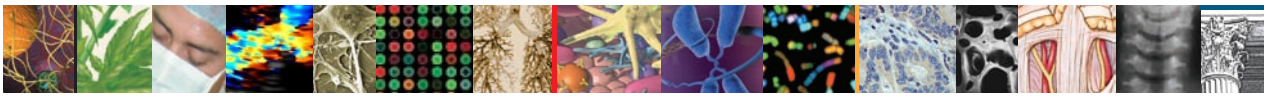

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Perspective

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HEALTH CARE 2009

Great Expectations — The Obama Administration and Health Care Reform

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Health care reform is back. For the first time since 1993, momentum is building for policies that would move the United States toward universal health insurance. President Barack Obama has made health care a central part of his domestic agenda, and key members of Congress have promised to introduce ambitious health care reform legislation in 2009. Groups long opposed to reform, including the insurance industry, are reportedly prepared to make a deal. There is thus growing sentiment that "the prospects for meaningful health care reform have never looked better."[1]

Even so, the political barriers to reform remain immense. The Obama administration has an agenda crowded with other priorities — the economy, taxes, Iraq, Afghanistan, energy policy — and a failure on health care reform could sap its political capital. Although Democrats enlarged their Congressional majorities in the 2008 elections, President Obama will not enjoy anything like the supermajorities that Presidents Franklin D. Roosevelt and Lyndon Johnson counted on to enact Social Security and Medicare. This means that to pass its health care plan the Obama administration will have to rely on conservative and moderate Democrats in Congress, many of whom have their own agendas for reform. In the Senate, moderate Republicans would have to help secure the 60 votes necessary to defeat a potential filibuster. Indeed, the Democratic majorities in the House and Senate are very close to those that were in place when the Clinton administration unsuccessfully pursued health care reform during 1993 and 1994.

Moreover, although there is widespread consensus that the U.S. health care system is broken, there is no consensus on how to fix it. In Congress, even advocates of universal coverage are divided over whether to build on or away from employer-sponsored insurance, the latter approach being favored by a group led by Senators Ron Wyden (D-OR) and Robert Bennett (R-UT).[2]

Stakeholders in the health care system and conservative lawmakers will surely resist core elements of Obama's reform plans, including the establishment of a new government insurance program (anathema to the insurance industry). It's easy to forget that in 1993, key groups of stakeholders endorsed health care reform before their support evaporated.[3] It remains unclear whether similar rhetorical support from such stakeholders this time around will translate into sustained backing for comprehensive legislation as the debate inevitably turns to details that will affect their livelihood and organizational autonomy.

Perhaps because they proved to be politically lethal for the Clinton administration, serious proposals for controlling health care spending are scarce. The health care industry is not interested in reform that would reduce its income. Policymakers are therefore emphasizing savings that might be gained from disease prevention, the implementation of electronic medical records, and other unproven (but politically safe) cost-control measures.

There is also a dearth of politically feasible ways to pay for a major expansion of insurance coverage, which could easily carry a price tag exceeding $100 billion per year — a financing challenge exacerbated by the ballooning federal budget deficit. Health care must compete for money with other costly initiatives, including economic-stimulus and tax-cut plans. Meanwhile, the faltering economy means that more Americans will become eligible for Medicaid, so substantial federal funds will be required just to maintain existing programs.

There is thus ample reason to believe that promoters of comprehensive health care reform will fall short of their goal during the Obama administration. Instead, Congress may well enact a series of incremental laws, taking steps such as expanding the State Children's Health Insurance Program (SCHIP), investing in health information technology, and changing Medicare's physician-payment formula.

Although reform remains improbable, that does not mean it is impossible. Indeed, there are also reasons to believe that comprehensive reform could be achieved under the Obama administration. The ongoing economic crisis will give the administration an extraordinary political opportunity. Worsening unemployment has a direct and dramatic effect on health insurance coverage: with every percentage-point increase in the unemployment rate, 1 million Americans could become uninsured (an additional million could gain coverage under Medicaid and SCHIP).[4] If the recession deepens, the country's uninsured population could grow dramatically, drawing media attention and pushing health care up near the top of the public agenda. The anxiety that middle-class Americans feel about losing their coverage and paying their medical bills will also intensify, creating pressure for federal action.

In addition, the federal government's interventions to prevent a collapse of the country's banking and financial systems have created a precedent for expanding government to cope with the economic emergency. The Obama administration and Congressional reformers could frame the expansion of insurance coverage as part of a broader economic recovery plan, with health care reform sold as integral to restoring Americans' economic security.

Health care reform could also be sold as critical to reviving businesses' — and therefore the nation's — economic fortunes. If U.S. businesses concluded that government intervention is necessary to save them from the burden of health care costs during the economic downturn, the politics of health care would be transformed. With big business on their side, reformers would have an influential ally to help offset potential opposition from the health care industry. Small businesses, which are less likely than larger corporations to provide insurance for their workers, are a tougher political target. But if the status quo is bad enough, political organizations representing small firms (and perhaps other stakeholders) may conclude that reform is preferable to more of the same.

Paradoxically, the economic crisis could also make the financing of health care reform more politically palatable. With the 2009 federal deficit potentially topping $1 trillion, an expansion of insurance coverage could suddenly appear comparatively affordable. Similarly, the vast sums spent on corporate bailouts could help legitimize the idea of deficit spending for health care reform. The economic crisis could thus give reformers the political leeway to bypass congressional budgeting rules that otherwise constrain financing options.

In sum, the recession could weaken the normal barriers to health care reform (at a minimum, it injects substantial uncertainty into health care politics). Yet there are other reasons to be hopeful about reform. One is that the incoming administration appears to have learned from the Clinton administration's misadventures in health care reform.[5] President Obama's nomination of former Senate majority leader Tom Daschle as Secretary of Health and Human Services and director of the new White House Office of Health Reform reinforces the administration's intention to work closely with Congress in crafting reform legislation rather than imposing a top-down plan. Obama's health plan (as outlined during the campaign) clearly embodies additional lessons from the Clinton reform debacle: it preserves employer-sponsored insurance for insured Americans who don't want to change plans, it exempts small businesses from the employer mandate to provide health insurance while providing tax credits for small companies that want to pur-

chase insurance, and it contains no politically controversial, centralized cost controls.

The lessons of 1993 and 1994 are also well understood in Congress. Two key Senators — Max Baucus (D-MT), chair of the Finance Committee, and Edward Kennedy (D-MA), chair of the Health, Education, Labor, and Pensions Committee — are developing legislation that largely tracks the Obama plan. Consequently, this time around, congressional Democrats may be more unified around a health care reform strategy. Baucus's support for reform is crucial, given the importance of financing issues, and Kennedy's staff has been holding meetings with stakeholders in an effort to build consensus. Both senators are determined to move quickly, fearing that delay could dissipate momentum, as it did in 1993.

Finally, in Barack Obama, health care reform has a president who could effectively use the bully pulpit to rally the public behind change. That effort could be aided by both the Obama campaign's grassroots network and organizations devoted to reform, whose resources can help mobilize public support.

Of course, these grounds for optimism hardly guarantee success. Financing health care reform in this fiscal climate will be an extraordinary political challenge, deep divisions persist in Congress, and many thorny problems are nowhere near resolution. Throughout the past century, reformers pursuing comprehensive change in the U.S. health care system have failed to overcome similar barriers. But the fact that reform has failed before does not mean it is fated to fail forever. As the election of Barack Obama vividly reminds us, history is not always repeated. Sometimes it is made.

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HEALTH CARE 2009

Medicaid and the U.S. Path to National Health Insurance

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The 2008 presidential election has rekindled long-simmering hopes for comprehensive health care reform. The policy debate includes references to new government programs (perhaps a federal program for the uninsured to buy into) and vague formulas for cost containment (usually involving overly optimistic assessments of savings to be generated by using health information technology). Ironically, however, the debate generally ignores what I see as the most plausible path toward universal coverage: first, expanding Medicaid to cover the largest portion of the uninsured, Americans with incomes below 350% of the federal poverty level (around $62,000 for a family of three); and second, requiring everyone to carry health insurance and allowing people whose incomes are too high for automatic coverage to buy into Medicaid.

Previous efforts to enact universal coverage have failed in part because opposition from interest groups such as the business community and the insurance industry is far more influential than is organized support for uninsured low-wage workers. Reform opponents also take advantage of the anti–big-government ethos that pervades our political culture. Finally, our political institutions are designed to make it hard to enact comprehensive legislation, since our system of checks and balances provides opponents with numerous opportunities to block legislation.[1]

Meanwhile, Medicaid, the federal–state program designed to provide health insurance for the poor, has been quietly becoming the most successful program in U.S. history for aiding the uninsured. Since the Reagan administration, program enrollment has more than doubled (surpassing 59 million), softening the impact of the continuing decline in the number of Americans with employer-sponsored coverage.

Surprisingly, the very factors that defeated President Bill Clinton's proposal for universal coverage have actually encouraged expansions of Medicaid. Business leaders support Medicaid expansions because they relieve the pressure on employers to cover low-wage employees. Private insurers support such initiatives because they leave intact the core of the