

Insights from the Top: An Oral History of Medicare and Medicaid



PHOTO: Former CMS/HCFA Administrators: (standing, L-R) Bruce Vladeck, Mark McClellan, MD, Gail Wilensky, Leonard Schaeffer, Nancy-Ann DeParle, Don Berwick, MD; (seated, L-R) Bill Roper, MD, Marilyn Tavenner, Tom Scully. (Photo made possible by Leonard Schaeffer).

Launched as part of the Academy's *Medicare and Medicaid at 50 and Beyond* celebration program, *Insights from the Top* is a project designed to uncover the rich history of the programs through the eyes of its leaders. The Academy aims to broaden our nation's fundamental understanding of the programs by expanding the historical archives to include the rich experience of recent HCFA/CMS leaders, capturing the vital lessons they learned as Medicare and Medicaid expanded to include new benefits and new models of care.

Project Background and Scope

The new project in 2015 sponsored by the Academy includes:

- Interviews with the four former Administrators who have served since 2001;
- Re-interviews of living Administrators who served prior to 2001; and
- First-time interviews with 12 of the Acting Administrators. (This new content is of historical interest since Acting Administrators led the agency for one-third of the time since the programs were combined in 1977).

HCFA/CMS Leaders: 1977-2014

First Name	Last Name	Title	HCFA/CMS Tenure	Initial Interview
Donald	Wortman	Acting	03/1977-04/1977	1995
Robert	Derzon	Administrator	06/1977-11/1978	1995
Leonard	Schaeffer	Administrator	11/1978-06/1980	1994
Earl	Collier	Acting	06/1980-07/1980	
Howard	Newman	Administrator	07/1980-01/1981	1996
Paul	Willging	Acting Deputy Administrator	01/1981-03/1981	
Carolyn	Davis	Administrator	03/1981-08/1985	1995
C. McClain	Haddow	Acting	8/1985-01/1986	
Henry	Desmarais	Acting	02/1986-05/1986	
William	Roper	Administrator	05/1986-02/1989	1996
Terry	Coleman	Acting	02/1989-3/89	
Louis	Hays	Acting	03/1989-02/1990	
Gail	Wilensky	Administrator	02/1990-03/1992	1996
J. Michael	Hudson	Acting	03/1992 -04/1992	

First Name	Last Name	Title	HCFA/CMS Tenure	Initial Interview
William	Toby	Acting	04/1992-05/1993	
Bruce	Vladeck	Administrator	05/1993-09/1997	2002
Nancy-Ann	Min Deparle	Acting Administrator, Administrator	09/1997-09/2000	2002
Michael	Hash	Acting	09/2000-12/2000	
Robert	Berenson	Acting Deputy	12/2000 - 01/2001	
Michael	McMullan	Acting Deputy	1/2001- 05/2001	
Thomas	Scully	Administrator	05/2001-12/2003	
Dennis	Smith	Acting	12/2003 –03/2004	
Mark	McClellan	Administrator	03/2004 – 10/2006	
Leslie	Norwalk	Acting	10/2006 – 07/2007	
Herb	Kuhn	Acting Deputy	07/2007 –09/2007	
Kerry	Weems	Acting	09/2007 – 01/2009	
Charlene	Frizzera	Acting	01/2009-10/2010	
Donald	Berwick	Administrator	07/2010-12/2011	
Marilyn	Tavener	Administrator	12/2011 – 02/2015	

[EXCERPT] Interview with Leonard D. Schaeffer

Washington, D.C. on January 28, 2015

Interviewed by Edward Berkowitz

The Interview transcript has been edited for clarity. It is followed by Mr. Schaeffer's written answers to a set of questions that were offered as examples of potential types of questions prior to the interview. Mr. Schaeffer generously sent the written answers after the interview to supplement the interview discussion.

Berkowitz:

Do you actually see these former administrators on any sort of regular basis?

Schaeffer:

Well, maybe seven or eight years ago, I started having a dinner at my house to bring them together because there are now so many of us. At these dinners, we discussed health policy and, particularly, health care legislation in the United States. I also began to recognize that the debates in Congress are never really about health care. They're about three things. It's about money because health care costs are 17.4 percent of the GDP and growing. It's a tremendous amount of money on the table and, if you're an elected official, that also means taxes. If you're in the private sector, it means profits or losses, so, in the legislative process, it's first about money.

Secondly, and uniquely in the United States, it's about the role of government. There is a tremendous amount of ideology about what is the appropriate role of government. Particularly with health care, it's a very dicey set of circumstances. We come out of a history captured by a quote often attributed to Thomas Jefferson: "That government is best which governs least."

Berkowitz:

We show to the individual.

Schaeffer:

So, the third thing that the legislative process focuses on is about social values. Social values are a nice way of talking about abortion, how we die, and a bunch of things that have health, religious, and social aspects.

So when you're running HCFA or you're running CMS, you'd like to think that it's about health care and about financing it. But, it's really also those three overarching issues because they are so important to elected officials and to the public. Therefore, it's a very challenging job and different people come in with very different backgrounds. So there's a sense of mutual support and camaraderie independent of political party or ideology. There's a sense of "Gee, hope you come out of this alive."

I was probably the least well-trained for the job but could be the most aggressive because I was only the second person to serve as Administrator.

Berkowitz:

CMS, similarly...

Schaeffer:

Well, I started long before CMS, when Califano — I think this is in your previous interview — grasped what had to be done. He saw that Medicare, which was administered as a program for older people who deserved help and were called “beneficiaries,” while Medicaid, which was a program fraught with scandal, and whose beneficiaries were called “recipients”...

Berkowitz:

Right.

Schaeffer:

Wrong. Califano understood that these are both health care programs. My contribution was realizing that if you put them together and do it right, [laughs] you create the largest purchaser of health care services in the world and we could bring health care costs down. We could actually get it done.

Berkowitz:

At some point somebody must have said, “Gee, the government is the largest single payer of health in the United States. How did that happen?”

3. What are the chief differences between managing an organization like WellPoint and administering a big federal agency?

- **In the private sector, the “span of control” is narrower compared to a federal agency. This means that:**
 - Public sector has more constituencies to deal with.
 - Private sector has a bottom-line which gives greater ability to establish goals and measure achievement.
 - Federal employees are focused on an agency’s traditional processes, while private sector employees are more invested in the company current goals.
 - Private sector boards are easier to deal with compared with dealing with Congress (where elected officials are your bosses).
 - Public sector has more amorphous goals and accountability although its goals may be more important social goals.

- Private sector can move faster and is more able to reorganize structurally when necessary.
- **Private Sector has effective tools to motivate its workforce:**
 - It can remove employees who do not agree with vision/goals/plan; and
 - It can financially reward those who contribute towards achieving goals.
- **Both sectors have “politics” but they are different:**
 - Public Sector has complicated, “trade-off” politics which often leads to elected officials giving managers mixed messages and to concerns about media attention and partisan politics.
- **A Harvard Kennedy School of Government Case Study entitled, *Managing Change: Leonard Schaeffer at HCFA and Blue Cross of California*, compares my two leadership experiences**

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