministrations of a health care system that they turn to for help, not harm.

Health care quality is also an enormous cost issue. Dr. Lucian Leape of the Harvard School of Public Health observed, in an earlier report issued by the Coalition on medical errors, that serious preventable injuries due to sub-standard care can cost hundreds of thousands of dollars each. These numbers add up — and represent a huge opportunity to save money as well as lives. According to Dr. Donald Berwick, president of the Institute for Healthcare Improvement and a faculty member at Harvard Medical School,

> Improvements in American health care are both feasible and can contribute to substantial, double-digit reductions in the total costs of care. Even with modest assumptions about defect rates in health care, total cost reductions of nearly 30 percent below current levels should be attainable while improving the overall quality of health care.

A study conducted for the Midwest Business Group on Health by two research organizations, the Juran Institute and the Severyn Group, reached a similar conclusion: that “30 percent of all direct health care outlays today are the result of poor-quality care, consisting primarily of overuse, underuse, and waste.”

With annual health care spending in America now exceeding $1.6 trillion, these estimates from Dr. Berwick and the Juran/Severyn study point to potential savings of more than half a trillion dollars a year. That prospect alone should provide more than enough incentive — if the potential to save lives were not already a sufficiently compelling reason — for Americans to demand improvements in the quality of their care.
What Must Be Done
SPECIFICATIONS FOR REFORM

As noted above, the Coalition’s specifications for reform reflect a consensus among our member organizations. Before turning to the specifications themselves, we would make three points:

**Health care reform must be a national priority.**

Comprehensive health care reform is long overdue. Every year that reform is delayed, tens of millions of Americans live in peril, without health insurance; millions are harmed, and hundreds of thousands die needlessly, because of sub-standard care; and health care costs continue to spiral ever upwards.

The Coalition’s specifications are meant not just to encourage and help to frame a national debate about health care reform, but to create momentum for the passage of legislation. These specifications are an expression of operational intent: Our member organizations are determined to work with other organizations and with policymakers in both parties to secure the reforms described here. Yes, we need a vigorous debate about health care policy — but what we really need is action, and soon.

**Health care reform must be systemic.**

The Coalition’s specifications were developed not as a shopping list of potential stand-alone initiatives, but as a linked series of targets, criteria, and options — meant to be adopted concurrently and to work together.

The vast American health care sector is exquisitely and elaborately interconnected. Partial or piecemeal reforms, even those conceived and implemented with the best of intentions, can produce unanticipated adverse consequences far from the focus or locus of those targeted reforms.
For example, a dramatic expansion of access, implemented without accompanying measures to improve quality and manage costs, could produce an overloaded health care system that delivers worse care (albeit to more people) at higher costs. Similarly, constraints on costs (and reimbursements for care), pursued in isolation, could compromise both access and quality.

A system is a set of institutions and processes that function together to achieve defined objectives. The Coalition’s specifications were designed to serve multiple goals simultaneously. We began our development of recommendations by agreeing on five core principles for reform (which appear below as section headings for our specifications). Then, as our deliberations proceeded, we continuously revisited and recalibrated our recommendations to make sure that the individual components fused together into a sensible systemic strategy.

We believe that a systemic approach can increase not only the substantive coherence of reform, but also its political feasibility. Thus, if constraints on health care cost increases were proposed in isolation, providers might understandably anticipate that their revenues going forward would be diminished. By contrast, if those same constraints were conjoined in a systemic strategy with an assurance of coverage for all Americans and financing for their care, providers would receive payment for care that they now provide, with little or no compensation, to uninsured patients.

Health care reform must be system-wide.

The Coalition is calling for system-wide reforms, not for changes that would apply to only some payers, patients, or providers. Unless reform is system-wide, gains in some sectors or for some groups are likely to be offset by losses elsewhere.

There is, in addition to this practical consideration, another compelling argument for making certain that reform is system-wide. America is already a nation of health care haves and have-nots. Reform should aim to assure that all Americans receive excellent health care and are able to enjoy the quality of life and peace of mind for which such care is essential. Piecemeal reform that helps some categories of people to the detriment of others would not take us closer to an optimal health care system and could actually make it harder to attain.
We should move forward together. Let us begin by specifying where we want to go:

**PRINCIPLE 1**

*Health Care Coverage for All*

Every American* should have health care coverage, as defined below, and access to the services covered. Participation should be mandatory. The goal of health care coverage for all Americans should be achieved within two to three years after the passage of enabling legislation. We recognize that this is an ambitious timetable, but lives, and the quality of lives, are at stake.

Coverage should encompass medically necessary, comprehensive care, including emergency care, acute care, prescription drugs, early detection and screening, preventive care, care for chronic conditions, and end-of-life care. Pre-existing conditions should not be excluded from coverage. The details of the core benefit package, within each of the categories noted, should be consistent with best medical practices and should be adjusted over time, as science and technology advance and as the understanding of best practices evolves. Enrollees should be guaranteed the right to timely appeal of denials of coverage for particular services — first through internal review processes and then through independent external review processes.

Individuals or their employers should be able to purchase supplemental coverage — that is, coverage beyond the core benefit package.

---

* We recognize that a more precise delineation of the application of this principle would require the consideration of issues — regarding immigration policy and its enforcement — beyond the ambit of our deliberations about health care reform. In light of the importance of health care and, therefore, health care coverage as predicates and safeguards for physical and financial well-being, we hope that policymakers will be more, rather than less, inclusive.
The Coalition has identified a range of viable options for insuring all Americans:

- employer mandates (supplemented with individual mandates as necessary).
- expansion (and perhaps consolidation) of existing public programs that cover subsets of the uninsured (such as the State Children’s Health Insurance Program).
- creation of new programs targeted at subsets of the uninsured.
- establishment of a universal publicly financed program.

Legislation incorporating any, or a combination, of these mechanisms

- should include adequate subsidies for those who are less affluent.
- should assure continuity of coverage for those who move from one form or context of coverage to another.
- should facilitate enrollment by all those eligible for coverage.
- should require individuals to establish — for example, by appending documentation to their annual tax returns — that they have coverage.

Group purchasing is more efficient and more equitable than disaggregated purchasing. Therefore, the Coalition recommends against relying on individual mandates and individuated purchasing as the sole or central mechanisms in a national strategy to achieve coverage for all Americans.

The Coalition also recommends against reliance on a sub-national strategy in which individual states would be responsible for devising and passing legislation to attain coverage for their own citizens. We recognize, however, that progress can and should be made in individual states pending the passage of national legislation to cover all Americans.
PRINCIPLE 2

Cost Management

Average annual percentage increases in the health care costs and insurance premiums associated with the core benefit package should be brought into approximate equivalence with annual percentage increases in per-capita gross domestic product. Cost management measures should be designed to achieve that goal within five years after the enactment of legislation. (The Coalition recognizes that unusual discontinuities, such as epidemics or the emergence of revolutionary new medical technologies with benefits that clearly outweigh costs, may warrant short-term cost or premium increases that exceed the rate of growth of per-capita gross domestic product.) In addition, cost management should serve the longer-term goal of increasing the value generated by health care expenditures — that is, the health benefits that accrue to patients from any given level of spending.

Cost management must be a multi-faceted undertaking. It must incorporate a mix of more and better information and incentives for patients, providers, and purchasers; a commitment to improving the quality and outcomes of care, as described below; an increased emphasis on prevention and early detection of disease; the accelerated development of an integrated national information technology infrastructure for health care; and steps to modernize and simplify the administration, and dramatically reduce the administrative costs, of the health care system.

The urgent need for relief from rapidly rising costs also requires the establishment of constraints as soon as practicable after the passage of legislation. These constraints should take two forms: rates for reimbursing providers for episodes of care encompassed by the core benefit package and, only after those rates take effect, limitations on increases in insurance premiums for the coverage defined by that package.

An independent board, chartered and overseen by Congress, should be responsible for establishing and administering these measures and for calibrating rates and limitations that keep increases in costs and premiums in alignment with defined annual targets. (This board, which would also be responsible for
coordinating efforts to improve the quality of care, is described in more detail below in the specifications regarding Principle 3.) The board could also develop capitated rates for particular categories of care (for example, care for patients with specified chronic diseases) to encourage coordinated, integrated, and efficient provision of care in those categories.

A national strategy for cost management should also incorporate the following elements: First, it should make health insurance premiums more readily comparable by requiring insurers to establish explicitly separate premiums for the core benefit package and for any supplemental coverage they offer. Second, it should include a rational mechanism for increasing the cost-effectiveness of capital spending. Third, it should incorporate cost-sharing and other tools to provide incentives for patients to make appropriate choices about health maintenance and health care and for reducing both overuse and underuse of care. To assure that the use of such tools does not block access to needed care, subsidies or exemptions should be provided for those who are less affluent.

PRINCIPLE 3

Improvement of Health Care Quality and Safety

A comprehensive and concerted national effort should be launched and sustained, with dramatically more public funding than has been previously available for this purpose, to improve the quality and safety of American health care.

Some progress has been made, in both the public and private sectors, on initiatives to help reduce medical errors and improve quality, but we need to do much more, much faster, across the entire health care system. A system-wide effort to improve quality should increase investment in the generation of information — about effectiveness and cost-effectiveness — to improve recommendations and choices among options for care. It should develop and make widely available measurements — of process and outcomes quality — to facilitate choices among plans and providers by payers and consumers. It should be designed to reduce vari-
ability, across regions and providers, in patterns of practice —
and, more generally, to improve the consistency of such patterns
with best practices. It should seek to link payments for care to
the measured quality of care.

In addition, a national quality-improvement effort should acceler-
ate the development of an integrated national information technol-
ogy infrastructure for the health care system. This infrastructure
should include protocols for electronic patient records, prescription
ordering, and billing; standards to protect privacy; a process for
updating protocols and standards to reflect experience and techn-
ological advances; and mechanisms to incentivize and provide
capital for the upfront investments necessary to build, and build
out, the infrastructure.

These mechanisms to encourage investments in automated clinical
information systems — and in further integration and coordination
of the delivery of care — could include supplemental payments,
changes in tax policy, programs to provide long-term low-interest
loans to qualifying providers and provider organizations, and
targeted grant programs.

This concerted national effort to improve the quality of health
care in America should be coordinated by the new independent
national board — with members drawn equally from the public
and private sectors to reflect and reinforce a public-private part-
nership for improved quality. This board would be chartered
and overseen by Congress.

The new board should be responsible for coordinating the develop-
ment and refinement of national practice guidelines. The guide-
lines should be based on reviews, by panels of leading health care
professionals, of research that has been conducted on the impacts
of alternative technologies and procedures. These panels should
collaborate with and leverage the work of professional societies,
provider organizations, health plans, universities, companies and
industry associations, patient groups, payers, and other organiza-
tions. For technologies and procedures about which additional
data are needed for the development of guidelines, new studies
and assessments should be funded by the board. The board should
assure that guidelines are continually updated as new data — on
current and new technologies and procedures — become available.
The board should also be responsible for disseminating national practice guidelines and measures of process and outcomes quality to those who deliver, pay for, or receive care. It is vital not only that more and better information be developed, but that it be encapsulated and communicated broadly so that it can be acted on.

The practice guidelines issued by the board could be adduced in malpractice cases as evidence of what is considered best medical practice. Conformance to these guidelines should help to protect medical professionals from frivolous or marginal lawsuits. Use of the guidelines, the development of an information technology infrastructure that includes computerized prescription ordering and electronic patient records, and the ready availability of measures throughout the system of process and outcomes quality should over time work to reduce the incidence of medical errors and malpractice and to protect the safety of patients.

As noted above, the core benefit package should not be static. The board should periodically review the components of that package and adjust them as needed to reflect changes in national practice guidelines.

**PRINCIPLE 4**

**Equitable Financing**

Reform should seek to reduce or eliminate cost-shifting across categories of insurance programs and payers, both public and private, and to make the distribution of financial burdens more equitable.

The Coalition has identified a range of mechanisms or sources that could be used, individually or in combination, to fund the program costs of the initiatives described here, including the costs of assuring coverage for all Americans:

- general revenues.
- earmarked taxes and/or fees.
- contributions required from employers.
- contributions required from individuals and families (including co-payments, deductibles, and contributions toward premiums).
Financial obligations should be gradated, or subsidies provided, based on relative ability to pay for less affluent individuals, families, and employers.

**PRINCIPLE 5**

*Simplified Administration*

The United States spends more than any other nation — nearly $300 billion per year — to administer its health care system. And as the complexity of our system continues to increase, so too does the associated administrative outlay. According to the Centers for Medicare and Medicaid Services, just one category of administrative expenses — those incurred by private health insurers — rose 52 percent between 1999 and 2002, from $237 to $360 per person covered.

The complexity of the American health care system confuses and frustrates patients, payers, and providers. In addition, because it reduces the transparency of transactions and the comparability of performance and cost data, it also undermines accountability and the capacity of health care markets to function efficiently.

The mechanisms and initiatives recommended in these specifications would produce a streamlined, rationalized health care system — one that would be more efficient (and less costly), less cumbersome and perplexing, and safer. We can, and we should, reduce unproductive inconsistencies across the system. We can, and we should, more fully leverage in health care the capacities of available information and communications technologies — capacities that have improved productivity and performance in so many other sectors of the American economy.

For example, the assurance of coverage for all Americans and the establishment of a core benefit package would create a consistent set of ground rules and understandings for patients, payers, and providers — reducing the variations that now draw time and resources away from the protection and advancement of health. The creation, at long last, of an integrated national information technology infrastructure for health care — including electronic
patient records, prescription ordering, and billing — would not only decrease administrative complexity and costs, but help to reduce medical errors, protect the safety of patients, and improve outcomes. (At present, only 10 percent of health care providers use computerized medical records and ordering — this in a health care system that is the most advanced in the world in its generation, adoption, and use of purely medical technologies.) Similarly, the development and application of national practice guidelines would simultaneously reduce complexity and variability and improve the quality of care for millions of patients.

The expensive administrative complications of our current health care system are not productive uses of our scarce resources. We would be better off saving some of the money we now spend just to administer our system — or investing that money in new technologies or organizational innovations that would improve the health of the American people.
Conclusion

The members of the National Coalition on Health Care are determined to work for comprehensive reform of the American health care system. We offer these specifications for reform as an agenda — an urgent agenda — for action. We close with two observations.

First, we would emphasize again our conviction that reform must be systemic and system-wide. The problems of our health care system — and the principles that guided our development of specifications for reform — are so closely interrelated that they must all be addressed at the same time. One-dimensional reform will not work.

Consider: Unless we improve the quality of care, we will not be able to manage costs or afford universal coverage. Unless we manage costs effectively, we will not be able to achieve equitable financing or cover all Americans. And unless we assure coverage for everybody, we will be unable to make the system less complex, establish a level playing field without cost-shifting, or create a truly competitive health care marketplace. (In fact, many of those who first advanced the market-based reform hypothesis called managed competition warned that a market for health care cannot function efficiently or effectively in the absence of mandatory universal coverage and government oversight.)

Second, the status quo — clearly, undeniably — is not working. It leaves tens of millions of Americans with no health insurance at all. It allows costs to skyrocket year after year, putting coverage out of reach for millions of Americans and compromising the vitality of our economy and its capacity to create and sustain jobs. And it jeopardizes the safety of patients because of widespread sub-standard care.

The status quo is not acceptable. It is time — it is past time — to change it. The readers of this report can have a tremendous impact on the prospects for reform and the shape of reform. We hope that you will work with us in this important effort.
National Coalition on Health Care

1200 G STREET, NW
SUITE 750
WASHINGTON, DC 20005
202-638-7151
www.nchc.org