Realigning Incentives to Promote Affordable Quality Care

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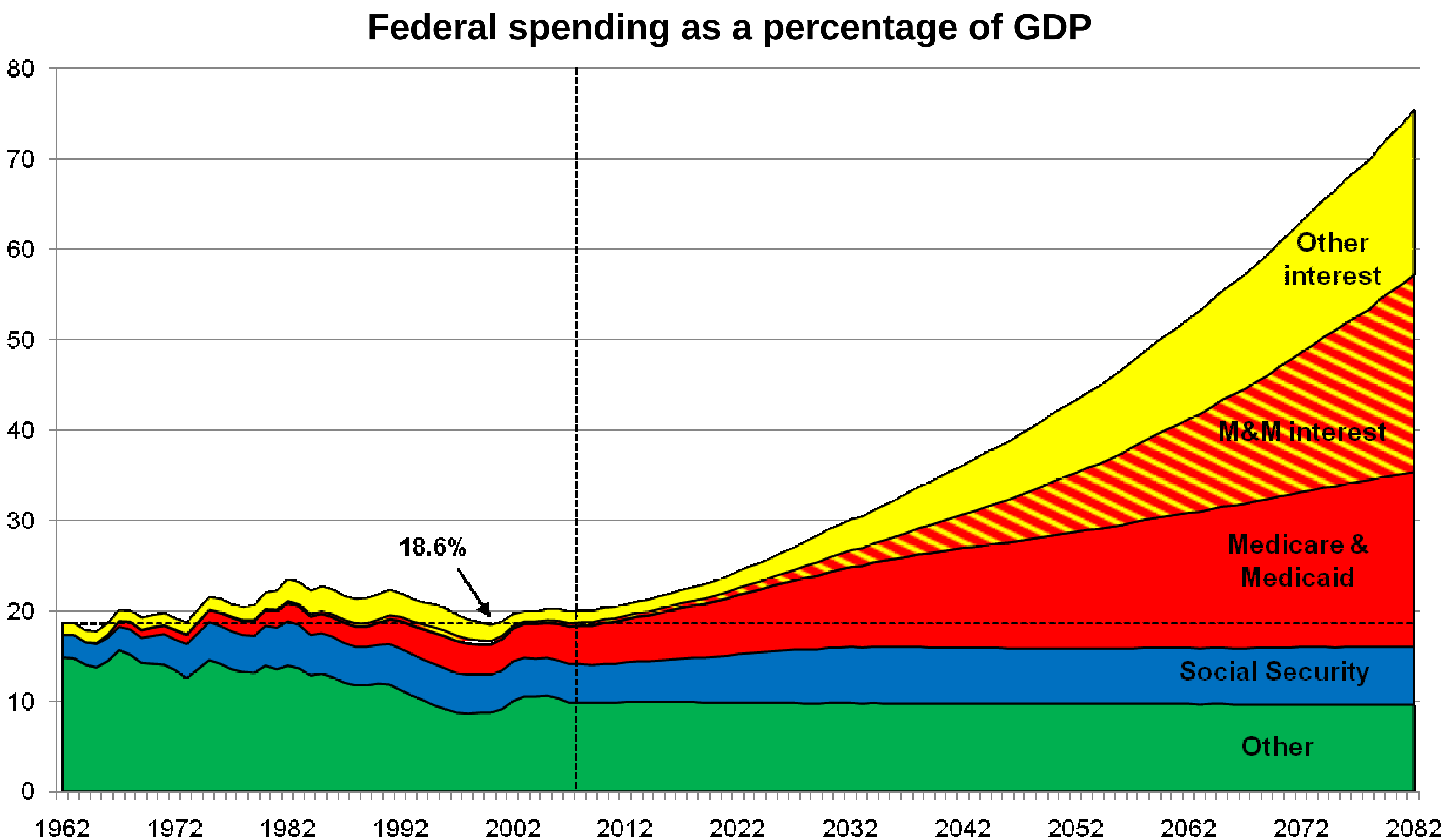
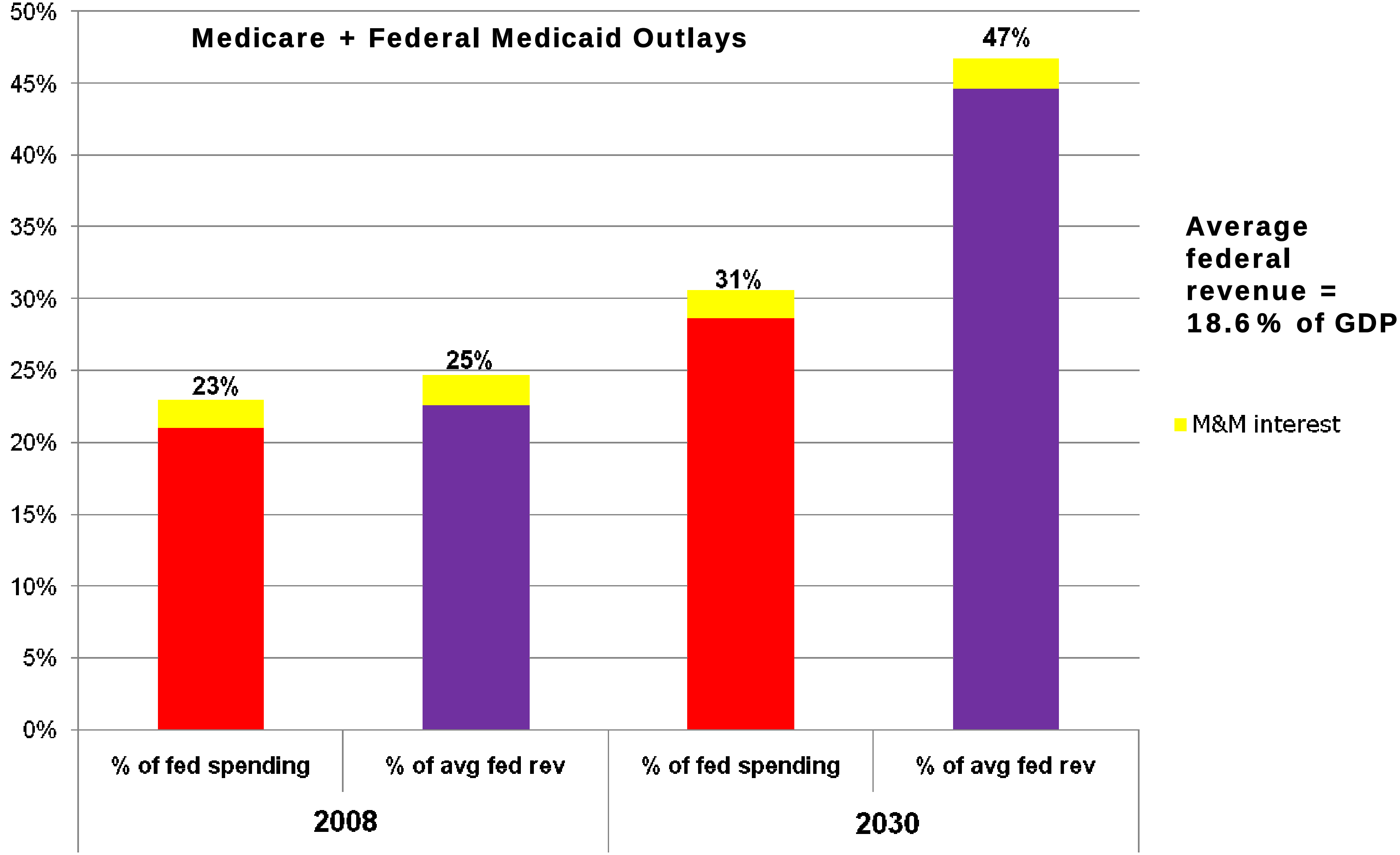
Health programs drive the federal deficit

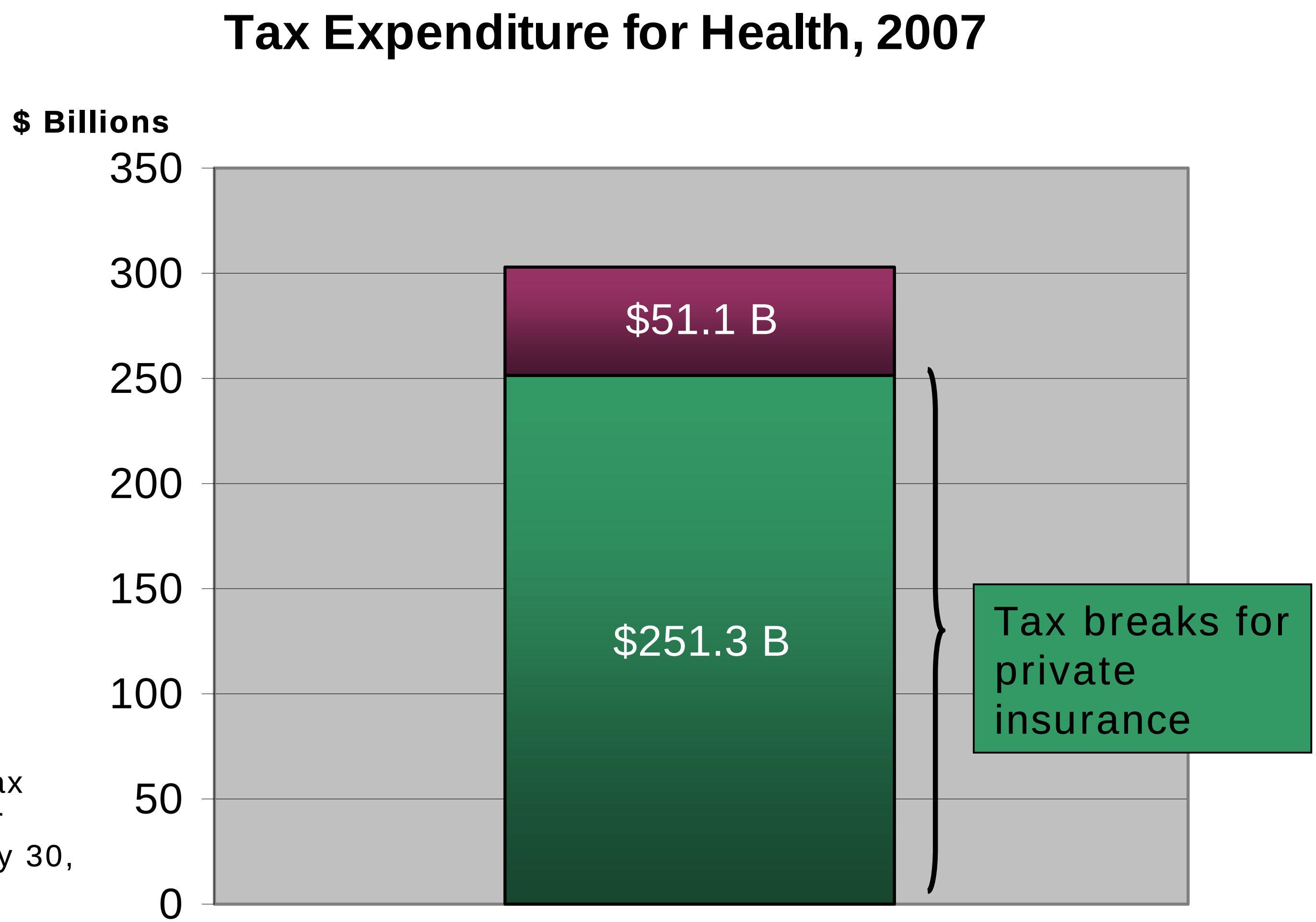


Source: Author's calculations based on CBO, "The Long-Term Budget Outlook," December 2007.

Crowding out other priorities



The third health “entitlement”



Source: JCT, Tax Expenditures for Health Care, July 30, 2008

Policy leverage

Medicare can't do it all

Demand and supply sides matter

Who decides what is quality / value?

You can't regulate enough

Incentives matter

We get what we pay for

- DRGs promote shorter stays and post-acute care
- P4P, other pricing schemes will produce more units bundled differently
- Is there enough money on the table to change the way care is delivered?
- Would competitive markets price this way?

Consumers and value

Even health care markets respond to consumers

- Tax incentives promote cost and coverage
- Will subsidy for COBRA make matters worse?
- Shift to Medicare managed care in the 90s
- The case of Children's Hospital

Value is not absolute

- Benefit design
- Conundrum of catastrophic coverage

Can we use regulation to require sellers to do things that consumers do not want?