Obama's Plan Would Leave Employer System Intact

BY MARY ELLEN SCHNEIDER
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With Sen. Barack Obama (D-Ill.) set to become the Democrat's presidential nominee, health care experts are once again scrutinizing his plans to reform the health care system.

The centerpiece of Sen. Obama's plan is a public-private system that would allow people to remain in their employer-sponsored health plans while offering the uninsured the chance to purchase either a private or government-sponsored plan.

For the government-sponsored plan, the proposal uses as a model the Federal Employees Health Benefits Program—the system available to federal employees and members of Congress. For individuals and families who want to purchase insurance on the private market, Sen. Obama is proposing to create a National Health Insurance Exchange through which they could enroll in either the new government-sponsored plan or purchase a private plan.

All plans offered through the exchange would be required to offer at least the same coverage as the government-sponsored plan and adhere to the same standards for quality and efficiency.

Employers also would have a role to play under the Obama plan. Those employers that do not offer or contribute to employee health coverage would be required to pay a percentage of their payroll toward the cost of the government health plan. There would be an exemption for some small employers under the proposal.

The Obama proposal also calls for expanding eligibility for Medicaid and the State Children's Health Insurance Program.

Under the proposal, the government would offer subsidies to individuals who do not qualify for Medicaid or SCHIP but still needed financial assistance to purchase health insurance.

Sen. Obama also would guarantee that no American could be turned down for insurance because of illness or a preexisting condition. However, he wouldn't require all Americans to purchase coverage, mandating coverage for children only.

The other half of Sen. Obama's plan is aimed at reducing premiums and decreasing overall health system costs. To target the catastrophic health expenses that account for a significant portion of the costs incurred by private payers, the federal government would reimburse employer-sponsored health plans for a portion of the cost of catastrophic health events above a certain threshold. In exchange, the plans would have to use the savings to reduce the cost of premiums.

Election 2008

Cost control also is addressed in the Obama plan, with electronic health records playing a big role. The candidate proposes to spend $10 billion a year for the next 5 years in an effort to encourage widespread adoption of EHRs. The idea is that the investment would reap savings through increased efficiencies since paper records are more costly to store and process than are electronic ones, according to the Obama campaign. The plan also seeks to control costs through greater regulation of insurance companies and by allowing the federal government to negotiate drug prices.

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Sen. Barack Obama estimates that, if implemented, his plan would save the average family about $2,500/year.

The Obama campaign estimates that, if implemented, the reforms they are proposing would save the average family about $2,500 a year in medical expenses.

"I want to wake up and know that every single American has health care when they need it, that every senior has prescription drugs they can afford, and that no parents are going to bed at night worrying about how they'll afford medicine for a sick child," Sen. Obama said in June during a health care town hall meeting in Bristol, Va.

If elected, Sen. Obama has pledged to implement his health care proposal by the end of his first term as president.

But the plan continues to face critics on the left and the right. Grace-Marie Turner, president of the Galen Institute, an organization that favors free-market approaches to health care, said she is concerned that the government-sponsored program would be underpriced and crowd out the private insurance options the same way that Medicare has crowded out private insurance in the over-65 market.

"That is not a level playing field," said Ms. Turner, an adviser to the presidential campaign of Sen. John McCain (R-Ariz.). Sen. Obama's approach is a "backdoor" to getting everyone on a government-funded health plan, she said.

Ms. Turner also criticized Sen. Obama's plan to have the federal government take on a portion of the costs of catastrophic health costs in employer-sponsored health plans. This would require the government to be heavily involved in auditing health care expenditures, she said.

Sen. Obama's plan also faced criticism from the left. Dr. Don McCanne, a senior health policy fellow with Physicians for a National Health Program, said the plan "falls far, far, short." Dr. McCanne said he objects to the plan because it continues to use the private health insurance industry as part of the structure. His organization favors the elimination of private plans and the creation of a single public program for health care.

The concern with providing a government-sponsored plan in competition with private plans is that it would be subjected to adverse selection and the premiums would become unaffordable, Dr. McCanne said. The only way around that would be to provide additional funding through taxes or to have some method of risk pool transfer, in which the private plans with healthier beneficiaries would shift funds to pay for the higher risk individuals, he said.

But Dr. Jack Lewin, CEO of the American College of Cardiology, said maintaining the private system is politically smart. One of the drawbacks of Sen. McCain's plan is its potential to destabilize the existing employer-based coverage system, he said. While in the long-term it might be a good idea to move away from that system, it should be a gradual process, he said.

Dr. Lewin also praised the Obama plan for starting with coverage for children. However, after the mandate for universal coverage of children, the plan's details are murky, he said. For example, Sen. Obama's plan commits to improving quality and efficiency in the system but doesn't define how it would be done, he said.

Sen. Obama also has been vague about subsidies, requirements on businesses, and the interaction of the public and private plans, said Len Nichols, director of the health policy program at the New America Foundation, a nonpartisan public policy institute.

However, that murkiness may be appropriate since members of Congress will be the ones to refine the details of any health care reforms, he said. "He clearly intends to engage and work with Congress and stakeholders."

And Sen. Obama's plan is likely to get a warm reception in Congress next year, Mr. Nichols predicted. The debate over SCHIP has started the conversation about the need for universal coverage and at the same time a majority of Americans are worried about the affordability of health insurance, he said. "There's a different environment," Mr. Nichols said. ■

Aetna Defends Its Preferred Rating System as Cost Efficient

BY ALICIA AULT
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SAN FRANCISCO — Aetna's performance-based physician networks are a way to keep costs down and let patients know which physicians offered the best, most cost-effective care, according to Dr. Gerald Bishop, senior medical director for Aetna's West division.

Preferred provider networks have been the subject of legal challenges around the country. Physicians have claimed that the networks use inappropriate methodology to rate performance.

In 2007, New York Attorney General Andrew Cuomo struck a settlement with several insurers in which they agreed to publicly disclose rating methods and how much of the ratings is based on cost, and to retain an independent monitoring board to report on compliance. Aetna was one of the first insurers to sign on, and has continued to comply, said Dr. Bishop at the AHIP Institute, at a conference sponsored by America's Health Insurance Plans.

He noted that Aetna reviews and updates its provider list every 2 years and notifies each physician if there has been any change in status. Physicians have the opportunity to appeal if there is an error—before any data are made public, he said.

Aetna also encourages physicians to submit relevant information from medical records if they have a question.

Aetna first began developing its Aexcel network in 2002 to mitigate rising costs, ensure patient access to specialists, and find a way to recognize the variations in costs and practices in each market, said Dr. Bishop. Aetna found that 12 specialties represented 70% of spending on specialists and 50% of overall spending: cardiology, cardiothoracic surgery, gastroenterology, general surgery, neurology, neurosurgery, obstetrics/gynecology, orthopedics, otolaryngology, plastic surgery, urology, and vascular surgery.

When considering which physicians were eligible, Aetna looks at the number of Aetna cases managed over 3 years and uses nationally recognized performance measures to gauge clinical performance. Physicians who score statistically significantly below their peers are excluded.

The company also uses the Episode Treatment Group methodology to evaluate 3 years of claims for cost and utilization patterns. A physician is considered efficient if his or her score is greater than the mean for that specialty and market, said Dr. Bishop.

The network now exists in 35 markets, covering 670,000 members. Aetna members in most areas can log onto a secure patient Web site and see costs for various procedures and information on why his or her physician has been designated a preferred provider in the network. Dr. Bishop said Aetna has determined that physicians in the Aexcel network perform 1%-8% more efficiently than their peers. A client could save 4% of annual claim costs if its covered workers used the network, he said. ■