

## 2008 Health Care Conference

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April 2008

Held on May 13, Washington Policy Center's sixth annual half-day conference on Health Care provided a valuable forum for the discussion of this increasingly important subject. The conference brought together over 320 attendees—from legislators and physicians to business people and insurance industry leaders. The conference began with a legislative briefing on the work of the legislature and executive branch in this field, and continued through panels on health care reform in other states, new trends in health care and innovations in health information technology.

At lunch, the audience heard a keynote address by Grace-Marie Turner, the president and founder of the Galen Institute, a public policy research organization in Virginia, promoting an informed debate over free-market ideas for healthcare reform. Ms. Turner is a founder of the Health Policy Consensus Group, editor of Empowering Health Care Consumers through Tax Reform, and recently served as a member of the Medicaid Commission.

What follows is a summary of the day's activity:

### **Legislative Briefing Panel**

Moderated by Paul Guppy, Vice President for Research, Washington Policy Center

Panelists:

Rep. Eileen Cody, Chair, House Health Care and Wellness Committee  
(D—Seattle)

Rep. Bill Hinkle, Ranking Republican, House Health Care and Wellness Committee (R—  
Ellensburg)

Steve Hill, Administrator, Washington Health Care Authority

Paul Guppy began the panel's discussion by asking each participant to discuss what happened in Olympia in the last legislative session and give an assessment of what the future may hold for health care policy.

**Rep. Eileen Cody** said the legislative session went well, as it got out on time with a supplement budget and reserve, with some progress made on health care. Rep. Cody said not a lot of change was made and they were not aggressive, but tried to lay the foundation for the future. She focused on the passage of the Citizens' Workgroup, which will provide an economic analysis of five approaches to health care reform, a limited mandate plan, a plan similar to the Massachusetts law, one similar to the Wisconsin plan, a single-payer approach, and the Insurance Commissioner's plan. This bill was used to make the business case because she said the moral case was not as affective, and next session the analyses of these plans will be taken to citizens for feedback on which plan is best for Washington.

Additionally, she expressed concern about expectations for health care policy in the coming session. In a time of elections at the state and national level, health care will be an important issue, but questions of what needs to be done, by whom and at what level will emerge. She predicts that there will not be a big change at the national level from either party. Instead, change will be incremental, placing more pressure on the states. Rep. Cody expressed a desire to move forward cautiously and together, seeking a sustainable system.

**Steve Hill** recounted the highlights and lowlights of the 2008 Legislative Session. The highlight focused on the passage of the Technical Corrections Bill for the Health Insurance Partnership, giving the Health Care Authority the framework and funding for a pilot program for small employers and low-wage employees. The lowlight was the loss of funding for a project to replace the eligibility and accounting systems for the Basic Health and Public Employees Programs. This resulted in a loss of three years' work and \$10 million in effort, leaving two large programs covering half a million people with an outdated computer system.

Hill commented on how the United States health care system is not sustainable, because health care is not affordable, and lack of affordability results in an access problem, which in turn is rooted in troubles in the delivery system, such as waste, high variability and defects. He said it is imperative to change the slope of the cost curve in health care because it is not sustainable and will bankrupt society.

**Rep. Bill Hinkle** concluded the panel by explaining how the current system is not cost effective, nor does it address the problem of cost, but rather increases dependency on the system. Eighty percent of the money in the health care system is used to administer programs rather than provide care. Each year health care becomes increasingly dependent on the state, and money is spread out in so many ways that a safety net for the poor is not viable. There are an increasing number of physicians not taking Medicaid patients, creating an access issue. Rep. Hinkle also expressed his concern that increased spending for state-sponsored health care will only result in less money for other policy areas, such as education or the environment. Rep. Hinkle's solution is to let the private sector step in so people own their own health care, not the government. This would allow choice instead of rationing. Rep. Hinkle expressed the need for citizens to have and own a plan that fits their needs and is portable through career changes. The current system is not sustainable and Rep. Hinkle urged attendees toward market choice, not government rationing.

Finally, the panel took a number of questions from the audience, some of whom asked about the proper role of government in health care. The panelists' responses matched the tone of their earlier discussion: Rep. Cody said the government should regulate health care but not necessarily provide it, and focus on how it is provided and financed. Hill reiterated the need for the government to do better with reimbursements, transparency and comparative effectiveness in delivery. Rep. Hinkle again favored reducing state involvement and increasing consumer information on the cost and quality of medical care.

All panelists agreed that there needs to be a system that cares for health care professionals by providing better education standards and compensate for the true costs of working in these fields.

### **Summary Points**

- Rep. Cody: The 2008 Legislative Session helped lay the foundation for future health care reform, which will be a gradual process. There is concern about what level health care reform needs to come from, but regardless, sustainability is the key.

- Steve Hill: Efficiency needs to be increased in the finance and delivery of health care. People need to be engaged in their own health and health care, incentives to improve quality to Medicare and Medicaid reimbursement systems, improvement in small group and individual insurance markets, increased transparency, comparative effectiveness, and improved IT all need to be made. Affordability and sustainability are the most important factors as the baby boomer generation goes on Medicare and Medicaid
- Rep. Hinkle: Health care reform increases dependency on the state each year, stretching the safety net too thin for those who need it. The private sector needs to step in so people, and not the government or employers, own their health care and health care options.
- The current system is not sustainable and needs to be made so for the future.

### Health Care Reform in Other States

Moderated by Grace-Marie Turner, President, The Galen Institute

Panelists:

Dr. Jack Evjy, Massachusetts Medical Society

Christian Schneider, Fellow, Wisconsin Policy Research Institute

John R. Graham, Director Health Care Studies, Pacific Research Institute

The second panel began with Grace-Marie Turner stating that the federal government will have a difficult time implementing extensive changes in health care, so state health care plans will be important in the future. The panel discussed health care reform in Massachusetts, Wisconsin and California.

Dr. Evjy discussed the **Massachusetts health care plan**, passed in 2006, under which nearly every resident is required to purchase health insurance, while providing care for citizens under the poverty level. He explained that most citizens already had insurance. With only 7.4% of the population uninsured, this plan was a feasible option for Massachusetts.

Dr. Evjy stated that in a free market, universal health care could not exist without a mandate. Massachusetts demanded shared responsibility by government, businesses, consumers, plans, and providers. The bill created the Commonwealth Health Insurance Connector Authority, which oversees the program and determines minimum credible coverage and an affordability schedule. The plan places citizens in one of three coverage “buckets” of public, private subsidized and private unsubsidized plans, paid for by the federal government, via a Medicaid waiver. The state government subsidizes the working poor, and businesses and consumers (who are penalized for not participating).

As a result, Dr. Evjy explained that citizens are enrolling primarily in Medicaid and subsidized insurance products. Cost may be on the rise, but so is the number of patients. Premiums and co-payments are increasing and primary care shortages are emerging, which Dr. Evjy identified as issues needing to be addressed in the future. Overall, the Massachusetts plan has increased the numbers of insured citizens, but the Medicaid waiver remains critical to success. Dr. Evjy felt that each aspect needs to be systematically examined to decrease costs while improving health. He ended his discussion by urging people to get behind coalitions and work toward compromise.

“**Healthy Wisconsin**” was the next topic of discussion, which Christian Schneider described as, “trying to fix a problem that doesn’t need to be fixed.” This is a single-payer plan, which, if passed, would begin in 2009, providing health insurance to all citizens not covered by Medicare, Medicaid, Badgercare, or TRICARE. This plan would increase taxes by \$15 billion. Schneider explained how this plan

would not help Wisconsin. The state budget would double and an independent board would set up the fee schedule, although it does not include doctors or insurance companies.

Opponents argue that it will create a \$10 billion deficit by 2015 and could cost over eight-thousand minimum wage jobs. The system expects the state to take on more people for less money. Schneider reiterated how government regulation will not increase efficiency and described future strains the system will incur as people move to Wisconsin for health coverage. Under the current plan, a person need only be gainfully employed or in the state for 12 months before receiving benefits, which include all members of an immediate family, regardless of whether or not they live in the state.

**California's health care reform** was next on the panel. John R. Graham first examined San Francisco's citywide plan before shifting to California's reform plan. The reform started with the belief that there was a hidden tax: uninsured citizens shift costs to those who are insured through higher premiums and taxes. The reform was highly supported by single-payer advocates. Additionally, it would add an explicit tax of \$15 billion through employer and individual mandates and tobacco taxes. Graham took an individual approach and expressed concern over the belief that people think individual health care will result in more taxes and government control, rather than individual responsibility over control and choice.

The panel concluded with audience questions. Panelists were asked why employers should pay for and choose a health care plan for employees. Graham said they should not, and compared it to an employer purchasing a house for an employee. Dr. Evjy also took an individual-centered approach, responding that they should try to empower and involve the patient because they will take greater interest and control if given the choice.

### Summary Points

- Dr. Jack Evjy: The Massachusetts plan was able to move toward universal health care because of the small number of uninsured citizens. Penalties and incentives worked to achieve this goal, but now the problems resulting from the high costs and physician shortages need to be addressed and examined for the future.
- Christian Schneider: "Healthy Wisconsin" and a single-payer approach will be more costly and less efficient and this model should not be adopted.
- John R. Graham: Direct involvement and responsibility on the part of individuals is the direction to go in the future.

### New Trends in Health Care Panel

Moderated by Dr. Roger Stark, Health Care Policy Analyst, Washington Policy Center

Panelists:

C. Philip Slaton, The Icon Group, LLC on Medical Tourism  
Matthew Holt, Matthew Holt Consulting  
David Hom, Chairman, Center for Health Value Innovation on Value Based  
Health Benefit Design

The third panel dealt with new trends in healthcare, particularly addressing medical tourism, Health 2.0 and Value-based health benefit design.

**C. Philip Slaton** of the Icon Group gave a very objective view into the world of medical tourism, where surgeries and other medical or dental procedures are outsourced to offshore providers, saving

50-90% of the cost. Slaton countered the myth that medical tourism is for the poor and disenfranchised. Procedures may be less expensive, but medical tourism is still expensive, and is often used for elective procedures. In the medical tourist industry, facilitators put together the package, including airfare and a nurse to and from the facility. Slaton also highlighted the potential problems associated with medical tourism, such as the ability to fly home after procedures, American hospitals having to pick up post-operation problems, and the burden insurance companies incur if a patient dies post-operation when he or she went abroad for cheaper procedures.

**Matthew Holt** presented the exciting developments in Health 2.0, where content is user generated. Health 2.0 uses integrated data and social media to capture accumulative knowledge, making information more relevant and personalized. Websites are creating more targeted information on treatments and procedures through communication with others, putting more information directly into the patients' hands.

Holt explained how Health 2.0 users can intelligently search for information on symptoms and drug interactions, in addition to finding patients with similar conditions. Patients are able to share incredible details with one another without doctors, giving more tools, understanding and support connections through these overlapping social networks. Health 2.0 does not rule out the relationship between patients and doctors, but rather users are increasingly connecting with doctors via instant messages. Virtual treatment has created an online care market, which may allow prescriptions to be made online, and drive change as transparent health care pricing and efficiency drives new discovery.

**David Hom** of the Center for Health Value Innovation on Value Based Health Benefit Design concluded the panel by demonstrating how value-based health benefit design already has made progress in health care reform. He said Value Innovation drives change, as data is used to invest in benefits or incentives that change behavior to reduce financial and health risks. Hom gave case studies of Pitney Bowes to demonstrate how value-based benefits saved millions of dollars, as cost of care and pharmacies decreased, along with hospital admissions for people with asthma and emergency room visits for diabetics. The value-based system identifies a problem, and then creates a value-based design with incentive and reduction of financial barriers. Hom identified lack of access as the key predictor of health care costs. To solve this problem, customers need to be engaged and be given incentives, which Hom believes will save money, and increase health outcomes.

### **Summary Points**

- C. Philip Slaton: Medical tourism offers outsourcing of medical procedures abroad to lower certain health care costs. Even so, it is not accessible to poor and disenfranchised populations.
- Matthew Holt: Health 2.0 is an emerging phenomenon in health care, which will give patients more tools to take charge of their health and will drive further discovery.
- David Hom: Value-based health benefit design has been a successful tool in solving problems by identifying a problem and driving incentive and reducing financial barriers. This has lowered costs and increased health and access.

### **Keynote Lunch**

Introduction by Greg Porter, Chairman of Washington Policy Center

**Speaker: Grace-Marie Turner, President, The Galen Institute**

During the lunch, conference attendees heard keynote speaker Grace-Marie Turner discuss health care in the 2008 presidential election. Grace-Marie Turner is the president of the Galen Institute,

a non-profit research organization devoted to free market reforms in health care. Her op-ed on the issue ran in the *Seattle PI* the morning of the conference. She explained that health care is becoming the main issue in the current presidential election. The next president will create the vision for fixing health care, but he must have bipartisan support to succeed.

Grace-Marie Turner highlighted some of the similarities between John McCain and Barack Obama. First, both candidates agree that we must focus on prevention and chronic care management. We must do our best to prevent individuals from getting chronic diseases that are placing a heavy burden on the health care system. Twenty percent of people consume eighty percent of the current system. Second, there is agreement that consumers need better information, more options and greater portability of their plans. Individuals need to be able to purchase insurance outside of the workplace and take their plans from job to job. Lastly, there is a consensus that the government needs to provide subsidies for lower income people who cannot afford insurance or have preexisting conditions. While there is agreement on what needs to be done, how each candidate plans to accomplish those objectives is strikingly different.

The central difference between Obama and McCain is whether the market or the government is the solution to our health care problems. Senator McCain believes we need better incentives for a properly run market. To do this, the federal government would give every individual \$2,500, or every family \$5,000, in the form of a credit to be sent to the insurance company of their choice. Businesses would then increase wages by the amount they were spending on health insurance for their employees in old system.

For example, a business spending \$12,000 on health insurance for an employee's family would increase the wages of that employee by \$12,000, to provide him compensation equal to what he was receiving before individuals managed their own health care. McCain would also open the market by allowing insurance to be purchased across state lines. This would create greater competition and help reduce unneeded regulations in many states. For individuals with preexisting conditions, GAP coverage would be provided by pooling money and incentives. This would ensure that those with the greatest need for insurance are protected. By giving the power to consumers, insurance plans will have less turnover and will focus on prevention and maintaining wellness. While McCain's plan focuses on allowing the market to function properly, Senator Obama takes a very different approach.

Obama's plan is founded on greater government presence in the health care system. His plan calls for expanding the employment-based system by requiring employers to pay for insurance. If employers do not cover a preset percentage of their employees insurance, they would be fined. This will create a huge oversight burden and a cascade of costs associated with it. Senator Obama would place new restrictions on insurance companies, requiring them to accept all applicants and mandate how much they can charge. This will essentially mean everyone would have to be charged the same amount for insurance, regardless of any preexisting conditions or age. Obama's plan also calls for increasing Medicaid and SCHIP and the creation of a new Medicare-like program. Altogether, his plan would create an unfair playing field for private insurers by subsidizing government insurance plans, imposing price controls on private insurers and increasing regulations.

She concluded by saying these two starkly contrasting plans mean the American people will have to decide which vision they favor in the coming years: more government and regulations, or consumer empowerment and well-functioning markets in health care.

## Keynote- Health IT

**Peter Neupert of Microsoft** gave a presentation on how Microsoft is getting involved in health care technology. Microsoft's involvement focuses on an application they have created, *Health Vault*, which stores patients' health care information.

Mr. Neupert focused on how software and technology can help patients and doctors. Part of the problem today is the numerous silos of health information. Health care information is stored by employees, pharmacies, health insurance plans, physicians, labs, and hospitals. And as each person moves or changes jobs, the number of silos multiplies. This can create inefficiency and make tracking health information difficult if not impossible. That is where *Health Vault* comes in.

IT takes a copy of health care source data and provides a way to copy that data. This means a patient can have copies of his health records stored and readably available any moment. This will help doctors have all the information about a patient's health available instantly, instead of having records faxed or mailed over from previous doctors.

*Health Vault* also provides a means to monitor different health checks and measurements. The results can be charted and problems quickly noticed. With 70% of today's health care costs spent on six different diseases, *Health Vault* provides a way of monitoring and catching those diseases at their earliest stages.

### Summary Points

- Microsoft's *Health Vault* can store health care data for individuals, making it readily available when doctors need it. It can also monitor regular health and catch signs of health problems earlier.

### Health Informational Technology (IT)

Moderated by James Whitfield, Director, Department of Health and Human Services, Region 10

Panelists:

John Hammarlund, Regional Administrator, Center for Medicine and Medical Services, Region 10

Jody Pettit, M.D., Health Information Technology Coordinator, State of Oregon

Richard Onizuka, Director, Health Care Policy, Washington Health Care Authority

Peg Hopkins, CEO, Community Health Association of Spokane

The final panel featured a discussion of how health information technology is being used in the health care industry. **John Hammarlund** highlighted some of the concerns with how much IT is used in health care. He explained that IT is second nature in everything except the health care industry. Only 27% of American physicians use technology. Worse, only 10% are actually using technology for more than storage space.

**Jody Pettit** talked about how the health care industry can use IT effectively. She explained the need to bring the patient into the health care realm. Patients need to have access to information and know what is going on. A good step in doing that is to create health record banks. They would store information, records and set up alerts and reminders for patients. This would provide better information for giving health advice and would help patients take more control of their health.

**Richard Onizuka** gave an overview of the steps Washington state is taking to improve health care IT through Senate Bill 5930. That bill, based on the recommendations of the Blue Ribbon Commission on Health Care Costs and Access, seeks to develop an electronic system for medical records that can be utilized across the state, to help lower the costs of health care and provide health care information when and where it is needed.

The final panelist, **Peg Hopkins** gave the audience her success story of developing a health IT framework in Spokane. She explained that one of the biggest problems with implementation is data collection for building the information database because records are generally centered on paper billing. To solve this problem they made the product adaptable, working with customer support to build their own templates. She stressed that customer support was the essential element of going forward with a health IT program.

### **Summary Points**

- The health care industry does not use information technology nearly enough. We must get patients involved to make records and health information available anywhere at anytime. Senate Bill 5930 has started to tackle this issue. For private companies and associations it is not easy to do, but can be done with great results. First and foremost, organizations must adapt the technology to work for them and have good customer support to implement the system.

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