



PRESCRIPTIONS FOR HEALTH REFORM:

A PODCAST FROM THE BLUE CROSS BLUE SHIELD OF MASSACHUSETTS FOUNDATION

Transcript of podcast interview with
Dan Perrin, co-author of *America's Health Care Crisis Solved: Money-Saving Solutions, Coverage for Everyone* 9.18.09

Q. How did you and J. Patrick Rooney come to partner on a book?

A. Pat and I have been fast friends and allies for decades really. He was writing the book himself and suggested to the publisher that he have a coauthor. The publisher reviewed a list of people that Pat thought he could work with on the book, and they suggested that I be the one that coauthored it with him.

Q. Let's start then by looking at some of the problems within the health care system that you've identified. Why can't we cover the 47 million uninsured and control costs within the system? Where do the main problems lie, as you see it?

A. I don't really see them as policy problems, although that plays a role. Mostly what I see is the political problems. The policy is pretty straightforward. Democrats would like to have the government be the one that insures these people in some fashion or form or be in control of their health coverage and services. The Republicans would prefer to give these folks money to buy policies. That's a pretty clear set of distinctions. We are decidedly on the give-the-money side of the fence.

I think that the problem that I see with the proposals now before Congress, which are in fact the ones that are being acted upon—we can talk about what should be or what could be, but—are simply that the structure by which the Democrats are proposing to insure the uninsured is all-encompassing in terms of everybody else's health care. If it was instead simply a program to insure the uninsured, I think that that could get done. I have serious doubts about whether the current proposals will ever become law. In fact, I don't think they will. This is because of a fundamental misread of American culture and health care.

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If you ask an American, would you like to insure the uninsured, they will say yes. If you ask an American if they would like the government to do that, they will say yes. If you ask an American would you like the government to be involved in your health care, they will say no.

When you go before a group of people and explain a new health benefit, as I have, with regard to Health Saving Accounts, it doesn't matter what new thing you're trying to explain. The people sitting down are thinking that they are going to get the short end of the stick. While they may be open to change, as the questions appear from the assembled, it is clear that the employees or the group of people you're talking to, their opinion largely shifts back to where it was, which is, we don't want to change.

That is the fundamental, sort of schizophrenic nature of American health care politics, which is, as long as you don't change my plan, I'm okay with it. The problem is that in this proposed plan by Congress and President Obama, the sweep of it is so great that it is making uncomfortable the people within health insurance. If we were talking about a program to insure the uninsured in and of itself, that would be a pretty easy thing to do, politically. But the current proposal far exceeds that mandate, and as a result, I don't think it's going to pass, and we will have once again squandered an opportunity to reform health care, and we'll have to wait another 10 or 15 years for the opportunity to come again.

Q. Could you just explain how you see it exceeding that mandate, in what areas?

A. There's so many political landmines within the legislation, outside of health care policy, which most people in health care policy have no clue about. They just choose to ignore, but they are in fact serious issues that will in my view just derail this effort. You walk down the list: first of all, you have the tax issue. Who's going to get taxed, who's going to get cut? The tax issue is a big deal. Even in California, liberal blue-state California in their current budget crisis, their two referendums on taxes were opposed by 65 percent of the voters. That's a very, very high margin.

You have the spending cuts to Medicare to pay for it, notwithstanding the fact that AARP says that if you cut \$350 or \$500 billion depending on whose plan you're talking about—those are the ranges—it's not going to affect benefits. I don't think seniors are going to believe that.

You have the abortion issue, where there are between 20 and 40 Democrats who are at "no" unless there's a specific prohibition for covering abortion. You have

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the entire issue of this debate about government control and the health information exchange, which I know in Massachusetts is adopted widely. The problem is that once you're in the exchange you can't get out of it, and it is a place that the secretary controls all of your choices and sets minimum benefits as they see fit. You can buy a plan from a private company that is following the government's blueprints, or you can go into a public option.

The public option in and of itself is a problem because it's seen as a stalking horse for single-payer health care, and all of the videos about Obama talking about his support for single-payer health care, which have hit the Web recently are only reinforcing that.

Then you have the "if you like your plan you can keep it" argument, which is somewhat under duress because in the individual market, if you make a change to your plan, you immediately go into the health exchange, and in the employer market, it is clear that employers will save a great deal of money if they simply refuse to offer health insurance and those employees go into the exchange. On the low end, you have 10 or 12 million people losing their employer coverage. On the high end you have 100 million.

Then you have the cost issue, which is the deficit issue. The deficit issue is a big deal, especially now, given that we're at \$1.2 trillion in July, and will likely be somewhere around \$2 trillion at the end of the year. So all of this great maw of issues—and then of course you have the arguments about who's going to do rationing. This is, I think, a really key point, that health care policy wonks don't get the politics of health care, and it is illustrated by the fact that these great efforts at reform keep running into trouble and ultimately failing.

The rationing thing is pretty clear. Americans do not like being told they can't have X or Y drug or X or Y treatment, or X or Y service. It doesn't matter if it's a government entity or a private sector entity that is doing that. HMOs fail this business model because the average American said they didn't want that sort of care. The government rationing is not overt now, but as these budget crunches come, they will become more and more overt, because we simply cannot afford to pay, so even allusions that President Obama has made about using painkillers instead of surgery and all of that has really heightened the debate on this issue far beyond the "we should insure the uninsured."

So when you talk about giving private employers five years to keep their existing plans, but then they move into the health exchange, it is a far greater reach of changes than the proposition of simply insuring the uninsured. As you increase that reach, the series of political problems associated with that reach grow exponentially. I believe that this is directly related to the great decline in President Obama's approval rating and the shrinking margin that the American public trusts the Democrats over the Republicans on health care.



This is exactly what happened in the Hillarycare defeat. The margin in which Americans trusted the Democrats on health care switched until the Republicans were in the lead. It lasted for about six months before the failure of Hillarycare, and about two years after. Really, the discussion about insuring the uninsured changes to a discussion about do you want to pay more taxes, the abortion issue, the rationing issue, the who's-in-charge-of-my-health-care issue, the is-my-employer-going-to-offer-me-health-care issue, am I going to be able to make the choices I want in terms of my coverage. So when you bring in the 180 million people with health insurance who are already at "I don't want to change my plan" into this debate, it changes the complexity and the politics of it dramatically. It changes it because of the policies that have been pursued in order to achieve this reform, and that's where the rub is.

On the Democratic side, you have this enormous pent-up demand for reform of health care. In my view, they are acting irrationally, as in they are not acting in their best interests. I think they are pursuing a losing strategy, they are overcommitted to a losing strategy, and it is going to end badly. It's going to end badly for everybody that wants to insure the uninsured, of which I count myself among that, and everybody who would like to see reforms to health care. It is because of this overreaching.

Q. Can I ask then what you would do differently? I know you propose a "Fair Care" system in your book, but I also know the book was written over a year ago, so I'm wondering what you would do if you were writing reform with a clean slate now. Where would you start?

A. You know, this is an exercise in fantasy, just so that we're clear—

Q. Okay—

A. Which is part of the problem with health care reform. There's a lack of understanding about the hard-core political realities. But if we are going to talk about fantasy, then I would err on the side of choice, I would err on the side of subsidizing people's choices so that they could make a choice from the market. I would not put lines around what insurance coverage needs to be absolutely as a minimum. I would offer the subsidies. I would not mandate either an employer or employee mandate, I mean an individual mandate. Essentially provide the resources that those who are uninsured need to get their own insurance.

Now, within the existing Medicare/Medicaid programs, I would broaden those choices, and one of the choices that I would broaden it to include is a Health Savings



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Account. The American Academy of Actuaries just released a study which proved what we have been saying for many years, which is those people with an HSA increase their preventative care use and they also reduce their overall healthcare utilization, and they do it because they do the rationing themselves. These choices are made to order to their own personal health care, because they are making the choice. That is, as I see it, a quintessential American approach to health care. There is a Medicare/Medicaid HSA in Indiana, which provides the low-income with \$1100 cash, reimburses doctors at Medicare rates, and provides them with an \$1100-deductible health insurance plan, so if they spend the \$1100 they're covered. At the end of the year they do preventative care things that Indiana says they should do, customized for each person's health, based upon a health assessment, and if they do those things within three months at the end of the year, the money that is left over in the account that they didn't spend gets rolled over into the next year for them to be able to use on things not covered, like dental and vision.

But the current debate in Congress and otherwise is so far from what I'm suggesting that it's simply a proposal without a realistic chance of being passed, because of this commitment on the part of the Democrats, who control all three branches of government at this point in time, to government intervention in every aspect of every insurance plan for everybody, which will happen in five years should this proposal pass, which I do not think it will.

Q. You had noted in your book that Health Saving Accounts were originally a bipartisan idea. They have clearly become, I think, seen as a Republican solution. Given their background, though, as you point out, is there room for HSAs even within some of these current proposals?

A. We have made extensive efforts to do that. There are very few Democrats that we have met that are opposed to HSAs or don't think that they should have a place at the table. The leadership of the committees of jurisdiction are very committed against any expansion of HSAs into these programs. We hear a substantially different message from the Democrats who do not sit on those committees. The reality of the situation is that a single Democratic Congresswoman or Congressman not in the committee of jurisdiction has very few options but to go along with what the majority is proposing, or not. It's a binary thing. It's a yes or no thing.

It is my view that the White House and the leadership in the House and the Senate on the Democratic side have stuffed too many poison pills within the current plan for it to pass. Add to that problem the absolute resistance to any change in the

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current plan of any magnitude. There's an inflexibility that is bewildering to me on their part. In an all-or-nothing game on health care, reforming everybody's health care, the safe money is on nothing.

I don't know if you've read Daschle's book, but two-thirds of it is a history of health care reform in this country. He takes it all back to the beginning of the 1900s. The short answer is "no." That's where the American history of reform of health care has been. It's been "no," and it's been "no" for decades. There are some notable exceptions, Medicare and Medicaid, and the Medicare drug program, but even a small, relatively thin slice targeted plan like that just barely passed. So from my perspective, I think the Democrats have completely mishandled a great opportunity, and are going to lose, badly.

Q. Let me ask then about the Massachusetts reforms. I know you said you were not in favor of a mandate for people to be insured, but the Massachusetts mandate did pass under a Democratic legislature but with a Republican governor. I'm wondering if there are any lessons in, at least, bipartisan cooperation that can be drawn from the reforms.

A. I think there are. I think if you look at the issue of Health Savings Accounts in Massachusetts, it's instructive, because in the rest of the country, there is probably a \$4000 difference on average according to the Kaiser Family Foundation, anyway, of premium between the HSA insurance premium and a traditional premium. That \$4000 savings goes to fund the deductible. On average, that deductible is \$3900, according to the Kaiser Family Foundation. So you have savings on the insurance which fund the deductible which go into the account. Now you're going to spend this same amount of money on a Health Savings Account, you're just going to give less of it to an insurance company.

The Massachusetts plan, because of the mandates below the deductible have increased the price of the HSA-qualified health insurance, to the point where the dollar difference between a traditional plan and an HSA is a few hundred dollars. So the choice for people in Massachusetts is, "If I want an HSA I have to pay the same premium as a plan with a much lower deductible. Why should I do that? That's not smart." And they don't. The only people who do that are the people who can afford to put another \$4000 in the account, i.e., the rich.

The way that I see the Democratic plan, should it pass and I don't think it will, is that it is just doing the exact same thing, and HSAs will be allowed to exist in name but there will be no premium savings on the insurance, which will mean only the rich

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will have them, which is not the case today. Wendy's, the company of Wendy's, has HSAs, for all its employees, so does the city of Dayton, so does the printers' union at the Boston Globe, owned by the New York Times. All of that will go away, even in a Massachusetts-type plan.

This gets back to the initial statement that I was trying to explain. In a situation where there is a decider, the secretary of HHS, who's essentially God of Health Care, and there are a specific set of mandates that all insurers must cover, you will get all of the plans being priced more or less the same, because they have all the same benefits. An HSA will cover you for those benefits that are mandated above the deductible, but when you push them below the deductible the premiums equalize, and you will not have HSAs. In my view that's a huge political mistake. There are eight million people with HSAs. There are more people with HSAs than in FEHBP [the Federal Employees Health Benefits Program]. There are more people with HSAs than there are the population of 39 of the 50 U.S. states. Congress is about ready to shoot them in the head. This is just another political liability that the health care bill is carrying around. If you talk to the average Democrat, they will say, I don't think HSAs should go away. But that's not what the law says, and that's not what they're going to be voting on.

Q. Let me ask you to similarly drill down into a couple of the concepts that you warn about in your book: guaranteed issue and community rating. You say that those will drive costs “through the roof.” It looks at this point that those are going to be in any bill coming out of Congress, however, so I'm wondering If you could talk a little bit about why you originally thought they were a bad idea, and what you might propose as an alternative.

A. Community rating and guaranteed issue. Democrats view guaranteed issue as, “You have to give people with pre-existing condition health insurance.” The Republicans generally view guaranteed issue as something they'd like to do, and they want to make sure they do it, but they think that guaranteed issue is like allowing people to get car insurance after their car has been stolen. So in order to accomplish that goal, what we propose in our book is high-risk pools, which are funded by a tax on the insurance industry, on insurance policies, where people with pre-existing conditions would pay 125 percent of the average cost of a type of plan that they pick, and the rest would be subsidized by this pool of money, which would be funded by taxes on the insurance company. As opposed to allowing everybody to get insurance any time they want, regardless of their health, because you won't get people buying insurance when they're healthy, only when they're sick, and that will drive up the cost.

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Community rating. We see community rating as the effort to even out the health insurance payments between age bands and health risks. So a 20- to 30-year-old would be paying the same premium as a 50- to 60-year-old. So a 30-year-old female who's in good shape, who exercises and eats right would be paying the same premium as a guy who's 60, who's overweight, doesn't eat right, and is a heart attack waiting to happen. This gets back to this idea of fairness, right? It's only fair that everybody pay the same thing. Those two things, guaranteed issue and community rating, combine to increase premiums by such a massive rate that only the sick will buy them. This in turn creates an even higher rate of insurance because now fewer people who are sicker are putting money into a pool to pay for them, and the healthy are not subsidizing the poor. In New York and New Jersey, where this has been tried, the rates are just unbelievably high. And we're talking about now in the individual market.

This is where you get to once you have a community rating and guaranteed issue, then you have to argue for a mandate because you have to make sure that the healthy get into the pool. Once you get to the mandate, then you extend it to employers, and now you're in a situation where you're guaranteeing everybody healthcare regardless of their health or age condition, and you're creating incentives for just huge cost overruns. Then you cannot pretend the government's hand is not deeply involved in every aspect of every insurance policy. Then you get these huge political problems from the people who have insurance now and don't want it to change. It is going to be, in my view, the political death of that plan. These sorts of proposals where you start out by saying it's only fair that everybody pays the same premiums or you do guaranteed issue in the way that it's being proposed now, and pretty soon it becomes politically too top-heavy.

Q. To wrap up then: I had asked you to speculate on what you'd like to see in an ideal world. What are some more practical ideas that you would like to see implemented now, given the current political climate. What would you like to do other than just sit back and watch the legislation churn through Congress?

A. Lots of people are doing lots of things to influence the course of the debate. Both pro and con, and that's a healthy thing. The fallout from this attempt, I view it as a fulcrum of history that we're in right now. People on both sides of the issue understand that, and that's why the intensity is so high. I do not think that the American people have any idea what this health reform will entail in terms of their own employer-provided insurance or their own individual insurance. If I'm wrong and it does pass, it will be changed very quickly once people find out. So I don't think even if it did pass in some form it wouldn't be reversed very quickly.



I just think that the vast number of policy experts in health care are so politically tone deaf that it is frightening. Obama's health care reform was supposed to be a walk in the park. And it hasn't been. If you look at the polling that Stanley Greenberg did, that he published in the New Republic, his conclusion was that the answers were exactly the same as they were during the Clinton era, and that health care reform could fail, and this was three weeks ago that he published that, or four weeks ago, and every day seems to confirm what he found a month ago. I think it's unbelievably irresponsible the way that this reform has been proposed, the way it has been sold, the way it has been crammed down the throats of the rank-and-file members of Congress, and I do not see it passing.

Q. [Is there any hope for reaching bipartisan agreement on health care?](#)

A. Yes, if you start from a position of the question you asked at the beginning, which was how do you insure the 47 million. If you do things to insure them, and you give them choices, then you will have a bill passed in a heartbeat. It's just when you start loading all these things into health care reform that you get into the issue of the spending, the taxes, the abortion, the control, the rationing, the guaranteed issue, the community rating, all of that stuff. There's a reason why these things haven't been done yet. It's because it's politically difficult. Notwithstanding the 60 votes in the Senate, notwithstanding the huge margin in the House, and notwithstanding the White House, the independents are running for the doors like a theater on fire. The seniors started out as one-third supportive. That has not changed. Two thirds of the opposition among the seniors is growing. Over time you will find more and more of these problems.

I don't know if you've seen the ACLU's video on health care privacy, but you should look at it. It provides a perspective that you don't see, which is the ACLU just really, really opposed to the sort of provisions in the bill that give the government the ability to look at your finances and your health records to determine whether or not you should get a certain type of insurance or not. That's another concern that I haven't mentioned, which is the privacy concern. You've even got the Second-Amendment-rights groups up in arms about whether or not gun ownership will be included in a health record.

What I'm trying to explain is that as you increase the scope or the circle in which these proposed reforms are supposed to encompass, there's a direct relationship between the increase and the political problems. These are not "we're going to solve them easily" political problems. These are very serious political problems, and you are giving Congressmen and women all sorts of excuses of why they couldn't support

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the bill. To give you a sense, there were by my own count, 73 Democrats who were at “no” on the bill before they went to the August recess in the House. That’s a lot of Democrats. That’s a lot of Democrats. I don’t think that this has gotten any easier. The leadership just cannot help themselves but want to reform everything. And that’s a problem.

You could do those reforms in small bites, but at once, you’re inviting a huge political meltdown. That’s what we’re seeing right now. We’re seeing a meltdown of Obama’s approval ratings, we’re seeing a meltdown of the polling approval, because not everybody cares about all of those issues that I mentioned, but some people care very strongly about one of them, and that’s enough to turn them against the whole plan. You keep adding those issues on the white board, you keep adding opposition. You end up at no, which is what Daschle’s book was about.

God bless the health care community, but they are so driven by their policy desires that they ignore this political stuff and every time, it beats them. Every time.

What I think will happen in the future. This is the place that I am predicting. It may take a hundred years to get to, but this is the place that I am predicting America will get to. They will get to a place where the government will pay for everything, but you get to pick what it is you want. You can have anything you want, but the government will pay for it. Now, there will be enormous social pressures not to consume, but ultimately having the force of the government make choices for you I think is so anathema to Americans, that it is the main driving force of any health care reform. Does it limit choices, does it increase interference in my health care? If the answer is yes to either of those questions, don’t do it because politically, it’s not going to pass. This approach has been completely ignored in the current reform. If I’m right and it doesn’t happen, then I hope that everybody in the health care community will listen to this podcast, more than once, and they will learn from their mistakes.

There’s so much talk about the real reason Hillarycare didn’t work was because the White House forced it on the Congress. It had nothing to do with that. That was a symptom of this entire effort to enforce value decisions on other people, in this case, value decisions about what sort of health care they should have. Americans don’t like that. They really don’t like it. They don’t like it a lot. Hopefully, out of this train wreck which is currently in slow motion and occurring, there will come a realization that not just intellectually acknowledge it, but politically understand: don’t do that. Don’t take that approach, even if you don’t agree with what I’m saying. If you want reform, you have to understand the political realities. We’ll see. We’ll see what happens.

