REPORT OF THE COUNCIL ON MEDICAL SERVICE

CMS Report 8 - I-02
(December 2002)

Subject: Review of U.S. Health System Financing
(Resolutions 110, 134, and 147, A-02)

Presented by: Cyril "Kim" Hetsko, MD, Chair

Referred to: Reference Committee J
(Bryan Pechous, MD, Chair)

At the 2002 Annual Meeting, the House of Delegates referred Resolutions 110, 134 and 147, all of which requested study of health system financing in the United States. Introduced by the New York delegation, Resolution 110 calls for the AMA to "work with the federal government to organize a multidisciplinary task force for health care in America which includes appropriate physician representation" and that "the purpose of the task force be to study the current health care system, and consider design of a stable, enduring health care system that will meet the needs of physicians, hospitals and people of the United States for many years into the future."

Resolution 134, introduced by the American Association of Public Health Physicians delegation, calls for the AMA to "reaffirm the principles of 'Health Access America,' which proposes that all US residents be covered by adequate health insurance; … support a uniform RBRVS system of reimbursement for those who provide necessary medical services, including preventive, mental health, dental, and rehabilitative care; … reevaluate all systems of health care and systems of payment to determine the most efficient, most effective method for providing access to appropriate care for all American residents; and … return a comprehensive analysis of these issues to the House at the 2002 Interim Meeting." Similarly, Resolution 147, introduced by the Arizona delegation, calls for the AMA to "re-evaluate all systems of health care and all systems of payment to determine the most efficient, most effective methods for providing access to appropriate care for all American residents and return a comprehensive analysis of these issues to the House of Delegates of the AMA at the 2002 Interim Meeting."

The Board of Trustees referred these items to the Council on Medical Service for a report back to the House at the 2002 Interim Meeting. In this report, the Council reviews the AMA's ongoing study of health system financing, as well as various AMA engagements with other key stakeholders to discuss an "enduring health care system that will meet the needs of physicians, hospitals and people of the United States for many years into the future," as requested by Resolution 110. In particular, the Council highlights the continued affirmation and refinement of AMA policy in support of individually selected and owned health insurance.

BACKGROUND

At the 2002 Annual Meeting, the six-month study of "all systems of health care and all systems of payment," as called for in Resolutions 134 and 147, was assessed a fiscal note of $298,250. The Board of Trustees also expressed concern regarding the task force described in Resolution 110 and recommended referral. In particular, the Board felt the AMA would have little control over the direction of a federally appointed multi-disciplinary task force.

The Council invited each of the sponsors of Resolutions 110, 134 and 147 (A-02) to submit additional information for consideration. The sponsor of Resolution 134, the American Association of Public Health Physicians, provided the Council with a substantial amount of material, including a number of articles by and references to Steffie Woolhandler, MD, and David U. Himmelstein, MD.

AMA POLICY ON HEALTH INSURANCE REFORM

Since the late 1980s, the AMA repeatedly has considered and rejected proposals that would support a single payer, such as a national governmental health system. Alternatively, the AMA developed its "Health Access America" proposal in the early 1990s, an era marked by recommendations to alter significantly the system of financing health care in the United States. Following the demise of the Clinton Administration's health system reform proposal in 1994, the AMA initiated a significant shift in policy on health system reform, and moved away from its "Health Access America" proposal. At the 1994 Interim Meeting, the House adopted policy to seek an incremental approach to health system reform, targeted by patient care needs and guided by a set of priorities that included insurance reform, medical savings accounts, tort reform, antitrust reform, opposition to Medicare and Medicaid cuts, and support for the "Patient Protection Act" (Policy H-165.895, AMA Policy Database). At the 1996 Interim Meeting, the House adopted policy supporting individually selected and owned health insurance as the preferred method for people to obtain health insurance coverage (Policy H-165.920[5]).

At the 1998 Annual Meeting, the House adopted the 17 recommendations in Council Report 9, thereby establishing comprehensive policy as to how a system of individually owned health insurance should be structured based on a premise of pluralism of health care delivery systems and financing mechanisms (Policy H-165.920). In response to growing debate about health insurance tax credits, Council Report 4 (A-00) presented a series of principles for structuring such credits (Policy H-165.865). In 2000, the House also rescinded Policy H-165.980, thereby formally removing AMA support for an employer mandate from the AMA Policy Database. Accordingly, Resolution 134 (A-02) refers to obsolete policy by calling for reaffirmation of Health Access America, which was premised on employer-mandated coverage.

With respect to other relevant policy, Policy H-165.861 supports that a portion of any increases in federal health care benefit spending be used to provide refundable tax credits, inversely related to income, for the purchase of health insurance to uninsured Americans, and that this be communicated to the President of the United States and to the Congress. Policy H-165.920(7) strongly supports legislation promoting the establishment and use of medical savings accounts (MSAs) and allowing their tax-free use for health care expenses, including health and long-term care insurance premiums and other long-term care costs. Policy H-165.863 supports eliminating the 50-employee limit, linked with the right of any such employees to roll-over any unexpended funds in a Flexible Spending Account into an MSA.

Finally, Policy H-165.866 strongly affirms the joint statement, "All Americans Must Have Health Insurance," which was developed by a coalition of interested medical specialty societies and the AMA.

TASK FORCE CONSIDERATION

For the past three years, the AMA has been an active participant with the Robert Wood Johnson Foundation (RWJF) and a number of other prominent organizations in a multi-faceted educational campaign intended to raise awareness about, and seek solutions to addressing, the problem of the uninsured. Entitled "Covering the Uninsured," key elements of the RWJF campaign have included a national conference in Washington, DC, a series of regional conferences throughout the U.S., satellite "town hall" meetings held in 300 hospitals across the country, and a national advertising campaign. In addition to the AMA, participants in the RWJF campaign have included AARP, American Federation of Labor-Congress of Industrial Organizations, American Hospital Association, American Nurses Association, Blue Cross and Blue Shield Association, Business Roundtable, Catholic Health Association, Families USA, Federation of American Hospitals, Health Insurance Association of America, Service Employees International Union, and U.S. Chamber of Commerce. The next element of the RWJF campaign will involve a series of activities focused around "Cover the Uninsured Week," which has been tentatively set for March 10-16, 2003.

The policy statement "All Americans Must Have Health Insurance" (Policy H-165.866) was the product of a 1999 coalition of national medical specialty societies that convened to examine the issue of the uninsured in this country. Inadequate health insurance coverage and access to services were issues that all of the societies sought to address collectively. Participating organizations included the American Academy of Family Physicians, the American Academy of Pediatrics, the American College of Emergency Physicians, the American College of Obstetricians and Gynecologists, the American College of Physicians-American Society of Internal Medicine, the American College of Surgeons, and the AMA. The statement "All Americans Must Have Health Insurance" was further endorsed by other physician specialty organizations.

The Council believes such coalition activities are an important means of maintaining and raising awareness about the numbers of the uninsured, as well as highlighting strategies for covering the uninsured. However, the Council concurs with the concern previously expressed by the Board of Trustees regarding Resolution 110 (A-02), which was that the AMA would have little control over the direction of a new federally appointed multi-disciplinary task force.

STUDY OF HEALTH SYSTEM FINANCING

The Council on Medical Service continually conducts a thorough and ongoing study of health system financing issues. In particular, the Council's Committee on Health System Financing meets three times annually to discuss and develop health system financing policy, which often includes refinements to the AMA proposal for health system reform. At its annual meeting in Washington, DC, the Committee and the full Council meet with invited political leaders and policy makers to discuss items under consideration by the Council. The Council's output of health system reform analysis can be found in its repository of reports on expanding coverage at http://www.ama-assn.org/ama/pub/category/3773.html.

Recent Council reports regarding expanding coverage are summarized below:

- Council Report 10 (A-02) "Advocating Health Insurance Tax Credits"

- Council Report 5 (A-02) "Impact of Eliminating the Current Threshold for Deductibility of Medical Expenses"

- Council Report 3 (A-02) "Coverage for Periodic Preventive Medical Evaluations and Services"

- Council Report 2 (I-01) "Transitional Issues in Moving Toward a System of Individually Selected and Owned Health Insurance"

- Council Report 3 (A-01) "The Effects of Individually Owned Health Insurance on Risk Pooling and Cross-Subsidization"

- Council Report 5 (A-01) "Evolving Internet-Based Health Insurance Marts"

- Council Report 6 (A-01) "Status Report on Expanding Coverage to the Uninsured"

- Council Report 8 (A-01) "Uninsured Immigrants"

- Council Report 8 (I-00) "Modifications to the AMA Standard Benefits Package"

- Council Report 4 (A-00) "Principles for Structuring Health Insurance Tax Credits"

- Council Report 5 (A-00) "Benefits and Limitations of an Individual Mandate for Individually Owned Health Insurance"

- Council Report 5 (I-99) "The Future of Medicaid"

- Council Report 10 (I-99) "Critical Expansion of Medical Savings Accounts"

- Council Report 16 (I-99) "Tax Credit Simulation Project"

- Council Report 2 (A-99) "Status Report on Increasing Access to the Uninsured"

- Council Report 5 (A-99) "Employer Purchasing Alliances: An Evolutionary Step Toward 'Voluntary Choice Cooperative' Under Individually Selected and Owned Health Insurance"

- Council Report 15 (I-98) "Defining the Uninsured and Underinsured"

- Council Report 2 (A-98) "Increasing Access to Health Care Services for Children Through the Use of Tax Credits or Deductions"

- Council Report 9 (A-98) "Individually Selected and Owned Health Insurance"

Although this listing provides only a sample of the Council's work, the Council believes that it provides meaningful evidence that the AMA has completed numerous studies of health system financing over the course of several years. The Council continues to engage in the careful and thorough review of AMA policy in light of changing social and economic expectations and realities. Based on the introduction of recent congressional proposals, the Council remains

confident that the AMA proposal for health system reform is politically feasible because it is in the best interests of patients and physicians.

Over the years, there have been numerous studies comparing several aspects of various health care systems. Most recently, in May 2002, The Commonwealth Fund issued a report entitled "Comparison of Health Care System Views and Experiences in Five Nations, 2001: Findings from The Commonwealth Fund 2001 International Health Policy Survey." The researchers surveyed 14,000 adults in each of the five study countries: Australia, Canada, New Zealand, the United Kingdom, and the United States. The findings suggest that, compared with the other four countries studied, the United States has the most severe problems with health care access, and is marked with stark inequities based on income. The Council has concurred with this assessment in many of its own reports, and continues to believe that the AMA proposal for individually owned health insurance addresses the inequity of the current system of private health care financing in the U.S. The Commonwealth Fund's study found that access and coverage is variable, but that no country, even those that purport to have universal coverage, provides comprehensive coverage for everyone. Whereas problems with access in the United States were often attributed to cost, access problems in Canada and the United Kingdom were attributed to prolonged waiting times.

ADVOCACY EFFORTS

The AMA proposal for expanding coverage with tax credits and individually owned health insurance is being advocated in many ways. The AMA proposal continues to be reflected in various congressional tax credit proposals. In 2002, the AMA met with the health staff of Massachusetts Senator Edward M. Kennedy, a key legislator with regard to health care issues. It was a productive meeting in which Senator Kennedy's staff seemed to understand AMA concerns with expanding underfunded public sector programs. In addition, the AMA was able to emphasize that our proposal would provide tax credits of a size that are inversely related to income.

The AMA also has met with major employers and employer healthcare coalitions to discuss various private sector topics, always using such opportunities to highlight the AMA proposal to increase access to health coverage. In the past 15 months the AMA has met with General Electric Corporation, Ford Motor Company, AON Corporation and Wal-Mart. Meetings were also held with The Leapfrog Group, Central Florida Health Care Coalition, Midwest Business Group on Health, Chicago Business Group on Health, St. Louis Business Health Coalition, Gateway Purchasers of Health and the Employment Roundtable. In addition, over the past year, the AMA has participated in a variety of discussions with innovative health benefit providers and health insurance actuaries. The AMA also has participated in several forums with single-payer advocates to debate the relative merits of tax credits versus single-payer strategies. The AMA proposal has been favorably received in these private sector advocacy forums.

DISCUSSION

As summarized in this report, a significant portion of the work of the Council on Medical Service over the past five years has focused on health system reform and expanding health insurance to the uninsured. Most recently, among the recommendations that the House adopted from Council Report 10 (A-02) were the establishment of policy that tax credits are preferred over public sector expansions as a means of providing coverage to the uninsured (Policy H-165.920[17]); and the directive that the AMA make expanding coverage through the use of refundable and advanceable

tax credits a top strategic, communications, and legislative priority for 2003 and the remainder of 2002. The report also directed the AMA to increase its outreach efforts to the employer and business community regarding the benefits of defined contribution systems for employer cost control and employee choice, and directed the Board to report back to the House regarding AMA Congressional advocacy on the AMA proposal.

The Council believes that the study requested in Resolutions 134 and 147 (A-02) would duplicate previous and ongoing AMA efforts at great expense, yet would be unlikely to yield results that differ significantly from existing policy. In addition, the Council is concerned that a new multidisciplinary task force developed in collaboration with the federal government, as called for in Resolution 110 (A-02), would have an unwieldy authority and could unnecessarily impede progress on AMA priorities.

With regard to prioritization, it should be re-emphasized that, at the 2002 Annual Meeting, the House voted to make three issues top AMA priorities: (1) the pursuit of liability reform was approved as the "highest legislative priority," (2) fixing the Medicare payment update problem was approved as the "first legislative priority," and (3) expanding coverage through the use of refundable and advanceable tax credits was approved as "a top priority" in terms of strategic, communications and legislative action. Accordingly, and given the degree of concern expressed for these three priority issues, including, in particular, the tax credit approach for expanding coverage, the Council has serious reservations about investing considerable AMA resources in a re-evaluation of work that has already been done.

Over the past several years, the AMA has participated in numerous coalitions in an effort to raise awareness of the uninsured, and to work toward possible consensus on the best model for covering the uninsured. The Council believes the AMA should continue to pursue such collaborative opportunities within the House of Medicine, and with a broader set of stakeholders, such as the Robert Wood Johnson Foundation campaign "Covering the Uninsured."

The AMA has been actively involved in a thorough and ongoing analysis of health systems for many years, and has engaged in multidisciplinary efforts to raise the awareness of the issue of the uninsured. Given the priorities agreed to by the House of Delegates at the 2002 Annual Meeting, the Council believes that an immediate comprehensive re-examination of the years-long analysis is unwarranted at this time.

RECOMMENDATION

The Council on Medical Service recommends that Resolutions 110, 134, and 147 (A-02) not be adopted, and that the reminder of this report be filed.