THE BEST OF TIMES, THE WORST OF TIMES

In an interview with Health Progress, *Princeton economist Uwe Reinhardt takes an unsparing look at the U.S. healthcare system, economy, and politics and gives his views on how Catholic healthcare might succeed in the current milieu.*

Uwe Reinhardt Talks with Health Progress

Uwe E. Reinhardt, PhD, James Madison Professor of Political Economy, Princeton University, Princeton, NJ

HP: ***Will the United States ever achieve universal coverage for all citizens? When will the U.S. political climate be more receptive to healthcare reform?***

Reinhardt: I'm not optimistic about the political climate. Today we are in the best of times. There is little unemployment. People are saying there is actually going to be a budget surplus, and Congress is wondering what to do with it, but universal coverage is never mentioned. So what will happen if the economy sours?

Also, in some respects we do have universal coverage of sorts in the United States—in the sense that no one who needs critical care is left in the cold dying. For critical care we have a de facto haphazard, but reasonably tight, catastrophic health insurance system: the emergency rooms of hospitals and the budgets they set aside for charity. That is one of the main reasons we don't have a formal, reliable, dignified system of universal health insurance. The not-for-profit healthcare system for three decades has stood ready to put in place a haphazard catastrophic healthcare system. And that's a very important point because you always hear about the 40 million uninsured and enormous tragedy, but you don't see the tragedies.

The not-for-profit sector, by the catastrophic insurance system it put in place—with the premium financed by the cost shift—actually took the wind out of the sails of people like myself who sought genuine universal health insurance coverage. Although the not-for-profit sector meant well, it actually may have helped perpetuate a festering wound over which it could only put a tenuous Band-Aid. In fact, it's a great conundrum that when we go before the Congress to testify about this 40 million uninsured, the conservative legislators will usually look at us and say, "But to be uninsured in America does not mean that you don't get care." It completely shoots our case out of the water.

Another very curious phenomenon that is a big puzzle to me is that we have foundations that are literally drowning in money, and all of them, day and night, are concerned about the soft underbelly of American healthcare. But not one of them singly, or any of them jointly, have ever seen fit to put together an information system that would systematically and annually track what happens to America's permanently and temporarily uninsured, particularly children. Nor has the government dreamt of collecting the data. So no one in Congress considers universal coverage to be terribly urgent.

You would think this would be the most important research effort, particularly of foundations, but they don't track the plight of the uninsured on a systematic basis. We ought to have an annual report on America's uninsured funded by these foundations that spend billions and billions of dollars on all kinds of research. There are three questions to the problem of the uninsured:

- Do the uninsured die earlier?

• Do the poor generally bear a heavier dose of pain per day than the nonpoor?

• Do the uninsured face higher fiscal agony and fiscal uncertainty (no one ever discusses the uniquely American phenomenon that medical bills are the third most important cause of bankruptcy)?

Those questions we need answered, but we know nothing about these areas because this great country, with all its research capability, has studiously ignored them. The intriguing question is: Why have we so consciously and studiously ignored this research area?

HP: ***Can Catholic healthcare play a role in promoting universal coverage?***
Reinhardt: Catholic healthcare could play a catalytic role and put in money, or trigger money, for research and information. As long as we continue with the haphazard system in this sea of ignorance, there will be no major push for universal coverage.

I don't see anything on the horizon. The new State Children's Health Insurance Program is not an augury of anything to come. We put in $25 billion—$5 billion a year—out of a $7 trillion economy, and everyone says, "Wow, what an achievement!" Well, the achievement was made simply because they needed to get a budget passed. It is not a commitment to universal coverage, not even for children. After all, the bill does not cover even half the uninsured kids.

HP: ***Can Catholic healthcare survive as a safety net provider?***
Reinhardt: Yes. It has survived, and will continue to, because managed care has been more bark than bite. It's not managed care, but managed prices. If managed care were one quarter of what it's cracked up to be, no hospital in America would have any positive profit—not with all the excess capacity and surplus physicians we have in America.

American health policy experts are so proud—trotting around the globe with their spreadsheets, spreading the gospel of managed care—because they finally got the annual healthcare cost growth down from 11 percent to 6 percent. But everybody else is down to 3 percent and they have been for a long time. To us 6 percent is a huge achievement, but to a Canadian or a European this is a feeble effort. We have a long way to go before we can teach the rest of the world anything outside the strictly clinical sphere, in which we truly are first-rate.

HP: ***Are there other particularly American impediments to systemic reform?***
Reinhardt: The younger and fortyish people in America are not inclined to be their brother's keeper in the same way their grandparents were. Their grandparents believed that luck was luck. The kids I now teach think luck is deserved. That makes a lot of difference.

It is conceivable that Catholic hospitals could play a part in inculcating different values. They could hook up with schools, for example, and show students that work in the voluntary sector can be exciting. Students like to be leaders and stand out from their peers. You have to give them opportunities for leadership. The Church could tap their energy and create habits of mind that carry over into eventually changing the system.

HP: ***For years the Catholic Health Association and other groups have spoken out for a coordinated continuum of care and an integrated delivery system that serves the needs of individuals in the most optimal setting and at the right time. Lately, as the population ages, we are hearing even more about the need for disease management, especially for chronic conditions. Will we ever attain integrated delivery and coordinated care?***
Reinhardt: We don't have in place any structures that would support disease management. You would need two things: data systems that can capture the management of the disease of chronically ill persons, and a structure that would give somebody the incentive to engage in coordinated care. Employers aren't interested in managing disease because they don't keep employees for a long period. Likewise, HMOs aren't interested because their members turn over every five years.

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The managed care industry, rather than integrating a lot of things is actually splintering them.

We have seen ideas for integrated delivery come and go for years. In the 1960s, the liberals said, "We need to integrate, and the healthcare system should be like Kaiser-Permanente [an early HMO]." The conservatives said "Kaiser" was another name for communism. And until the late 1970s, the American Medical Association slandered the early HMOs.

Then in 1974, came health planning laws. Health Systems Agencies (HSAs) sliced the country up into regions. They dreamt of a system in which the tertiary care hospital would be the hub, ringed by community hospitals, and then community health clinics, and these would all be integrated. That became a joke because the agencies had no money and the private health systems had no intention of giving up their independent pots of gold.

Then came a remarkable shift. The Republicans discovered Kaiser. Presidents Nixon and Reagan preached the virtues of managed care. The Democrats had to take the opposite view; they said managed care was evil, just rationing of care. They wanted regulated fee-for-service on the Canadian or Medicare model.

Then the healthcare reform plan of President Clinton embraced the Republican ideas of managed care, perhaps remembering that that was once a liberal idea. And then of course, the 1,500 unregulated, uncoordinated health insurance companies put millions of dollars into smashing the Clinton plan. Then the private HMO industry presented us with what we have now—a fairly uncoordinated, chaotic system of quasi-managed fees and care.

Now we are at a fork in the road. You have people saying we need an integrated delivery system that can take capitation from Medicare. This would be a physically integrated delivery system in which the assets are owned by the system. Other people, like Harvard's Regina Herzlinger, have a different vision of an integrated system—"virtual" integration. People with computers—doctors, lawyers—would broker healthcare, sending patients to "focused factories"—doctor-owned clinics that specialize in kidney, heart, eye, etc. and work for anyone who pays them.

The next stage will be that somebody will say, "Instead of having all these contractors and separately owned focused factories, let's buy up all these little factories and integrate them under one management." Then they will get a management consultant to find a name for their new organization, and that name will be "Kaiser"!

But the marvel is that the rest of the world adores the American system. There's a managerial and management consultant elite that benefits from the chaos. The major outcome of the managed care revolution is that it has quadrupled the salaries of healthcare managers. Europeans come here—upper-tier policy analysts and managers—and see the most exquisite Italian loafers are worn by American healthcare managers. It's almost unavoidable that managed care will spread to Europe. They, too, want to wear Gucci loafers!

HP: ***Given the many challenges you see for our healthcare system, what advice would you offer to Catholic healthcare providers in a society that does not always support such Catholic values as human dignity and the common good?***

Reinhardt: If I were running a Catholic healthcare organization, I would have a huge cross right out in front. People have an emotional connection to Catholic hospitals, and I would emphasize that the organization is Catholic. Not so Catholic that it's exclusionary, of course, but I would stress the benefits it provides to the community.

Catholic sisters command people's respect, even in the lounges! You have a moral force you can bring to bear. This also requires moral action—for example, in how you use your money. You should be more skillful in reporting to the community how you use your profits. Say openly, "This is what we do with the money we make."

I would consider it my duty to teach local high school students about healthy lifestyles. I would also confront them with the challenge to discuss openly alternative views on the distributive ethic that should guide the health system. To what extent *must* I be my brother's keeper?

In a way, in spite of all the chaos, I think this is an exciting time to be running a Catholic healthcare organization. There is lots to do. If everything were hunky-dory, there would be nothing remarkable for a Catholic hospital to do. Now you face a fiscal and a moral crisis in the Chinese sense of the word "crisis." In Chinese, the word has two characters. One means "danger," the other "opportunity." Together they spell "crisis." Exploit it!

—Judy Cassidy