



Health Reform in New Era: Options for the Obama Administration



After a long campaign season, and in the middle of an economic crisis, the American public has elected a new President and the 111th Congress. President-elect Obama and Congress will be juggling many competing priorities in 2009, including a historic window of opportunity for health reform.

The [public](#) and [health care opinion leaders](#) have called for an overhaul of the health care system. The President-elect campaigned on an ambitious health reform agenda—and he has often talked about the stories he heard on the campaign trail about ordinary Americans’ struggles with the health care system, as well as his own family’s health care experiences. The new President will be assisted in his reform efforts by the new composition of Congress—many members of which also made health care a key message in their campaigns.

The health care system is in crisis. John F. Kennedy, in a speech he gave nearly 50 years ago, noted that when written in Chinese, the word “crisis” is composed of two characters—one representing danger, the other representing opportunity. Perhaps never in our nation’s history has this duality been more apparent than in our current quandaries.

In 2007, the number of uninsured stood at 46 million, up 20 percent from 2000. And the number of underinsured—people with health insurance that fails to provide access to care or financial protection—jumped 60 percent over four years, to 25 million in 2007. Today, people are even more worried about keeping their jobs and their health coverage, and are increasingly concerned about their debt, including medical debt. [The Commonwealth Fund 2007 Biennial](#)

[Health Insurance Survey](#) found that about two-thirds of U.S. working-age adults, or 116 million people, struggled to pay medical bills or pay off medical debt, went without needed care because of cost, were uninsured for a time during the year, or were underinsured.

While President-elect Obama has set forth the substance of his [health reform agenda](#), he has not yet revealed his overarching strategy or precisely when and how he would move on health reform, but there are a number of courses of action open to his Administration.

Defer legislative action while pursuing administrative changes. One option would be to postpone legislative action on health reform while tackling other immediate priorities such as the economy, energy, and Iraq. In the meantime, he could begin a process for gathering input and forging consensus by setting up a Congressional working group or Commission charged with soliciting views from the public, experts, and health care stakeholders, and then developing recommendations for the Administration. The Administration could simultaneously focus on a number of administrative changes that are possible through Executive Order, rule-making, and administrative actions. For example, it could make use of the rule-making authority to support state efforts to maintain and improve Medicaid/State Children’s Health Insurance Program (SCHIP) coverage. The advantage of this strategy is that it permits time to sort through difficult issues and find areas of consensus, while addressing other urgent policy priorities. But it also gives opposition time to build.

Make a down payment. At the Democratic Convention, Representative Rahm Emanuel (D-IL), the newly designated Obama White House chief of staff, said the incoming President would need to make a “down payment” on health reform, with the promise of more action to come.

So another option would be to show quick action on part of the health reform agenda by enacting a few measures that would garner bipartisan support. This could include, for example, reauthorization and adequate funding for the SCHIP and building health measures, such as an increase in federal matching funds for Medicaid, into any economic stimulus package. While this approach could have quick results, the major disadvantage is that it postpones fundamental reform, while likely surfacing many of the familiar ideological divides over private insurance and the expansion of public programs.

Use the states as laboratories. If the Administration believes that there is not sufficient consensus to enact health reform at the federal level, the new President might seek funding to permit five to ten states to move forward and test alternative approaches. Such a strategy already has strong bipartisan support. The advantage of this strategy would be the opportunity to learn from testing new approaches on a broad scale. However, a state-based approach to reform means that there will likely be wide variations in insurance coverage, effectiveness, and efficiency—a problem that has plagued the Medicaid program.

Initiate incremental steps in the context of a long-range vision. An alternative that would retain a strong role for the federal government in shaping health reform would be to set forth a long-range vision accompanied by a request for legislative action on some initial reforms. These first reforms could include not only the reauthorization of SCHIP and enactment of health information technology legislation, but other measures aimed at slowing the growth in health care costs such as the creation of a comparative effectiveness institute. The legislation could also authorize the planning and implementation of a national health insurance exchange to offer public and private health plans to small businesses and individuals, as well as a health board to oversee rapid experimentation with and diffusion of payment innovations in Medicare.

Seek a single legislative package with sequenced phases. Another possibility is to include building blocks for reform in a single legislative package that authorizes the flexible roll out of reforms over a six-to-eight year period. A first phase

could include the steps outlined above to slow the growth in health care costs and cover low-income children, but with a commitment and the legislative authority to phase in coverage for all. After covering low-income children, subsequent phases could, for example, eliminate the two-year waiting period for coverage of the disabled under Medicare and gradually providing premium assistance for low- and middle-income families to purchase coverage through the health insurance exchange. This approach has the advantage of generating savings in early phases and ensuring those health system reform savings are dedicated to coverage expansions, that sufficient planning is given to implementation of more complex provisions, and that politically popular as well as difficult reforms are considered in their totality and early-on, when the new Administration and Congress have the requisite political capital. Such a sequenced approach to health reform could put the U.S. on a firm path to a high performance health system, yielding better access to care, improved quality, and greater efficiency.

Take early action on comprehensive reform. Finally, president-elect Obama could move swiftly to enact comprehensive health reform in a single legislative package while he has the political capital garnered in a major election victory. If leaders in Congress, such as Senator Kennedy, have a legislative package ready to go, it could be introduced immediately and folded into a major omnibus budget reconciliation act. This would be a bold stroke—one appropriate to the seriousness of the crisis in the health care system and the even more challenging fiscal problems ahead as the baby boom generation reaches retirement.

Windows of opportunity for real health reform do not stay open for long. While the challenge is daunting and the stakes are high, it is imperative that our new federal leadership moves swiftly to change direction and put the U.S. health system on the path to high performance.

