Long Term Health Policy Implications

Plenary speech by Drew Altman, Ph.D., President and CEO
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I am sorry I couldn't be with you today, and thank you for asking me to speak on this topic. I quickly drafted this approximation for the conference website of what I had planned to say had I been able to be with you (minus about five good jokes).

We had a debate in the Congress of historic proportions about the new Medicare prescription drug law, and people of sound mind and good will obviously differ on whether this is a good law or a bad law. Let me start by saying that we should all be respectful of the sharply differing opinions on this law.

What is certainly true is that virtually everything about the current health policy environment can be seen in the saga of this law:

- The incredible power of ideology and the great divide in health care between those who favor public versus private approaches;
- The power of seniors, who, unlike the uninsured, vote, and whose vote could decide the next election (it is not an accident that this issue, and not the issue of the uninsured, is on the agenda);
- The influence of health care's big commercial interests, especially the drug companies and the insurance companies;
- The distrust between the political parties and the often poisonous political environment;
- The extent to which policy is now budget-driven (which is why there is a "donut hole") and the importance of CBO scoring based on assumptions of future behavior, which nobody can really accurately predict. We have elevated micro simulation modeling to a role which, I assure you, was not contemplated by our founding fathers. But we do need the numbers, which is why I say that the CBO is like a democracy… the only thing worse than the CBO would be to have no CBO at all;
- Finally, there is the sheer complexity of the legislation and the challenge of explaining it to seniors and disabled people. I think this is a huge challenge, and I will end on this point.

Another thing I can say with certainty is that—whatever you think of the law—the problems it addresses are very real.

- The median household income for seniors is just over $23,000. So, many seniors do struggle with the cost of drugs, as they do with the cost of housing, utilities, and food.
- And this struggle is especially real for seniors with no drug coverage who are sick. For example, our studies show that more than one-quarter of seniors without drug coverage who have congestive heart failure, diabetes, or hypertension report not filling their prescriptions because of the cost. And one-third report skipping doses to make their medication last longer.
- Of course, everybody is upset about the cost of prescription drugs, not just seniors without drug coverage. A new CMS study we recently spotlighted at a briefing showed that spending for drugs will represent one-third of all out-of-pocket health spending in the next ten years. People already pay more for out-of-pocket drugs than for physician and dental services. So yes, it is only 12% of health spending, but it is <u>the</u> health cost that people see.

Whatever the disagreements are surrounding this legislation, the problems it addresses are very real.

I was asked to talk about the long-term health policy implications of the new Medicare prescription drug benefit, and I want to touch on three things: the implications for policy, the implications for politics, and what I think is the biggest implementation challenge ahead.

Policy

The first thing I would say about the implications for policy is that there is no going back. We've established a prescription drug benefit through Medicare after years of promises and debate; the law may be changed, the benefit may be enhanced, but it will not be taken away. Nobody will be taking this drug benefit away from America's seniors once it is conferred (a population which, with the baby boom, represents an ever-increasing share of voters: from 17% of voters in 1974, to 23% in 2002, to a projected 33% in 2022! Compare this to the projected 8% of voters who will be under age 30 in 2022).

Second, while seniors are mostly concerned about the drug benefit, the elected officials on Capitol Hill quickly reconciled themselves to the fact that they had only so much money to play with, and for them, the debate was about something very different. It was about fundamental policy differences and the future direction of the Medicare program. That debate brought into vivid relief the great chasm between those who favor public programs and public responsibility, and those who favor the private sector, the market, and individual responsibility instead. This is the single most important dynamic in health policy today and it affects and infects everything we do. In Medicare, it's the difference between those who would expand Medicare and provide a guaranteed, uniform benefit to all, and those who favor individual responsibility and the market, and would give beneficiaries a fixed amount of money to use to make their own choices among private plans.

Health policy experts have a tendency to dismiss these differences as "just ideology;" not a serious policy debate. I take a more charitable view: our elected leaders are arguing about deeply felt differences. They actually believe in something! But it is true that this makes compromise much tougher, because, as Robin Toner wrote in *The New York Times*, it's harder to compromise on ideology than on money or politics.

The prescription drug law almost foundered on the shoals of these ideological differences. It's prospects went from very good (when a compromise was reached in the senate that saw Senator Kennedy throw his support behind a republican-backed bill), to life support (when the house passed a bill that was too conservative for most liberals and moderates to endorse), to almost sudden passage, when pressure from the leadership helped forge a new deal which was endorsed controversially by AARP, and which garnered enough votes for passage.

The compromise that passed was a rare centrist moment, but one that satisfied few on the right or the left. Liberals see the benefit as too skimpy, and believe that private insurance plans will skim off the healthiest beneficiaries, driving up the cost of the traditional program and undermining it over time. Conservatives don't like establishing a big new entitlement program. They mourn the loss of the provision in the House bill that created open competition between Medicare and private plans after 2010 (this was pared back to six regional demonstration projects, which many observers predict will never happen). Conservatives also believe the law doesn't do enough to put a lid on future Medicare spending. Almost nobody on Capitol Hill loves this law, but for the majority, the logic of taking the money when it was on the table, delivering on campaign promises, and fixing problems with the law later was, perhaps understandably, too strong to resist.

The most important point to make about the long-term policy implications of this law is that it represents a compromise that leaves the future direction of Medicare unresolved. That's why I like to say that the future of Medicare depends more on who wins elections than the content of the legislation. If democrats win, they will try to make the benefit more generous, to preserve the entitlement nature of Medicare, to more tightly regulate

the role of private plans and drug prices, and to pare back the small foothold for competition in the law. If republicans win, they can be expected to build on the role for private plans and competition, to resist regulation, and to try to do more to slow the growth in Medicare spending.

Because passage of this law required compromise between two fundamentally different world views and the law had to be shoehorned into a fixed amount of money, it also produced a law that is incredibly complex—conceivably too complex for seniors to understand well enough or to implement without big problems. And it also produced a law with more than a few landmines that may or may not go off when seniors see the real deal in 2006.

- Of course, there's the donut hole, a concept which makes sense to policymakers and policy experts who deal with budget tradeoffs and scoring, but mystifies every senior I've seen who has been asked about it in a focus group;

- Another example is the penalty for non-enrollment. Premiums go up 12% per year for every year that you don't enroll. Will the drug benefit be viewed as voluntary when you pay a 60% higher premium if you wait five years to enroll?

- There's the indexing of cost sharing to growth in drug spending, which means that cost sharing will increase much faster than seniors' incomes.

- Then there are the realities and variabilities of drug formularies, with drugs potentially covered in one plan but not in another. This could be the biggest surprise of all.

There are lost of implementation issues like these that will surface when this becomes real. These are not just fabrications exaggerated by disaffected critics to score political points (though they are also that). They are real issues that will need to be addressed.

Politics

The second topic I want to touch on is politics—who wins and who loses—because Medicare is nothing now if not big politics.

There are two views of this. One view is that this will be a big political victory for the President and for republicans. The other view is that democrats will score a lot of points attacking the gaps and holes in the bill and portraying it as a payoff to insurance and drug companies. My view is that both scenarios are likely; it's not either or. The law will not be a clear victory for one side or the other. The President will rightly claim a big victory, but the democratic candidates' criticisms will also resonate with seniors. In the process, health and Medicare will become significant issues in the Presidential election.

All of this is part of a new development in the politics of health—health is no longer an issue republicans are willing to cede to democrats. Republicans are making major health proposals of their own in hopes of neutralizing the traditional advantage democrats had on this issue. The goal, in political terms, is not necessarily to win the issue, just to neutralize it. The polls we regularly do suggest that republicans have made some modest headway in this regard, but democrats still have the advantage with voters on health. The question to ask for the future is: are we seeing the beginning of a sea change in the politics of health and who owns this issue, or just a temporary adjustment?

Implementation

Finally, the issue I want to emphasize more than any other today is the need for a much bigger effort than anyone is contemplating now to educate America's seniors about this law. Our polls and focus groups show powerfully that seniors are incredibly confused about what this legislation will mean for them.

We conducted a new poll on this issue so that I would have current data for you, which we will be releasing today. Let me highlight three findings:

- We asked the following question*: "You may have heard in the news about recent debates in Congress on a bill that would add a prescription drug benefit to Medicare. To the best of your knowledge, has this bill been passed by Congress and signed into law by President Bush, or not?"*

  We were astonished to find that, as of February 8, 2004, a whopping 68% of seniors either said there was no law (27%) or they did not know (41%). Thirty-two percent of seniors knew that the bill had passed and been signed into law. The findings were even more dramatic for the general population.

  This illustrates the magnitude of the challenge. How can we expect seniors to understand the law when almost 7 in 10 don't even know it exists?

- Later in the survey, we asked: *"As you may know, President Bush and the U.S. Congress recently approved a new law that includes some coverage of prescription drug costs for seniors. How well would you say you understand this new law?"*

  Not surprisingly, given the first finding, only 15% of seniors thought they understood the law "very well." Sixty percent said "not too well" or "not well at all."

- Finally, we asked: *"Given what you have heard about it, do you have a favorable or unfavorable impression of this new law?"*

  Fifty-five percent of seniors gave the law an "unfavorable" rating, versus 17% who gave it a "favorable" one. The rest were neutral or didn't have an opinion. And of the seniors who knew the law had passed (probably the most politically active seniors, and, our survey showed, also the most knowledgeable), 73% gave it an "unfavorable" rating.

It's important to say that implementation is still two years away and a lot can change between now and then. The real test will not come until 2006. But as of right now—rightly or wrongly, justifiably or unjustifiably—this is the starting point, and there is clearly a huge public education challenge ahead. This is a public education challenge that is made much harder by the complex nature of the law itself, with all of its nooks and crannies, winners and loser, and special populations.

This is an important point:

- generic education won't help much. It's going to take customized, one-on-one assistance. Thirty-second T.V. ads and handbooks can raise awareness and provide general information, but can't do a lot to help your mother decide what to do about her Medigap policy or what plan to join;

- Hotlines could be somewhat more useful;

- Outreach through community-based organizations and through Social Security offices will be the most useful of all, if it receives adequate funding.

If you are for this law, you should want to do more to help seniors understand it so it can succeed. But even if you are against it, it would be cynical in the extreme to leave seniors hanging out there on their own in the hope that a catastrophe will lead to big changes or repeal. Obviously beneficiary education will not fill the hole in

the donut, or solve every problem, but it will be critical to whether this law works as well as possible for Medicare's 41 million seniors and disabled beneficiaries.

We have not passed anything this big in health in more than 30 years, and so I fear we have forgotten the lesson that past experience teaches us, which is that, as hard as it is to pass a big law, implementation is often even a tougher challenge.