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**Viewpoints: The Healthcare Debate
Federation of American Hospitals President Chip Kahn
Kaiser Family Foundation
May 28, 2008**

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JACKIE JUDD: Chip Kahn of the Federation of American Hospitals, thanks for joining us on Health08.org.

CHIP KAHN: My pleasure.

JACKIE JUDD: The first question I always ask in these interviews is this, I know that you have a fairly broad agenda in terms of healthcare issues, what does the Federation identify as the single most significant problem facing the system?

CHIP KAHN: Without question for our members who operate hospitals in many states in the country, we have about 20-percent of the hospitals in the country, my members identify the lack of coverage, or insufficient coverage, as the major problem they see for the healthcare system. And, that is why last year, they developed a healthcare coverage plan, which we called Healthcare Passport – Coverage Passport.

JACKIE JUDD: Before we get to that, let me ask you, because we always hear about the strain that hospitals are under because of people who are either uninsured or underinsured, can you give us some real life experiences that you hear from your members about the kinds of challenge this presents them?

CHIP KAHN: It really comes from two places right now, and one is even before the economy began to deteriorate, they were, even through all the good years, they saw in the

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emergency room everyday and then obviously every year, more and more uninsured patients. And, they have to provide services to those patients. They want to provide service to those patients. It is part of their mission. But, at the end of the day, something has got to give. Something has got to pay for that.

And, frankly they also see a trend that has started really in the last two or three years where they see a great deal of change in the health benefits people have, who have coverage, with much higher deductibles. And, whereas some would hope, I think, that those deductibles would lead to more cost-conscious purchasing on the part of patients and consumers, instead, what hospitals see is that many of these people are willing to come into the hospital.

Obviously the insurance pays for part of the cost, and then the hospital is left with an unpaid deductible. And, this is a very large problem, because they are receiving services and they have coverage for part of their care, and they are not paying for the other part.

So, this issue of unpaid, uncompensated care is a growing one. And, at the end of the day, someone has to pay for that. And, the paying patients, or either those covered by Medicare or those covered by private insurance, are paying that extra cost, and it leads to all kinds of incentives that are problematic, and cross-subsidization, and increases in

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everyone's premiums who are paying premiums, and something has got to give here.

JACKIE JUDD: Give me some figures on how uncompensated care has grown, dollar figures, percentage figures, over the past five or ten years.

CHIP KAHN: Well, I could say with one particular company, a very large one that I am familiar with. Their uncompensated care numbers have grown by 50-percent in the last three years, and that amounts to billions of dollars. And, the actual cost, you know, in the issue of hospitals, you always have this issue of charges versus cost, their actual cost over their system of many hundreds of hospitals have gone up about \$500 million. Those are actual costs for uncompensated care. So, that is not a small percentage of the overall cost of uncompensated care in the system.

JACKIE JUDD: And, so as you mentioned before, the Federation has developed a plan that it calls Health Coverage Passport. What is it?

CHIP KAHN: Well, we developed this plan a year ago, and my members wanted to do a number of things. One, they wanted to build on the current system. I mean, their belief was that if we change everything too radically, we first have little political likelihood of getting it through the political system and second, we do not know what the outcome would be. So, they—

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JACKIE JUDD: So, the private/public mix spreads.

CHIP KAHN: So, they took – they built on the private/public mix. They wanted to achieve universality. And, so they looked at the various groupings, income groupings, knowing that many people who were uninsured are connected to employment in some way. There are no mandates on employers. There is an individual mandate.

But, there is heavy subsidization for everyone below 200-percent of poverty and some subsidization up to 400-percent of poverty in our plan. And, for the least those who could least afford it, they would go into the public programs that they may not be eligible for now. And, for those who have some income or offered care – offered coverage by their employers, they would receive a subsidy to help them pay for their coverage. And–

JACKIE JUDD: Oh, through tax credit or–

CHIP KAHN: Well, we did not want to use the tax system. We actually, in our plan, assumed that you could structure this through social security and make sure that everyone would get, in a sense, a piece of paper or a certificate if they were eligible, and receive a subsidy directly to pay the insurance.

They might have to buy in a reformed insurance market, or hopefully if they are offered insurance by their employer and they are low income enough and they turn the insurance down

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now, they would receive a subsidy for the amount that the employer charges the employees in their insurance.

We actually – our plan would actually end up affecting about 100, 115 million people. More than the 47 million uninsured, because the notion here is, is that we want to shore up those who are lower income and may not be – may be insured now, but may not be tomorrow, and we obviously want to help the 47 million.

Our impact analysis we just did, finished one for 2010, shows that the kind of plan we have that builds on Medicaid, builds on this state child health plan, provides this new subsidy for those who are sort of in between, with the ability to either buy into their employer plan, or buy into a reformed non-group individual market. We cover all but about 6 or 7 million Americans through our plan, according to an estimate done by Lewin.

JACKIE JUDD: And, the cost?

CHIP KAHN: Well, there is a big price tag. It is \$137 billion in 2010 if you do all the things that we do, and also we assume a benefits package, that is equivalent to standard Blue Cross option in the Federal Employees Health Plan. So, it is a very generous benefit package. So, there are obviously a lot of gears in our plan that could be adjusted to lower the cost somewhat.

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We did not go through an exercise of trying to raise \$130 billion a year, but obviously if we were asked, there are some places that you could identify to do it. If you look at the plans that are out there in the presidential race, you know, they are – if they did an estimate for 2010, they would be in the range that we are in. So, we are in the – so the given range if you want to get to universality.

JACKIE JUDD: Let us suppose for a moment that everything you have just described occurs, is enacted. How does that change the climate for the members of the Federation, for the hospitals? How is it different?

CHIP KAHN: Well, I think first the most important thing is to focus on the patients and the medical consumer. I think it gives for patients and for medical consumers the comfort and protection of healthcare coverage. And, if the benefits are good enough, and I think this issues of high deductibles is something we are going to have to grapple with, particularly for lower income people. I think for higher income people, having that kind of skin in the game, probably will affect in the margin, behavior in appropriate way, but I think we have got to be very careful with lower income people and how we use co-payments.

But, I think for the consumer, it will help them. It will give them better access, hopefully better access to appropriate care, and at the end of the day, that means

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hospitals can do what hospitals are supposed to do. And, hospitals are generally acute care institutions. We are there to take care of people when they get sick, but hopefully they are not coming to us unless sort of everything was done, and it is sort of the place of last resort to go from a health standpoint.

JACKIE JUDD: But, you began the conversation by talking about the tremendous burden of uncompensated care. What happens to that picture?

CHIP KAHN: Well, I think from an economic standpoint, if you lower the uncompensated care, and I should say that even in our plan, everyone would not be covered because it is America and even if you had an individual mandate, there would still be issues of compliance. But, if most people recovered, it means that hospital finance would change radically, I think, because you would not have to rob Peter to pay Paul that goes on now in hospitals.

And also I think when people come in, everything has insurance basically, maybe a few do not, but basically everybody does. It reduces your, you know, intake costs. It reduces a lot of the dealings that have to go between patients and hospitals regarding the financing side, because you are just going to copy the insurance card and basically process them in.

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So, I think in terms of the relations between patients and hospitals, it will make it easier, simpler, and people can focus on health and medical side of things and not have to worry as much about the financial side.

In terms of the finances of hospitals, I think it will remove the necessity to have all this indirect subsidization, and so I think in terms of the amount that hospitals end up working out for payment with insurers, and with Medicare, and with Medicaid in the states, I think it will lead to a lot clearer understanding of what true costs are in hospitals and I think probably more efficiency.

JACKIE JUDD: But, still unlikely that a single organization's plan would drive this very large debate. So, what do you think needs to happen in the next year or so for real movement to be made either on your plan, someone else's plan? Do the traditionally warring parties need to sit at the same table? Is that under discussion?

CHIP KAHN: I think that is a much bigger question. We put our plan out there as a marker to say that with the ingredients of the current system, we can have universal coverage, and to sort of show how that can be done. In terms of actually getting something done, I think that is a very difficult one. I think there have to be a number of ingredients.

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I mean, first to do anything, whether it is universal coverage or at least significant change, you have got to have presidential leadership. You have got to have the will in the White House to work through the legislative system a major change in how healthcare is financed.

And, I would argue you will probably get into how healthcare is delivered, because the healthcare cost issue is going to be part of the package, as well as the appropriateness and quality of care that is being provided to people will hopefully be now covered under any plan. So, you have got - that is one ingredient you have got to have.

Second, I do think in terms of the outside world, the Main Street, America, the sun and the moon has to come together. I mean, employers and consumers and laborer and I mean, those who would pay the bill and those who would receive the coverage, all have to come to some kind of general consensus or at least the majority of them that something ought to give here, something ought to happen. So that the legislators will have the political will to do things that will -

JACKIE JUDD: That they understand the different parties could agree on.

CHIP KAHN: Well, could agree on or at least come to come consensus on. I almost would rather use the word consensus than agreement, because I do not think that everyone

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is going to get their ideal solution. And, I do not think everyone is going to be 100-percent happy with the outcome, but I think if they are satisfied that it was worth the journey and that overall it is better for the average American and everyone who is paying the bills, I think that is the kind of outcome we would want to see.

JACKIE JUDD: And, where would the Federation draw the line in the sand? Where would you be willing to move to reach consensus, and where would you be unwilling?

CHIP KAHN: Well, you know, one is always reticent to negotiate with themselves. But, I think from the standpoint of hospitals, the rub comes on the financing side, obviously, because the issue is going to be if we are going to cover everyone, if we are going to be universality through whatever model you choose, and there are many models, or if we are going to cover a significant number of Americans, policymakers are going to look back at hospitals and say well, what are you going to contribute?

And, if we look at Massachusetts for example, there was an indigent hospital fund in Massachusetts of some many hundreds millions of dollars that was used to help fund some of the insurance purchasing under the Massachusetts model of health care coverage that is now in place. And also, if you look at California, the debate is there. There are tremendous problems in California with Medi-Cal, Medicaid payment in

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California, and the governor wanted to put on a hospital tax as part of this package. There were things worked out there.

So, at the end of the day whether it is disproportionate share payment, payments that are made under Medicare or Medicaid for hospitals treating sicker, poorer patients or other kinds of subsidies that hospitals get right now in existing programs.

I think people are going to look at hospitals and say okay, how much of that are going to give up? And, part of the issue will be – the balancing act will be are we going to see enough covered people through the reform that it will balance out, and hopefully be a little bit more than whatever would be lost if there are changes. Obviously, we are not advocating any cuts in hospital payment, but if we are realistic those are the kinds of things that will be discussed.

JACKIE JUDD: A final question, as you know from having worked in Washington for as many years as you have, there is a cyclical nature to the conversation you and I are having.

CHIP KAHN: Yes.

JACKIE JUDD: Is this time any different?

CHIP KAHN: Probably. Well, there is specific aspects of it that are different. I mean, I think we are at a point now in the development of the healthcare system where I think we know a lot less or have to be less confident about the model

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for reform than we might have been in the early '90s. If you go back to the-

JACKIE JUDD: We know less now-

CHIP KAHN: Right.

JACKIE JUDD: -than-

CHIP KAHN: Right. I think if you go back to the early '90s, both the private sector and Medicare had come to a point, and I think the healthcare intelligentsia generally, had come to a point where some version of managed care was accepted, health management organizations, whatever, as an organizing center for delivery that also would play a role in more efficient and maybe more effective financing of care. And, the organization of how to get from Point A to Point B in healthcare coverage, I think there was a lot more confidence about. So, whether you were on the right or the left, you sort of accepted that.

Now, obviously in the Clinton care, they wanted to use the alliances as the way the private managed care and HMOs would market themselves, and there was great disagreement about how that would work, but I think there was a paradigm that efficiency and cost-effectiveness could be brought about through this integrated delivery organizing. And, the fact is other than a few HMOs around the country, I am not sure it was ever as integrated or organized as people thought.

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And, as you go through the '90s, you know, it is interesting, '96 is sort of the key year. There were almost – there were very few premium increases in '96. It was the most effective year in a sense for managed care controlling costs. It also was sort of a key year when patient protection and concern about aspects of managed care were bother the consuming public, and now you see a system that we can a lot of different things. Other than a few places around the country that have old-style HMOs, it is really sort of a fee-for-service kind of system.

And, even with the great understanding now, I think that was so focused with the Institute of Medicine a few years ago, raising the quality issue and raising the issue of integration of healthcare for the average American, we are further I think from having a model as to how to make changes. I mean, many of us are involved in much more measurement and there is discussion of comparative effectiveness of therapies.

But, there really is no – I would argue – organizing model that we could generally accept that would show us how to get from Point A to Point B other than this old insurance model in terms of getting coverage that is out there.

So, I am extremely worried that the infrastructure is not well suited for reform. That is one thing. Second, we all are in agreement, I think, that changes in our system, better care for chronically ill Americans and other aspects of change,

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improving quality, really depend on primary care. And, if anything, our primary care across the country has deteriorated, not because we do not have good physicians or nurse practitioners, but because we do not have enough of them.

And, if everything was covered, this is something that has come out in Massachusetts recently, if everyone was covered, I am not sure the primary care practitioners would be there. So, I think that things have changed, and I am not sure for the positive in terms of the infrastructure, before you even get to all of the complexities of health reform.

JACKIE JUDD: Yes.

[END RECORDING]