

# Programme OPERA – ENTRETIENS

## Entretien – santé n°1

Pour citer cet entretien : Lepont, Ulrike, Entretien santé n°1, Programme OPERA (*Operationalizing Programmatic Elite Research in America*), dirigé par W. Genieys (ANR-08-BLAN-0032) (*insérer hyperlien*).

**September 30, 2011**

**Interviewer: At first, if you agree, I would like to go back to you career. What did you do after your PhD?**

Responder: Well. People always like speaking about themselves! I will tell you the whole story. After my PhD, I had two jobs offers. To go to Chili to work on tax policies in a group from Harvard; or to work in the council of economic advisors. At first I chose the first job but three days after I had started I changed my mind and worked for the council of economics advisors for one year. I was essentially about Social security, taxation. Health was not an issue. It was one year after Medicare and Medicaid passed and health was not an issue. Then I went to Brookings for a summer. We wrote a book. It was about mid-level professional, social policy, public finance. At the end, I liked it but I took a job of assistant professor at the University of Maryland. In 1968, I came back to Brookings and continued to teach until 1976 when I was appointed to the government. During this period, I was working more on housing policy and tax policy. In 1976, I was asked to work on the government and I was actually hired to work on welfare. There I listened to a lot of conversations about health care. Even though the cost as a share of GDP was less than half what it is now, it was still a big issue and people worried about that. They were talking about cost containment. At this end, when I came back to Brookings, I was persuaded that it will become the main social policy issue in the US. I had a friend, Joseph Newhouse, very prominent in the field, who put me in touch with a physician, William Schwartz. Dr. Schwartz was beginning a project on the difference between the British and the American system. Because you know, spending in the UK were tightly limited at this time, even much more than today. The question was how we could behavior to limit spending. We wrote a book titled *Painful prescription*<sup>1</sup>. It made a big sensation. It was the first book on health care rationing. It was published in 1982. So yes, since I came back from the government, I mostly worked on health policy. I also worked on other projects but it is the main.

**Could you describe a little bit the job you did as assistant secretary?**

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<sup>1</sup> *The painful prescription: rationing hospital care*, Henry J. Aaron and William B. Schwartz, Washington, D.C. : Brookings Institution, 1984.

In mid-1960s, President Johnson recognized that economists produced a kind of analysis that could be interesting for other sectors than the defense sector, that there were more applications (by Robert N.), especially to evaluate the programs and the social programs. And that was the job I did there. It was really a very interesting experience.

### **Do you know how you got this job?**

Well, it is mainly a matter of who speaks with whom. But I also had written a small book, *Why welfare reform is so difficult*. I was pretty-well written and short, only 60 pages. So you could read it in one sitting and that is a big advantage. So Carter had read it and was interested in the subject. But I don't know who spoke to whom.

### **You said that health care was a big issue in the administration...**

The Planning and Evaluation Agency was divided in different services. The first was the income security, that is for social security and casual welfare. Social security was in big trouble at this time. That was the office for which I worked most. And there was another service on health lead by a woman. They were many many people doing a huge planning work. They also had work a lot on a legislation for health insurance that finally failed politically.

### **Who was the woman who headed it?**

Karen Davis. She was helped by James Mengon / (Bruce Vladeck???), who is now heading one of the leading hospitals in Massachusetts. He just....

### **Do you think that at this time most expertise was inside the government?**

Joseph Newhouse. The study of health policy and health economics became very important. To have information, we were obliged to ask the government. The largest external data we had was the Rand Health Insurance Experiment. Newhouse was very instrumental in establishing health economics within the medical school. **Mark McClellan** for instance went to this kind of program. The two best health policy economists, **David Cutler** and Jonathan Gruber went there too.

The more the size of health care spending grew, the more it drew attention.

### **What kind of expertise did the specialists of health care policy inside the government have?**

They had some data, embryonic models. There were also some contracted projects. But there was not a lot of good analysis. For instance, my graduate dissertation, by current standard it's very limited, but at this time, it was advanced! There were no models. The general skill today is so much higher. Back in the late 1960s, there was innovation with social experiments. .... Nobody knew! It was a period when analytical method moved from a very primitive stage to at least something more formal. And it wasn't just in health! But the field of health economics even didn't exist! When **Victor Fuchs**, from Stanford, published the book, *Who shall live*<sup>2</sup>, it was a big sensation. It was well-written, full of interesting anecdotes.

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<sup>2</sup> *Who shall live? Health, economics and social choice*, Victor Robert Fuchs, 1974.

I have always been a sort of left-center, politically. I have always thought that we had to make sure that everybody have an insurance, what we achieved by the way. I also thought that Medicare and Medicaid were great innovations. I am not sure to know how to answer your question.

I thought that Kennedy proposals at the time – because then he changed his mind in a very impressive way – was too much time for the American system. But I was so ignorant when I worked there. It was a big effort not to seem completely ignorant; to have really views was too much to ask me!

I learned a lot from the physician with whom I worked. Of course like all the economists I did not know anything about medicine and I think very few economists do this effort. I think it is a big advantage for me.

The Rand Health Experiment understood the role of coverage. Harvard economist, Feldstein, who wrote an article that had a big impact. About the role of coverage, the problem of moral hazard. There was also Kenneth Arrow who then won the Nobel Prize<sup>3</sup>. There was little on insurance and the problem...

### **During the Clinton reform, what kind of plan did you support?**

I was in favor of play-or-pay in this general discussion.

### **What did you think about managed competition?**

I thought he also did not understand how far his plan has to go from the current system. One thing is that I came to believe the enormous difficulty of making non marginal changes. Abroad it can seem very weird that there is still 16% of Americans who do not have health coverage. But from a political point of view, 84% have a quite good coverage, are satisfied and are afraid to loose quality of coverage.

I would say that most economists working on social issues are Democrats rather than Republicans. The period between 1989 and 1992 was very bad for us. So in 1992 everybody was talking to each other. It was a big advantage to be at Brookings. You are always invited in meetings, conferences, you meet all this society.

### **Did you help for something during the Clinton reform?**

Not much. I was not in the task force, not in the administration. I met once with Mrs. Clinton. And I knew some people in the administration whom I talked with.

### **Who?**

David Cutler, Judy Feder.

### **How did you know them?**

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<sup>3</sup> In other pioneering research, Arrow investigated the problems caused by asymmetric information in markets. Arrow analysed this issue for medical care (a 1963 paper entitled "Uncertainty and the Welfare Economics of Medical Care", in the *American Economic Review*).

David Cutler had worked in the administration. I had lunch together and he really impressed me. He was 28 years-old, very knowledgeable, very mature. But I think that what impressed me most was that he was both very disaffected by what was going on but very loyal. He disagreed with many things but he was part of it and he never told it or showed it publicly. And I think it is very very hard to do. I also knew **Alice Rivlin** who is in the office just behind and who were in the administration.

**And in the last reform, did you do something?**

No. Actually I thought that the project was too large.

**There are many people who criticize the reform on the question of costs, who think that the reform does not address the question of cost. What do you think about that?**

I think there are wrong. On the contrary I think that the reformers have been very responsible, at least in the near term. Ultimate cost control, the fundamental difficulty ; very incremental and standing.

There are no easy and fast solutions. What you could do that that may over long run provide some reduction. The bill did it!

The US health care is in such a mess!

So I really think that the charge is unfair. If you don't have a solution, you don't have a problem. There are many things that can be done more like bundling payment, using the tax system to discourage ...

**You refers to the field of variation research, outcome research...**

Yes cost-effectiveness research. There can be big achievement, if the incentives are used of course. There is a web-site, I think by Harvard, on which you can see the different medical solutions and their cost for one diagnosis.

So it was more talking to people belonging to the circle. For instance, I will give you an example. This morning I received an email by the **brother of Rahm Emmanuel**. He is pretty liberal but he is organizing a meeting with Heritage foundation on the question whether there is any limit on the public responsibility. There will be maybe 30 or 40 people there and I know that I will know some of them.

**Could you repeat the name of the people of this small group?**

Robert Reischauer, Judy Feder, Chris Jennings, Linda Blumberg, 3 people at the CBO, Butler at Heritage, Cutler, Gruber, Mark Pauly. I am sure you hear always the same names.

**Do you consider yourself as an advocate?**

Yes. When Bush was President, there was nothing happening. So I worked with states to encourage them to do reform. I did it with Butler from Heritage. We don't have the same ideas but we had the same idea to push ideas in the states. I also pushed for a more modest proposal in 2008, and I totally failed. Most of my friend did not think the same. They thought it was time to do a big reform. I still think that it was a mistake. I have no confidence for the future of the ACA. Some years earlier, I also pushed with Bob Reischauer for something called "premium support".

**Would you agree with the idea that there is more consensus among health policy experts today than at the beginning of the 1990s?**

I think there is still a big division, that is roughly between left and right. There are people who roughly support something like the Clinton proposal and people who support something pretty close to what McCain proposed: giving people cash, trusting the market forces. Concerning the single payer side, I think that still exists but in a different style. It was the public option proposal.

The Democrats had a very large majority in Congress, even after they lost the Kennedy seat in Senate. It was still difficult in the House. There was strong disagreement between Democrats. But we are used to saying the "second choice". They knew that they had to do the second choice, that second choice was better than nothing. They were more willing to pass something.

**I saw that you were member of the Institute of Medicine and the National Academy of Social Insurance. In your opinion, what is the role of these organizations?**

They are very different. The Institute of Medicine is a very old organization with large support, financially very well established. It has a so big reputation that people work for it for free, just to have the name on their CV. Congress asks it for studies.

The National Academy of Social Insurance is much more recent. It was established 20 years ago by Robert Ball, who was enormously respected and much loved. Really, he was one of the best men I have ever met. So he decided that an institution should recognize the big achievement of social insurance. It is dedicated on working on Medicare and social security (Act of 1933, so including unemployment insurance). But it is financially much less secured.

**It is an advocacy group?**

It advocates but in a careful way because if it is mostly left center, there is also people in the board ring-wing oriented.

**Would you say that it is a kind of policy forum?**

Yes.

**I also have question on the evolutions of Brookings since you know it.**

There is division inside Brookings. Traditionally there is part that is more academic, the economics policy division, and a part that is less academic, foreign policy. Now there are other sections: governance, global, metropolitan, research center.

The economics part is quite closely related to academic economists. It is different because they produce popular opinion pieces but they also do research. Now that part is smaller.

The Metropolitan division works like a consulting firm. It is funded by cities, states, etc that ask them studies. In general the institution has moved to more popular things. And now the public relation service is huge. When I started, there was one person for public relation. Now, each division has a lot of public relation people. I think that the global budget is 4 times more than when I arrived but the budget for research is smaller. We have to spend more to raise money.

**In general, in your opinion, what is the influence of policy experts the policy-making process?**

They are used by politicians. And they also produce ideas that drive action or instrument in the political struggles. The main force remains the quest for power.

30 years ago, **Alice Rivlin** wrote an article in the Harvard Educational Journal in which she compares the policy experts with a court. They are the arguments that the lawyers use to win! I also wrote a book in the late 1970s, *Politics and the professors*, and in the 5<sup>th</sup> chapter I also explain that.

**Who would you advice me to talk to?**

The best one is at Center on Budget and Policy Priority, Robert Greenstein. But I think that he is very busy. He works all the time. And around here: Bob Reischauer, Judy Feder, Chris Jennings, Butler (a really nice guy, a pleasant person). Oh, what its name? Diane Rowland. Tracy Karen in New York. Cutler.