

P E R S P E C T I V E

What Are The Prospects For Enduring Comprehensive Health Care Reform?

Over the long term, major reform is practically inevitable.

by **Victor R. Fuchs**

ABSTRACT: Enduring reform must cover the uninsured, reduce inefficiency in funding and delivery of care, improve quality, and tame but not destroy the development of new medical technologies. Obstacles to reform include “special interests,” especially as they exploit the U.S. political system; Machiavelli’s Law of Reform, which favors the status quo; and the inability of reformers to agree on a common approach. Short-term prospects for enduring comprehensive reform are virtually nil. Over five to ten years, prospects are fifty-fifty unless there were a major economic, political, social, or public health crisis. In the long run, major reform is inevitable. [*Health Affairs* 26, no. 6 (2007): 1542–1544; 10.1377/hlthaff.26.6.1542]

ENDURING REFORM of health care must be comprehensive. It must cover the uninsured without exceptions or conditions. It must reduce the huge inefficiencies in the way the country funds health care by eliminating employment-based insurance and income-tested subsidies. It must improve efficiency in medical practice by providing physicians with the information, infrastructure, and incentives they need to deliver cost-effective care. Reform must also eliminate gross lapses in quality and must tame but not destroy the development and diffusion of expensive new medical technologies. This is a tall order. A century of failed attempts at major reform tells us that these goals will not be easily attained.

Obstacles To Reform

■ **Special interests.** What are the obstacles? First, and in many observers’ view, foremost, are “special interests.” Who are they? At one time, organized medicine played a leading

role in blocking change. That is less true today; indeed, many physicians are among the leading advocates of reform. The insurance industry now spearheads the opposition, with drug, device, and equipment manufacturers also being major defenders of the status quo. “Special interests” is an easy answer—perhaps too easy. After all, every country has “special interests.” Why are they so much more effective in the United States? I believe that the explanation lies at least in part with the U.S. political system, which creates so many opportunities for “special interests” to exert disproportionate influence.

In comparison with those of other developed nations, the U.S. political system is notable for the importance of money for campaigns and the importance of the primaries in creating partisan politics in Congress. Also important is the division of power among the administration, the House of Representatives, the Senate, and the numerous committees in each

Victor Fuchs (fuchs@newage3.stanford.edu) is the Henry J. Kaiser Jr. Professor Emeritus at Stanford University in California and a research associate at the National Bureau of Economic Research.

House. From the primaries to the elections to the hearings to the passing and signing of legislation, there are numerous “choke” points where well-organized “special interests” can block the will of the majority.

■ **Machiavelli’s (and others’) law.** A second important obstacle is what should be called “Machiavelli’s Law of Reform.” In *The Prince*, Machiavelli’s masterpiece of shrewd political observations, he wrote, “The reformer has enemies in all those who profit from the old order and only lukewarm defenders in all those who would profit from the new order.” Thomas Jefferson expressed a similar idea in the Declaration of Independence: “All experience hath shown that mankind are disposed to suffer, while evils are sufferable than to right themselves by abolishing the forms to which they are accustomed.” In recent times, the psychologists Daniel Kahneman and Amos Tversky have formulated this idea more rigorously in their “prospect theory.”¹ After numerous experiments with human subjects, they concluded that most people attach more weight to fear of loss than they do to hope of gain. Most of the time, inertia rules.

■ **Lack of unity.** A third major obstacle has been health care reformers’ inability to unite behind a single approach. This is not a new phenomenon. In commenting on the failure of health care reform efforts early in the past century, Daniel Hirschfield in *The Lost Reform* wrote, “Some saw health insurance primarily as an educational and public health measure, while others argued that it was an economic device to precipitate a needed reorganization of medical practice.... Some saw it as a device to save money for all concerned, while others felt sure that it would increase expenditures.”²

Consider the present situation. Suppose as much as 75 percent of the public favors universal coverage (probably an overestimate). If 25

percent want mandates, 25 percent favor Medicare for all, and 25 percent strongly prefer a voucher system, prospects for reform are dim unless the three groups can unite behind a common approach.

Prospects For Reform

■ **In the short term.** Given these and other obstacles, what are the prospects for enduring comprehensive health care reform? In the short term, the chances are virtually nil.

Until 2009 the United States will be ruled by an unpopular, doctrinaire Republican president and a narrowly elected Democratic congress with no clear mandate except opposition to the Iraq war. Divided government is unlikely to enact anything so complex and controversial as comprehensive health care reform. Even the next administration, be it Democratic or Republican, will have its hands full with foreign policy problems:

withdrawal from Iraq and Afghanistan, containment of Iran and North Korea, negotiations with Russia, and rebuilding alliances with friendly nations. The executive and legislative branches will have little time or political capital to spend on major health care reform for the rest of this decade.

■ **Over the intermediate term.** Over the intermediate term—say, five to ten years—it is more likely that health policy will come to the fore, but even then the prospects for enduring comprehensive reform are no better than fifty-fifty unless the nation were to face a major economic, political, social, or public health crisis. In that case, the chances for reform would rise dramatically. The danger is that a reform package hastily crafted and enacted in a time of crisis might not have the ingredients to make it enduring.

One development that would make reform more attainable is a split among the “special interests.” There may come a time when the large integrated health plans and major insur-

“No nation can continue to allow health care to drain away resources that would be more socially productive in education, the environment, security, and other policy areas.”

ance companies will see no advantage in fighting to preserve the opportunity for hundreds of small insurance companies to continue in business. A split in the business community (of which signs are already appearing) will produce many leaders who see little point in trying to preserve employment-based insurance. There may also come a time when most physicians and hospital administrators, fed up with the present chaotic, costly system, will say, "There must be a better way to pay for health care."

■ **Long-term prospects.** Over the long term, major reform is practically inevitable. No nation can continue to allow health care to drain away resources that would be more socially productive in education, the environment, security, and other policy areas. It will come sooner rather than later if policymakers recognize that the United States must find its own approach, one that is congruent with basic American values: equality of opportunity combined with exercise of personal freedom.

.....
Financial support from the Robert Wood Johnson Foundation (RWJF) is gratefully acknowledged. This is an original work by Victor Fuchs and reflects his views only, not those of the RWJF.

NOTES

1. D. Kahneman and A. Tversky, "Prospect Theory: An Analysis of Decision under Risk," *Econometrica* 46, no. 2 (1979): 263–292.
2. D.S. Hirschfield, *The Lost Reform: The Campaign for Compulsory Health Insurance in the United States from 1932 to 1943* (Cambridge, Mass.: Harvard University Press, 1970).