MATT MILLER

DEMOCRAT FOR CONGRESS

MATT MILLER'S PLAN TO…
MAKE HEALTH CARE DRAMATICALLY MORE AFFORDABLE

"Price gouging by the Medical Industrial Complex is hurting every worker, every family, every senior, and every business in my district. It's devouring public money we desperately need for investments in children, R&D and infrastructure. We shouldn't tolerate this rip-off any longer – especially when we know every other wealthy nation gets equal or better health care outcomes for dramatically lower cost."

-Matt Miller

The Problem

The United States spends twice per person on health care what most other advanced nations spend without better outcomes to show for it. As a share of the economy, this now translates to an eye-popping 17.2 percent of GDP; the next closest nations spend 12 or 13 percent, while the OECD average is around 9. Singapore, with comparable results, spends just 4 percent. And these nations perform better under every model—from single-payer (Canada, England) to mandated private insurance (Switzerland, Holland) to creative public/private hybrids (Singapore). The US comes in 37th on international comparisons of quality, just behind Cuba and ahead of Costa Rica.

In a $16 trillion economy, our excess health-care spending—that is, money we devote to health care that plainly isn't needed for quality care—comes to a staggering *$1 trillion a year* (in the Southland alone, this overpayment exceeds $50 billion).

Call this a trillion-dollar "diversion" or "opportunity cost." Call it a "rip-off." Or even "theft." Whatever the label, the point is the same: health system excesses that have pushed insurance premiums to a staggering 30% of median family income take money from everyone in our district:

-**Workers** give up wages because employers have to include health care in the total "compensation" they can afford to pay; when health costs soar, it comes directly out of wages (and also gets passed along separately in the form of ever-higher insurance

premiums and out-of-pocket costs)

-**Businesses** are caught in a double bind. Either they become less competitive to the extent they choose not to pass on soaring health costs to employees (and thus increase prices, or face shrinking profits); or, they hurt employees by sticking them with a greater share of increasingly unaffordable bills – and by stopping real wage increases altogether. Businesses are also asked to manage an expense that now looms larger in their economics than their core operations. Starbucks spends more on health care than on coffee; Ford spends more on health care than on steel.

-**Seniors** are the most vulnerable, because they're on fixed incomes. Many people think that once they're eligible for Medicare everything is taken care of, but that's not the case. According to AARP, the average 65-year-old couple needs to set aside $250,000 for out-of-pocket medical costs. That's roughly twice what the same health services would cost in every other advanced nation.

-**Taxpayers** -- i.e. all of us -- get the shaft because health care is a major public expenditure. Health care at the state, local and federal levels together represent about one fifth of government spending. Since we're paying twice what we should be paying in the US, that means we ought to be able to cut taxes (after cutting health spending) without affecting the quality of care or our population's health. If we could match the cost effectiveness of other OECD health systems, it would mean a tax cut of more than $5000 per US household. Think of that sum as the "Health System Rip-off Tax" every family coughs up to health providers to bankroll the wildly inefficient status quo.

-**Public investment** suffers because spiraling health costs devour resources that would otherwise be available for other public purposes funded by government – like K-12 and college education, research, infrastructure and public safety.

Bottom line: After Tea Party intransigence, it's not an exaggeration to say that health-sector inefficiency is the biggest obstacle to progressive goals in America.

All this shows why the entire health care debate needs to be recast. Rightly understood, health-care "entitlement reform" is not, as conservatives suggest, a matter of lessening the "dependency" of big chunks of the population on government largesse. It's about weaning the members of our Medical Industrial Complex from *their entitlement* to far higher payments, despite shabby results, than their counterparts abroad get. This license for inefficiency, issued by both political parties to medical specialties, hospitals, health plans, drug makers and device firms, is diverting precious resources in an aging America from urgent non-health care, non-elderly needs.

Washington engages in a conspiracy of silence on this scam – defaulting instead to dueling make-believe fights over who's going to "cut" Medicare more. That's the approved playbook for scaring seniors and winning votes. Elected officials take this easy way out for one simple reason: every dollar of health care "waste" is somebody's dollar of income.

But just because the politics of real reform are hard doesn't excuse inaction when the stakes are this high. That's why we elect people called "leaders."

It's time we summon the imagination to view our radically inefficient health-care system as a supreme **moral and economic challenge**.

How else can a serious nation view the needless overpayment of a trillion dollars a year for an essential service? A trillion dollars not available for higher wages and better teachers. A trillion dollars we can't use for gleaming new airports, bridges, electric grids, sewage systems and world-class preschools. A trillion dollars that could dramatically lower the cost of college for every young American working to build a better future.

If the mob told us to hand over a trillion a year in protection money, we'd call the police.

If a conquering foreign power tried to extract a trillion a year in tribute, we'd revolt.

But when respected professionals in white coats and local worthies on hospital boards essentially hold America up for the same aggregate sum, we say nothing. We do nothing.

In a world of scarce resources and trade-offs, every new merger that lets hospitals hike prices helps deny poor children a fair start in life. That's the new diagnosis we need to wake up and accept. The only question is whether all of us, together, are ready to challenge American medicine to get serious about cures.

The Miller plan

1. **Set a national goal for health spending to be brought in line with that of other wealthy nations – meaning 13 to 15% of GDP – within a decade**. The Congressional Budget Office says that on our current course health spending will rise from today's 17% of GDP to over 20% by 2020 as the population ages. We should establish a presidential commission to chart a path to meet internationally benchmarked goals for a graying America, laying out scenarios with implications for all stakeholders, and the adjustments required. The sector will cry in unison that this is "impossible!" – but, as the saying goes, if we can put a man on the moon, we can match international benchmarks of health care cost-effectiveness and quality a decade from now. With studies estimating that 30% of health care spending is wasteful, the status quo is indefensible.

2. **Break up local provider monopolies with a new federal antitrust crusade**. Today local provider concentration gives hospitals, specialty practices and other suppliers the market power to jack prices up. (The critical training and research functions that some providers cite to defend outrageous costs can be funded more efficiently). Local

prosecutors are generally too cowed by influential institutions to challenge mergers and consolidations that kill competition and breed price gouging. A well-funded federal task force at the Department of Justice is required. We need to break up suppliers with dominant market shares unless they demonstrably use their scale to deliver better quality at lower cost – rather than exploit their market power to send prices through the roof. If Teddy Roosevelt were alive today, he'd be going after the health care trusts.

3. **Require price transparency**. As the New York Times and Time magazine have documented recently, hospital pricing is – by design -- an incomprehensible maze meant to obscure public understanding of what services really cost. The result is wild, indefensible variations in what identical services cost in different parts of the country, within local markets, and even for different patients within the same institution. In 2009, for instance, the median charge for coronary-artery bypass surgery in Los Angeles County ranged from about $130,000 at Long Beach Memorial Medical Center to about $250,000 at Cedars-Sinai Medical Center and more than $300,000 at Garfield Medical Center in Monterey Park, according to a California government website. In San Francisco, one study found the price of a diagnostic colonoscopy ranged from $887 to $7,245. Providers often say that insurance contracts forbid publishing prices offered to particular health plans. In a world of trillion dollar annual overcharges, these kind of secret backroom deals are no longer acceptable. The states and the federal government should require hospitals (and clinics, labs and physicians) to post clear, understandable prices as a condition of their license to operate. Insurers likewise should be required to tell patients their cost sharing for any service in real time (Massachusetts has passed a law to do this). Government already mandates the posting of car prices (MSRP), safety ratings, and fuel economy, so that consumers can compare. In health care, price transparency (coupled with advances in quality measures) is the pre-requisite for effective competition and informed patient choice.

4. **Create incentives to re-engineer health care delivery to improve value**. Incentives today are so misaligned that providers aren't always "villains" so much as rational actors navigating a crazy system. We need to scrap a fee-for-service payment system that encourages doctors and hospitals to give us more care whether we need it or not (and under which they make less money if we get well). Instead, we must move to a system that pays for outcomes, for making us better, and for preventing us from getting sick (via bundled payments, capitation and consumer rewards for healthy behaviors). In the clinical setting itself, the goal should be to have the least costly competent resource provide care. That means, for example, that nurses should perform tasks that doctors often do but don't need to (like vaccinations, refilling prescriptions, or patient education.) "Right-skilling" the medical enterprise – and scrapping regulations that block sensible changes in how different tasks are performed – is essential to ending today's "health system rip-off tax."

5. **End the practice of "defensive medicine"** which adds billions of dollars in unnecessary tests and procedures as doctors cover their you-know-what. (How else can we explain why U.S. doctors order twice as many MRIs and CT scans as other OECD countries?) We need to replace today's malpractice litigation lottery with a system that

protects doctors from liability so long as they've followed evidence-based best practices. We should also consider new specialized courts (like those we use for tax, admiralty and bankruptcy) that can handle such cases expertly and efficiently, and assure that people who are truly harmed get just compensation.

6. **Invest in research and innovation that lowers costs, improves quality and cures disease**. The brave new world of digital medicine promises to improve health and prevention even as it renders many of today's costly hospital-based tests unnecessary. Much of this innovation will be funded privately, but public policy can help by eliminating barriers to start-up investment and growth. In addition, savings from broader system efficiencies will free up billions to resume ambitious new basic research at the National Institutes of Health – our surest hope of rolling back scourges like cancer, heart disease and Alzheimer's.

7. **Allow Medicare to negotiate drug prices without slowing pharmaceutical innovation**. Today, we're the only country that doesn't regulate drug prices – which means that US patients are effectively subsidizing, via higher prices, pharmaceutical innovation for the rest of the world. Other nations "free ride" on the R & D made possible by uncapped drug prices here. As we finally allow Medicare to negotiate drug prices – which we must -- the President and the US Trade Representative must make drug price caps abroad a priority for reform. The principle is simple: if wealthy foreign countries want their citizens to have the benefit of American drug innovation, they need to start picking up the tab.

Matt's challenge to conventional Republican and Democratic thinking

To Republicans	To Democrats
Health care can never function like some idealized "market" – we need a blend of smarter regulation and consumer incentives (for non-urgent care) to get the dramatically more cost effective system other nations enjoy.	Progressives need to understand that if the left doesn't take the lead in reducing excessive health care costs, millions of workers will never see real wage increases -- and a decade from now there won't be any public money available to invest in a poor child.

What they're saying about Matt Miller's ideas:

"Matt Miller's health plan wouldn't just help hundreds of thousands of families and businesses in his district – it's showing Washington what it looks like to get serious. Isn't it about time someone did?"

Bob Kerrey, former Senator and Governor, Nebraska

"Matt Miller has been tackling the hard issues in government fiscal policy for more than a decade. The result has been some of the most creative thinking from the policy

community on how to take on the big problems our nation faces in the coming decades. I would personally be very excited to see Matt bring his passion and policy expertise to Washington."

Jonathan Gruber, Ford Professor of Economics, MIT,
advisor to both Obama and Romney health plans

“Matt Miller is the new voice that the Democratic Party urgently needs to make the case for real progress in the twenty-first century.”

Bruce Ackerman, Sterling Professor of Law and Political Science, Yale University

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