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THE HAMILTON PROJECT RELEASES POLICY PAPERS ON PREVENTIVE CARE, MEDICARE PART "D" and A PLAN TO INCREASE HEALTH CARE AFFORDABILITY
Robert Rubin and Andy Stern Featured at Event;
First in a Two-Part Series on Health care Reform

WASHINGTON, DC –The Hamilton Project, an initiative at the Brookings Institution, hosted a forum, "Health Care Reconsidered: Options for Change," today at the Brookings Institution in Washington, D.C. At the event, policy papers on reforming Medicare Part "D" (including closing the "donut hole" gap in prescription drug coverage), improving preventive care and promoting greater affordability through progressive cost-sharing were released by The Hamilton Project. Today's event was the first in a two-part series focusing on health care reform. A second series of policy papers will be released in the summer of 2007 and will focus on achieving the goal of universal health care coverage for all Americans.

A panel of experts from the business, labor and policy communities also discussed the challenges of providing affordable, quality health care in the United States. Participants included**:** **Andrew Stern**, president of the Service Employees International Union (SEIU); **Robert D. Reischauer,** president of The Urban Institute; and **Ronald Williams**, Aetna chairman, chief executive officer and president. **Suzanne Nora Johnson,** former vice chairman of Goldman Sachs moderated the discussion.

"America cannot compete in the new global economy when we are the only industrialized nation on earth that puts the price of healthcare on the cost of our products," noted Stern. "Rising health care costs are having a major impact on American business competitiveness and job creation. The cost of not making these reforms now means that by 2008, American business will pay more for health care than they will make in profits. The solution is no longer just a matter of policy, but of leadership and political will."

With the recent rise in health care spending, there has been a commensurate increase in insurance premiums, resulting in growing ranks of the uninsured and increased risk among those who are insured. To address this trend, Jason Furman, Brookings senior fellow and The Hamilton Project director, issued a new Hamilton Project discussion paper examining the evidence for cost-sharing.

"As health spending has risen, it is important to examine proposals that not only seek to expand coverage, but to control costs as well," noted Furman. "Based on empirical evidence, we can show that encouraging cost-consciousness through cost-sharing, if done correctly, has the potential to reduce health expenditures without adversely affecting health care."

Furman observes that the share of total health spending that consumers bear directly through out-of-pocket spending has declined from roughly one-half to one-eighth in the past 40 years. Furman goes on to survey the available evidence about the impact of cost-sharing on total health spending, finding that cost-sharing can potentially reduce it by 13 to 32 percent without worsening health outcomes. In response to this evidence, Furman proposes a progressive system of

cost-sharing that is based on income and potentially includes evidence-based exceptions for highly valuable treatments and preventive care.

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Furman shows that a progressive cost-sharing system can minimize financial risks for low- and moderate-income families far better than one-size-fits-all health savings accounts (HSAs) approaches. By reducing total health spending, cost-sharing could substantially bring down the price of insurance premiums, making health insurance more affordable for all. To make cost-sharing more effective, however, Furman suggests that it should be implemented as part of broader health reform that improves and expands insurance coverage for all.

Another important focus in reducing health care costs is the cost of prescription drugs. In 2006, Medicare Part D began to offer subsidized prescription drug insurance and now covers an estimated 22.5 million elderly Americans, including 2.7 million low-income seniors who previously had been without coverage.

Although Medicare Part D provides welcome and important benefits, the program also suffers from significant limitations. In a Hamilton Project discussion paper developed by Richard Frank and Joseph Newhouse of Harvard University, they propose a broad reform that would address a number of the problems inherent in the current system, while preserving the basic principles upon which Part D was founded: private provision of insurance, the use of market forces to determine drug prices, and consumer choice.

Frank and Newhouse review a substantial body of evidence suggesting that the complexity of Part D makes it more likely that consumers will choose plans that are not in their best financial interest. They propose several steps to simplify the choices facing beneficiaries while increasing effective price competition and potentially improving choices for consumers. Furthermore, they propose reorienting competition so that plan providers compete for a contract to serve an entire region rather than competing for individual enrollees, reducing incentives for plans to compete for lower-cost enrollees. They also propose reducing prices of important subsets of prescription drugs covered by Part D by adopting more cost-effective purchasing rules.

To address the gap in coverage, known as the "donut hole," Frank and Newhouse propose changing cost-sharing rules or mandating the coverage of generic medications in the "donut hole." Some of these improvements could reduce the cost of Part D even as they improve the consumer choice and competition that are meant to be the hallmarks of Part D.

Another major health care challenge facing the United States is the rise in chronic and preventable diseases, which contribute to the majority of America's health-related deaths. Despite relatively low-cost and low-tech services that could limit them if treated preventively, chronic and preventable diseases are fueling soaring health costs as health providers attempt to manage them after the fact. Disease prevention and health promotion are crucial for ensuring the health and wellbeing of Americans in a cost-effective manner, but the current system is poorly suited to these goals.

In a Hamilton Project discussion paper, Jeanne Lambrew of the Center for American Progress and The George Washington University proposes to carve preventive services out of existing pieces of the health care system and unite them under a "Wellness Trust." The Trust would

be a newly-created agency under the Department of Health and Human Services that would have the appropriate mission, incentives, and tools to deliver preventive services. The duties of the Trust would be to annually determine a set of prevention priorities—based on rigorous scientific evidence and considerations of health impact, cost, and feasibility—and use funding reallocated from current spending on prevention to deliver preventive services in an accessible, affordable, and high-quality manner.

Lambrew's proposal aims to provide all Americans, irrespective of their insurance status, with access to preventive care within an integrated, wellness-based framework, with the ultimate goals of generating a healthier, longer-living populace in a health system that gets higher value for its spending. Better delivery and take-up of preventive services will almost certainly provide value for money in terms of healthier and longer lives, and Lambrew also argues that effectively delivering prioritized preventive services would likely lead to overall budgetary savings as well.

"Making health care more effective and affordable not only impacts personal health outcomes, reform of our health care system is also imperative for our economy," said Robert E. Rubin, who introduced the forum. "One challenge we face in reforming our current health care system is determining how to balance our desire for more affordable and effective health care against our nation's other priorities. Improving the efficiency of health care systems is one way we can make health care more effective without increasing costs. The proposals highlighted here today are an important contribution to the discussion about how to move forward on health care."

About The Hamilton Project (www.hamiltonproject.org)
The Hamilton Project, named after the nation's first Treasury Secretary, Alexander Hamilton, seeks to advance America's promise of opportunity, prosperity, and growth. The project's economic strategy reflects a judgment that long-term prosperity is best achieved by making economic growth broad-based, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments. Our strategy —strikingly different from the theories driving economic policy in recent years— calls for fiscal discipline and for increased public investment in key growth-enhancing areas. The project will put forward innovative policy ideas from leading economic thinkers throughout the United States—ideas based on experience and evidence, not ideology and doctrine—to introduce new, sometimes controversial, policy options into the national debate with the goal of improving our country's economic policy.

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Media Notes: Any reporters wishing to interview representatives from The Hamilton Project, please contact Jennifer Devlin at 703-876-1714 or Jennifer.devlin@cox.net. Copies and/or summaries of the papers referenced here can be found on the web at www.hamiltonproject.org.