

# Programme OPERA – ENTRETIENS

## Entretien – santé n°32

Pour citer cet entretien : Genieys, William, Guigner, Sébastien, Entretien santé n°32, Programme OPERA (*Operationalizing Programmatic Elite Research in America*), dirigé par W. Genieys (ANR-08-BLAN-0032) (*insérer hyperlien*).

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Responder: Let's close the door so that we don't have to-- you don't have to record people coming down the hall.

**Interviewer 2: Maybe there would be important information there.**

If you would like to know about flu vaccines in the United States, maybe.

**Interviewer 2: So, we are both political science researchers. I am an Assistant Professor at EHESP here, the French School of Public Health. We are based in Paris and in Rennes, and I do study, right now, the US system-- healthcare system, but I'm used to working in the European Union health system and the impact of the European Union and its policies in its member states.**

A fascinating topic. I used to represent the United States on the health portfolio at the OECD, and so that was fairly-- I mean, when you sort of say that, kind of the EU way of looking at healthcare, and then the America, or the Canadian, or the Mexican, you know, it's sort of-- but certainly I'm sure you have plenty to study in that we did not always see eye to eye, let's put it that way.

**Interviewer 1: And I am a Senior Research Fellow in (inaudible), and a political scientist and specialist on (inaudible), but--**

Mostly in France, or in the EU?

**Interviewer 1: At the beginning, in Spain. After, in France, but (inaudible) particularly in France, on the bureaucrats, and now as a program we work on the elite in the US (inaudible) program.**

Okay. And I am a political scientist, too. I have a PhD in Political Science out of the University of Rochester, which I don't know if you've ever heard of. It's a smaller program, but the only thing I would say it is germane to is it was mostly a heavy focus on quantitative,

so I was trained as, basically, an econometrician with adding the political science variables to that sort of modeling.

So, a heavy quantitative focus.

**Interviewer 2: So, your PhD was on--**

My PhD was actually on a-- was more-- by the time I finally finished, we all know that can be a sensitive topic, it was one-- it was closer to a public policy PhD. My PhD was on-- in the United States, you may have heard, we went through a fairly serious civil rights question about desegregation, so I had left the university and, while I was-- I wrote my PhD down here, which they weren't very happy with. They wanted me to stay and finish, and I'm sure you have heard similar advice, but I wrote it down here, and I was working on the desegregation of schools, mostly in the South, but it was sort of the mixing of blacks and whites and then blacks and whites and Hispanics, and breaking down the barriers that, you know, you would have a black school over here and a white school over here and a Hispanic school over here.

So, I did modeling, so I did two stage least squares for simultaneously measuring both how you would desegregate these schools and then what was the effect of the loss of white families in that particular area, and sort of who was-- it was to get to the point-- so, it was trying to do a full explanation, but the real policy variables were, we had, at that time, three or four different ways that you might desegregate schools.

You might come in with a very large court order from the government, there were private court orders, so you would go through the courts, and there were other ones that had to do with the various types of negotiation, and so the hypothesis was basically which-- or, you know, we were looking at kind of which of these policy tools would maximize the exposure of black, white, and Hispanic children to each other and at the same time, minimize the amount of white families who would just move to get away from it.

So, it was very applied, but it was also very, you know, methodological.

**Interviewer 2: And nothing to do with health?**

Nothing to do with health. I came to health later, so, yes, I did-- first I did what we think of as civil rights, and then I moved to the legislative branch and worked at the Library of Congress. There I did mostly pensions for about four or five years. We did a major reform of the federal employees' pension system, and although it may not look like it from Europe, the federal government is the largest employer in the United States, with about 9 million employees, retirees, things like that.

So, after I did that for the Congress, then the next question was health, and that's why-- so, I moved into health maybe in 1990, something like that.

**Interviewer 2: So, we'll ask you a question about your career, and you were right, there was a mistake--**

Okay. I didn't-- your English is a lot better than my French, so I was not--

**Interviewer 2: That's kind. Yes, because the project is about (inaudible), because it is a (inaudible) project. It's about the healthcare reforms in the US since the '80s, and especially we try to understand the link between elites and policy change.**

Good questions, good questions. Yeah.

**Interviewer 2: And who does what, who has power.**

Right. The hard part for you, I would think, on this one, will be, just, you know, having been a political scientist and then becoming part of that process is it is somewhat hard to generalize, and it gets down to these sort of, well, this elite did it for these reasons and this elite did it for these, or this elite was very technically sophisticated, knew all the data, knew all the arguments, knew the literature, and these ones simply were not.

They were not particularly well-informed, they went with very simple cues of "if I'm a Republican and it's in the market, that sounds good to me. I'm a Democrat, it's run by the government, that's good to me." People who were, you know, from that pole to people who were very sophisticated about the government should do this and this, but the private sector is better at prices, and-- do you know what I mean? Some very sophisticated elites to some very-- but that's the nature of it.

**Interviewer 2: Different kind of people.**

Yeah, if you want to-- but the nature of representative democracy, you don't really choose who your elites are going to be, the voters choose your elites, and that-- at least on that side of things. So, they send some very smart people, and they send some very not-smart people. But anyway.

**Interviewer 2: So, maybe we can--**

Yeah, you want to go through so you get the structure-- yeah.

**Interviewer 2: More or less.**

Rather than us just talking.

**Interviewer 2: Could you tell us a bit about your career and you entered in the health field in the 1980s?**

PhD, left the university before finishing, so I had to come down, and it was a question of would I actually finish. I did. It took longer than I wanted to, but I finished, and so I started out in civil rights. Now, at that point, the government was doing this desegregation, and-- the President Reagan won, so civil rights was not exactly a high-priority area, and so they were sort of downsizing and cutting the staff and things like that. Now, I was alright, but it wasn't very much fun any more. We weren't doing anything particularly active.

So, I was-- I got a call from-- do-- just correct me if you already know this, okay, but the Congress has a number of analytic kind of research staff that they use. The Congressional Budget Office is probably the best known.

**Interviewer 2: CBO.**

CBO, exactly. But they also have the General-- and it's lined up on very traditional political science notions. So, you have, at the beginning of the policy process, they use a group out of the Library of Congress which really does work for Congress, it's not just the national library, called the Congressional Research Service. So, okay-- well, that's it. They don't want you to, they work confidentially for the Congress. Their stuff is now, because of the web, in the public domain, but not because they ever put it there. Other people sort of just copy it onto the web, but it's for that beginning of the process.

So, a member doesn't know-- you know, they want to-- let's say they have won re-election, they are in their second term, they can start to think about policy and not just re-election and campaigns the whole time, and they say, "Well, the reason I wanted to be a Congressman was because I wanted to--" you know, they almost all have something they wanted to do. The environment, banking, whatever, and a number of them have healthcare.

So, when they're starting to say, "Well, in my state or my district, it's a major-- you know, nursing homes are the main--" so, they want to make a contribution. They want to make their name. So, their staff says, "Well, what do you want to do?" Well, that's when you can call the Library of Congress, and they can sort of-- they will give you that briefing, and they will give you sort of options, you know, here's how other people in the past have done it, here's how they have handled subsidization of the poor. Here's how they have handled eligibility once-- you know, whether you're in a job or not.

So, they help at the very beginning of policy development. Now, once you have your policy developed, you can-- and you have a real proposal, that's when you deal with the Congressional Budget Office, the CBO, and they will bring in-- those are mostly economists, and they will do mostly kind of-- perhaps not a full econometric, but they will bring the best data available and the best modeling available to say, you know, "President Obama, you want to do health information technology, and academics told you it would save \$77 billion over 10 years, but we're sorry, we think your academics were a little bit--" they will never say biased, "but a little too optimistic, and therefore we think it's going to be \$17 billion, not \$77 billion." And that disappoints President Obama, because he wanted \$77 billion.

You know, I mean-- but that's-- they are the fair broker who almost always disappoints everybody, because everybody thinks their idea is better than it really probably is.

**Interviewer 2: And the CBO is-- does it have sort of autonomy?**

It does-- it has autonomy-- in most of American politics, I would say that you have things that are autonomy, but at the same time you should not push it. So, like our Supreme Court, if you look at the way it developed as much power as it has, part of it was by building precedent that gave it more power than the Constitution originally gave it. But they always know that if they did something that was just totally unacceptable to either the other political branches or the country as a whole, they would lose stature, and, therefore, they would, in effect, lose power.

The CBO is-- the Head of the CBO is, normally, a very senior economist, very good, but he's definitely associated with one party or the other, just gently, I would say. Like, when the Republicans come in, they may ask for a different head, but the Democrats still hold the Senate, and therefore they will have to negotiate that, and I don't think they need to worry about it.

The fellow who is in there I have worked with for years. He is a Democrat, but he is a moderate Democrat, and any of the research-- any of the estimates I have seen, they are just as hard on the Democrats as they are on the Republicans, so it will be hard for the Republicans to argue, you know, he is a biased actor.

So, when you think about the policy process, so, you've got the one group that comes in the beginning once you've got your proposal, and then you've got what's called the Government Accountability Office, or GAO. Those are the auditors. That's your evaluation process, so everything has passed, it has been in place for a couple of years. They go in and audit the books. Is the government paying too much? Is the Defense Department being too wasteful? So, those tend to be accountants.

So--

**Interviewer 2: So, how did you--**

Yes, I'm sorry, I ought to get to the point. So, basically, what happens is, these organizations will do-- they all three will do oversight of the executive branch. So, I had done a series of analyses that looked at problems in different school districts around the United States having to do with what we called limited English proficiency. People who were-- had come, normally immigrants, either from Spanish-speaking, or, in this case, the one that I got in trouble for, were Haitians who were coming to Miami, and so they spoke Creole, which is sort of-- whatever you want to-- I don't know what French people think of Creole. It's not-- sort of, whatever. Pidgin French? I don't know. Not quite French-French, sort of whatever you also think the Canadians speak. That sort of not really French but close, right?

So, part of that was is I said that Miami was, like, third worst in the country, and by that, it got a lot of attention from the Senators from Florida, so they asked the Congressional Research Service at the Library of Congress to basically audit what I had done, what were my assumptions, what data did I use, did I do my calculations right?

And they did that on a private basis, but then that meant that I never saw the report, but then six months later they called me up and offered me a job, so I assume I did fairly well in the audit if they then-- so, I went up there, as I said, civil rights was quieting down quite a bit, so I went up there and started out-- they didn't want me to work on education, too much of a conflict of interest with what I had done for the Administration.

The separations of power between the legislative and executive are taken fairly seriously, so they had me do first pensions and then what happened was, we had done this-- we had done a level of sophistication of the modeling that Congress wasn't used to. We had sort of taken it up a level in terms of what we could do for them when we were doing pensions, and so they wanted to use the same set of tools and bring it to bear on healthcare.

So, first what they wanted to do was, as I said, the federal government is the largest employer in the country, so they run their own healthcare system, which is very large. 9 million people, whatever, \$20 billion a year, fairly large, and an interesting design. A competitive design that has a fairly strong government role, but then the actual care is provided by private plans.

So, this is the model that, if you've ever seen the work of Alain Enthoven? You know, kind of influenced-- this is what we found. He first came to Washington, as a young man, to work in defense, and then he saw this system that I don't think any of us know who designed originally, and then he said, "Oh, that's, you know," and (inaudible) this is how you might do the bids, this is how you might adjust the payments, and so he sort of started his writing from there. But this system has been here-- yeah, this system has been here since, I think, 1959, so it predates Enthoven's writing about it.

So, there is that one system, so we did that and we did the modeling, and were people paying too much, and was there-- what was going on in terms of benefit design, and how did that affect populations that would be drawn into one plan over another and those sorts of problems, and so once we did that-- and we didn't find major problems with this program. We found that you could-- if you redesigned the whole thing, you could save 5% or something like that, which would be more expensive to redesign than the savings you would have by the reform.

And that was a joint with the library-- with the group I was in at the Library of Congress and the Congressional Budget Office. We did that analysis together for the Congress, and then from that, they asked me to work on Medicare questions, which is, as you know, you know the way Medicare is, which is a much more government-run, much more of the government actually setting prices and doing things.

So, I did that for a number of years, and then I decided to leave. I had been there 14 years, I wasn't really learning anything new. So, Congress is set up, in the United States, there is an information inequality between the President-- the Administration, the President and the Congress, so in an area that is very technical, often, Congress will actually set up additional analytic staff, so in healthcare, in Medicare, in particular, which is very important, very big dollar-amount and very political at times, they had their own staff, not their regular committee staff, not the Congressional Budget Office or the Congressional Research Service.

So, they set up a commission that has-- that is called the Medicare Payment Advisory Commission, and you can see their web, and they have about 17 members, and so-- it's an interesting, quasi-political body I would argue. These members tend to represent the major stakeholders and the major-- it's normally got sort of top academics, or top expertise without-- but not from in the insurance industry or from the hospital industry or the physician groups.

So, it's supposed to have two roles. It's both a representative body of the main stakeholders involved, and the outside technical experts who sit on this panel are, in effect, representing the taxpayers, is part of what their role is supposed to be.

And so-- excuse me again. So, another thing-- they represent-- but they are also supposed to be, in effect, kind of trustees for the program. So, it's-- when it works well, it's where you can get them to sort of decide together that Congress-- you know, they make

recommendations to Congress, and so if it breaks down and it's just hospitals versus doctors versus nursing homes versus insurance, very little gets done. They can say the goal of the program is to improve the quality of care but not have it spike spending.

Then, everybody gets-- and then it has some very good outcomes. Now, important to this sort of topic is that they also have a dedicated staff of about 35 full-time people who only work for the Congress on Medicare. So, that's part of their idea of how you-- if there is thousands of people working on Medicare in the Administration, of course, they actually have to do the-- you know, send bills, things like that, the Congress wanted its own analytic staff that was dedicated to Medicare.

So, it meant that the Administration, whatever President, even if it was in the same party, that you didn't feel that somehow they weren't really showing you all the data or they weren't really-- they said "here are your options," but there's really two or three more that they don't bother to mention that-- so, Congress moved in to fund this sort of an organization.

When I went there after leaving the Library of Congress, it tended to be mostly PhDs, probably PhD plus five to ten years' experience. They have a little different mix now. There's more Master's and things like that.

**Interviewer 2: And what kind of PhDs?**

Mostly economists.

**Interviewer 2: Economists?**

Mostly economists. Health economists-- because it was the financing of healthcare, and so if you knew you could only hire one person to take on many, many more in the administration, they tried very, very hard to get both top guys in terms of their analytics, but also fairly, let's say thick-skinned, you know, fairly tough, that even if they were heavily criticized, they would go, "no, no, no, no, no, my data says--" it's an interesting interplay between analytics and research, but it is-- you're doing it in a very political-- you know, a very applied policy in a very political environment.

So, you can't be political, but you have to be strong enough to not-- to sort of take the pressure and not change your results, or things like that.

**Interviewer 2: And how do you enter into this commission? Is it-- is it you have to apply, or--**

People tend to apply. Well, the actual commissioners, they tend to apply, and then they are selected by the General Accounting Office, that Congressional agency that does the oversight. So, they tend to do it, but it is true that normally there is a person from the major physician group, and there is one from the major hospital group, so-- and I think that some people look at that cynically. At the same time, it's important-- if this group is going to come up with things that both are the sort of best data and best analysis but also have enough consensus, because they are recommendations. These people don't have veto or anything else like that.

The notion of-- that-- and certainly when I later-- and I worked on the Congressional Committee Staff, and I would say to people that would come in and complain about these recommendations, you know, "Your physicians, your senior physician sat on this commission and said nothing. That was your time if you had a real complaint, when the analysts were presenting the data and whatnot. To come to me after they have already made their formal recommendation to Congress, you know, why was your guy there if he wasn't to speak up on these issues?"

So, like I say, it's analytic, it's research. There's a representative aspect of it. It's got a multi-faceted function.

**Interviewer 2: And it's bipartisan, I'm sorry--**

Yes, so it's bipartisan. Normally, the chair will have an affiliation with one party or the other, but there's like a chair and a vice-chair, so if one is Republican, the next-- the vice-chair is a Democrat, and vice-versa.

**Interviewer 2: So, continue.**

Yeah-- no, so I did that for a few years, and that's where I really got pushed into reform, because what those people needed was, they needed someone-- there was a request from the Congress, and Congress was becoming more Republican, as it is now, and there was a request to look for options in Medicare that moved away from strictly the formula-based payment systems they tend to use.

So, I had done this writing on the federal employees, which is the major, you know, it is competition, it is various private insurance companies, the government sets the prices they are willing to pay, the government takes bids from the private sector, but that model that was much more comfortable than sort of a hybrid of government and market was more comfortable to the Republicans, and more traditional Democrats liked the pretty much government runs everything part of Medicare.

So, what happened there was, the people who had done this that sat on the staff of this commission, none of them knew these more competitive models, so I was hired by them to come in and write (inaudible) chapters. So, I wrote about how the federal employees-- it's also the way California does their state employees, and then-- California does it a little differently than the feds do, so that was sort of-- how do you structure this competition so that you get sort of the good things from the market without the bad things from the market, and how do you structure it so that the government does what it does well.

You know, government should do eligibility. Government does a great job of collecting premiums. You know, no bad-- they take them right out. You know, you don't want to get dogmatic or whatever, but it was true that this model that had both market and government roles was more attractive to Republicans than the traditional way of doing it.

So, they asked me to come in and write that, you know, it was basically a research paper, 30, 40 pages that laid out, okay. But Medicare is different. You've got all these old people, you've got all these disabled people, how would you adjust the payments, how would you do the competition, how would you take bids, and so I did that because I had studies these other

systems, and it turned out to be very controversial. I didn't realize that it was going to be very controversial, because it turned out that because the political forces that I suddenly was writing something that made the Democrats very mad at me, and I just was-- I was just writing a research paper.

You know, you told me what the problem was, I told you all, you know, what was out there now, and how you might adjust them to fit Medicare, but I suddenly was in kind of-- not the most popular person. But what it also meant was that the Republicans and more moderate Democrats who were looking for this, they saw this paper and they liked it.

So, I was asked to go to what was called the Bipartisan Commission for the Future of Medicare. This is about 1998, and we had done a major Medicare overhaul in 1997, and they had done short-term cuts for budgetary reasons, and then they set up a commission, members of Congress, people from the Administration, who were supposed to think about the long-term reforms for the system, how to do that, so Congress didn't have to go in every few years and cut here and cut there and-- to try to make it more viable.

So, I was asked to be on the committee-- on the staff of that commission.

### **Interviewer 2: Who asked you?**

Well, the commission-- and, again, it was trying to be very bipartisan, so it was a Democrat-- a Republican from the House who later became the Chairman of the Ways and Means committee, a fellow named Bill Thomas, and a Democrat from the Senate, John Breaux from Louisiana. One of our more luminary French-Americans, just pointing that out. But, anyway.

So, and-- so, they were-- again, when I talk about that sort of notion of how technical some of these elites are, so, Thomas was a didn't finish his dissertation politician scientist out of California. Very analytic, very smart, very analytic, knew the literature, knew-- but also was good enough at it that he said, "Oh, I don't buy that literature." I mean, he could make an analytic judgment on a peer-reviewed journal article and go, "I'm not so sure," you know, whereas Breaux was a fellow who had been in this system, the federal employees-- because it runs all the way from the Congressman to the mailman, I mean, all federal employees are in this system, and so he had been in it for 15, 20 years or whatever.

He knew it had good benefits, not very high premiums, you know, he knew it worked. He knew that when he talked to people back in Louisiana, they were paying a lot more for a lot less. So, he had a very almost intuitive-- he did not have the technical expertise of his counterpart.

Now, in negotiations over issues, you can see that the technical expertise is a strong tool to bring to a negotiation. So, that was about one year. It was many things, but it got kind of ugly, it got kind of partisan and things like that, as many of our commissions sometimes do. I don't know if you-- we just had a big deficit reduction commission that some people love, some people hate, you know, what are you doing, you know, you're killing grandma, you know, these sorts of things, so it gets very much, and so that commission was like that, too.

But what it meant was, the Republicans had come in and held the majority-- now, at this point, I was non-partisan, I was just a civil servant, but the Republicans asked me to move

over to the Senate finance committee staff, which is the major committee staff that handles all the health programs-- well, not NIH and those kind of public health things, but Medicare, Medicaid, all the welfare programs, all the taxes and all the international trade.

So, it's-- if it's not the most powerful committee in Congress on the Senate side, it's the second-most. It's a very powerful committee, and so what they were saying is, we like these ideas, we understand how it is, this is an interesting alternative to the current way of doing Medicare, and we would like to bring you over so you could start to actually, you know, draft what the legislation would look like.

So, I went and I did that for a couple of years, and did two Medicare bills in two years, which is good for-- some people go to Congress and work for 20 years and one, maybe two bills, so two years, two bills, but it was very hard. Those jobs are very-- do you use the term "burnout" in--

**Interviewer 2: Yes.**

So, they are very intense. You are working very late at night, you know, you hope you recognize your children when you finally get home. So, I did that for two years, and I worked for a Senator-- it was actually a very good time to be-- when you think about American elites in politics-- so, I worked for Senator Roth, who was mostly famous in tax policy.

**Interviewer 2: How do you spell it?**

Roth? R-o-t-h. And then the senior Democrat on that committee was Senator Moynihan of New York, so these were both very experienced, very intelligent, you know, fellows, so they were very bipartisan, but in a very practical way.

You know, they would talk about things like, "Okay, Pat, if I do it, if I give you this provision, I am going to lose two conservatives. Can you deliver three moderate Democrats when the vote comes to offset-- I will definitely lose these two conservatives," and then back again. "If I come that far to the right, I am going to lose my far left. Can you deliver votes from the moderate Right to offset?" So, I mean, very-- but, like I say, Medicare needed to be changed, two bills, two years, all passed, all signed by President Clinton, so it was a Republican Congress and a Democratic President, so the negotiations were very hard, very ugly at times.

So, it was very-- it was like a-- so, at that point, my focus was mostly Medicare and Medicare reform and how to do those things. We did not have a major reform bill. These were smaller bills that simply kept the system sort of adjusting from the big cuts that had been done in 1997, but I was a little tired by the end of that, and so I went to a think-tank out here, a place called Project Hope for a couple of years, which was very good, because it was during 9/11, and to be on Capitol Hill on 9/11 was not a good place to be, with anthrax and other things like that.

So, it was good to be out a little bit, where I could, you know, walk to my children's school and get them and take them home. Then, in 2003, I went back into the government. I had rested up and was ready to go again, and I went to-- I was the chief health economist at what's called the Joint Economic committee, and it's joint because it has members from both the

House and the Senate on it, and so that was-- I worked for a Senator Bennett of Utah, a very nice Mormon fellow, and I did that for about eight months, and this is during the Bush Administration, the first term of the Bush Administration, and I got a call from of the office of the Secretary of HHS, you know, ministry of health, and they said they had an opening and did I want to go down and meet with the Secretary about maybe filling it.

So, my position that I eventually got was called the Assistant Secretary for Planning and Evaluation. It's often just referred here domestically as ASPE, A-S-P-E, and it's the main policy shop that works directly for the Secretary of Health and Human Services. So, it's all health policy, it's all welfare policy. I had to be confirmed by the Senate. Luckily for me, it was back in the finance committee, where these were my old colleagues, right.

Now, I do think that the Democrats gave me a harder time than they needed to, just to show that even though I was a friend, they weren't going to let me off easy. It was not the most pleasant morning of my life, but--

So, then for the next two years, I did that, which meant-- that was at the beginning of the-- in terms of reforms, it was the-- I came in at the very end of the negotiations over the passage of the Medicare drug benefit, and a number of things that went on there, and then I was one of the principal players in terms of the implementation of that drug benefit, which was very controversial, as these things are-- as you can see for the Democrats now who are trying to implement the healthcare reform.

So, it's a very-- well, here's a fun irony from the inside. So, I see my friends who are Democrats who are now in the government and trying to implement healthcare reform, and mostly the media is just, "Well, that's stupid, that's just--" you know, and the only-- the irony is that the only people who I think can totally understand how hard it is, what they're trying to do, is their Republican colleagues who tried to do it before then.

So, the fact that our commentators, you know, are sort of saying, "Well, that was a stupid thing to do," they have no idea how hard it is for what these guys are trying to do right now, and so they have lots of cheerleaders around who are going, "Yes, yes," they have lots of opponents who are going, "You're going to kill America," and the reality, of course, is somewhere in between, and they just-- but if-- that program is supposed to roll out in 2014, and if it's not ready, they're dead.

So, I mean, we had one that had to roll out January 1st, 2006, seniors were expecting to get a drug benefit, and if the cards weren't printed and the 800, you know, the numbers weren't set up and the bids weren't taken to the plants, everybody worked, politicals and civil servants, nights, weekends, whatever it took to make sure you do it, and these poor guys are in the same boat, and I don't know who appreciates it other than the people who kind of-- from the other party who went through it before then, and they have much more to do than we did with the drug benefit.

They have much more serious changes, and they will make mistakes. You can't do it this fast, this hard on this little sleep and get everything right, and so, to a certain degree, to talk to the Republicans, there's some who just remember how unfair the criticism was when we were doing it, and they would sort of, you know, go to the complaint-- you know, sort of-- any little-- "Well, I have too many choices." "Ma'am, we just wanted you to have some choice.

Yes, we would have liked it if you had four choices to pick from. The fact that we built it in such a way that in the first year you had 20 choices, you know, we were afraid there were going to be no choices, so 20 is much better than none.”

So, but people would criticize, and we certainly felt it was very unfair, and many of the Democrats sort of led that criticism. So, there is a little temptation amongst some of the Republicans to say, “Okay, you did it to us, now we do it to you.” And so you can see that, and so these people are catching criticism that is sort of-- I mean, I know many of these people. They are fine, they are good, they have a more-- when they think of alternatives to the current system, they tend to think more of government-based than I do, because I’m a Republican, but there’s nothing-- the problem with the partisanship in American politics now is, when you hear the conversation, it’s far too often the sort of notion that the people who disagree with you are somehow stupid or evil or not really good Americans or all three, rather than that they just disagree with you.

**Interviewer 2: And you just said that you know most of the people who are now in reform.**

Many of them, yes.

**Interviewer 2: So, that means that they are here for a long time?**

Well, some do. But it’s also true that what they do is-- and especially the Democrats are more likely to do this. They will bring in academics, so they will ask academics to take a sabbatical or a leave of absence. So, like, the job I had which was sort of this meeting of analysis and research over here and policy and politics over here, and you had to be able to do both, so, like, the person who has my job now is a professor from Columbia University. Her deputies are from Harvard, University of California San Diego and--

**Interviewer 2: Sherry Glied?**

Sherry Glied.

**Interviewer 2: Okay, we’ll meet her on Wednesday.**

Okay. So, I think that will be fine, she’s not-- but she comes out of a totally academic background, and I love academics, but I have to say that some of the skill set I needed to not only survive but actually thrive in that job I didn’t learn on a campus anyplace, I learned in Congress, I learned being the-- because, like, when I worked for the Library of Congress, of course, I worked both Republicans and Democrats, so that’s probably why I know lots of the Democrats, because I was their research guy 15 years earlier.

So, when you think of kind of, you know, again, so, we certainly brought in academics, but we brought in more of a mix of some of my kind of-- many more-- so, at HHS you have a Secretary and then you have what’s called a Deputy Secretary, and then under here, there’s about 20 people who are Assistant Secretaries. They all directly report to the Secretary, and about 10 of them are the really big parts, the Head of NIH, the Head of the Food and Drug Administration, the Head of the Centers for Disease Control, those sorts of billions of dollars, tens of thousands of employees.

And then there's about ten that are what I think of as small portfolio Assistant Secretaries, the General Counsel, you know, the chief lawyer. Me, I was the chief policy analyst. I had 125 employees, \$40 million a year. Not NIH, but, so, when you think of those and how you bring in those people, what I've noticed in both the Clinton and the Obama Administration is they are more likely to reach into academics, whereas the Republicans are more likely to reach into academics, business, Congress, it's a little bit more of a mixed something-tank. It's just a little different of a mix.

And not that the Democrats don't have some of those people. President Obama did-- made a pledge early in his-- I guess in the campaign, that he would hire no lobbyists. Well, unfortunately, there's lots of very expert Democratic staff who, when they left Congress, really the only job opportunity-- if you are 40 years old and you have worked for Congress in your life, you're not going to go back and get a PhD now, you're not necessarily going to work for a bank or a-- you know, so you end up being a lobbyist.

And therefore, I think the President made a mistake, because although it looks funny to bring in too many lobbyists into your administration, I don't think you want to put a ban on that. It meant that there are some very talented-- I mean, if you think of healthcare reform, he needs absolutely the best people in the Democratic Party, and they have to bring their absolute best work.

You know, this is sort of Wimbledon or the World Cup or-- you can't have lesser players, and you can't have-- you can't do it part-time. It's got to really be the full thing. So, I just feel-- I mean, it made sense in a campaign sense. I think in a policy sense, you know, he just needs some of that talent, and he shut them out.

**Interviewer 2: And, I'm sorry-- when you were in the HHS, did you have contacts with (inaudible) and--**

Sure, the large think-tanks, and I also had it with the Democratic think-tanks, because there is very much a notion in government that, yes, it may get partisan, but no one should, like, totally close off the other-- so, the problem with-- and I like the people at Heritage, they are a little more conservative than I am. I'm not really a conservative, I'm really a moderate. I'm right of center, but not, you know, right right of center, and the American Enterprise Institute, those are all very good people.

They don't tend to times-- part of what I needed, and other than when I worked for the Congress and you had organizations like the Congressional Research Service and the Congressional Budget Office, often what the think-tanks provide is that sort of blog sort of-- so, to tell me that the current way we pay positions under Medicare is flawed, okay, that's step one, but I need, okay, what-- give me some options of alternatives, and if you're Republican, you would like to have them be more-- you know, is there some way we can do bidding, is there some way we can do market, can we have competition.

Can we figure out a way to still provide the same quality and the same access in healthcare but have it be a little bit more efficient, you know, just a standard economist's view of efficiency, and how do you do that? So, sometimes those groups are not that-- you know, they will write a lot, and they will be on the Web a lot, and they will do events, but I don't see

very many groups who say, “Okay, here’s the current way of doing it, and here’s the flaws. Here are three options of how it might be different, and we have taken all the data, and we have modeled it, and here are the advantages and disadvantages of option one, advantages and disadvantages of option two.”

We did that when I was in-- I mean, that was part of what I did for the Secretary. That was what my staff did. It was mostly economists and MDs, doctors, physicians, and some lawyers, and so you would think of that-- when I think of the role of analytics and research in a policymaking-- it is to simply improve the decision-making process. There’s no-- it’s not to get an article published or-- you know, I mean, that’s not really why you do it in the government.

So, you’re doing that to inform policy. So, whatever the politics of the person are, you want to make sure that it is at least the smartest market-based, or smartest government-based design that can be there, and so I have not-- I see a little bit of that, but I don’t-- I mean, if I had to ask them, would they do more? I would say, no, I need real options, that if you’re in the opposition, like the Republicans are now, that you can go forward and say-- you know, the Republicans are criticized now for saying that you can complain about what the President did in healthcare reform, but what’s your real alternative, and I think that’s a reasonable complaint. So, what is the market-based alternative to what the President suggested?

So, I think that’s a good question. So, I would like to think that the think-tanks could step into that. They’re very-- they tend to be very well-trained. I mean, they’re experienced, you know, they have advanced degrees, but I have a hunch that that will (inaudible)-- the same way I would love that academics were in many ways more helpful on that sort of thing, but that’s not how people get tenure. That’s not how-- you get that by publishing, and that-- it’s a different reward system, and I think that the think-tanks may have a somewhat different-- you know, by having events and blogs and things, raising your profile is, I think, it appears, the way to flourish in the think-tank world.

**Interviewer 2: You mean that think-tanks are a bit (inaudible) in their policies?**

I think that they just don’t-- if you think about real change and real alternatives, I think there is a deficit of what I would call well-tested design work, so like-- well, let’s go to one French example that I picked up when I was dealing with the OECD.

So, maybe, what, 2002, 2003 or so, you guys were trying to figure out, “Okay, so we don’t want to offer as large an entitlement, especially to high-income people, so we need stuff, but we don’t want to say you just have to pay out of pocket, so we want some other notion of an insurance, probably private sector based that will supplement, so we can say, over a certain amount of income every year, you don’t get as generous an entitlement as poor people do. You’re not poor, you should pay for it yourself.”

So, in the insurance design that the French government used on that is very similar to a design we’ve had for many, many decades in Medicare. It’s a poor design. I mean, to a certain degree, it was funny, because the French delegate was saying, “You know, we tried this private-sector stuff, but they took, like, the worst private sector--” I mean, you could have asked the most conservative Republican in the United States of the different ways you could do a private insurance to supplement a reduced French entitlement from the government.

I don't think anybody, other than the people who sell it would have suggested that, because it undercuts the design of the primary-- I mean, and that's the problem we have, and we have it, and now it's popular, and so it's very politically difficult to get rid of it, but it's a design that sort of takes a reduced entitlement and then says, "Well, just, your deductible would be \$1000, but we'll pay all of it," and so then there's no reduction, you know, there's no slow-up in utilization, and therefore the taxpayers end up paying more, and it's just not good design work.

And, yes, they-- and so they were mad at me because I was there and I was an American, and I represented the American government, and they-- this private insurance, crap, you know? And I go, you picked the worst version of private insurance. Call me, we'll talk next time, you know? We can-- I can show you some-- tell me what you need, which is to service a high-income population, and then private-- there is different products that you put out for high-income than you put out for low-income. You know, you don't need the safety net with these people. They can pay very large deductibles, and they probably, you know, the 100 euro deductible that maybe a poor person, that's a real barrier. 100 euros to a rich person is nothing.

So, they should face 1000 euros. I mean, you just-- I mean, even if you just want to think of it as an income-adjusted cost-sharing design, there's just ways to do that. But, anyway, you had better get back to the thing you're-- I'm going off on stories.

**Interviewer 2: Let's come back to the US. So, it's-- just having a look, so, maybe we could talk about the reforms and your own preferences in terms of policy change, what you tried to push forward in the systems and how--**

Yes. My own preferences are for a mixed system. What I-- just coming from it as a student of these systems, before I held any policy or political position, what I did come to the conclusion, and looking at both these, like I say, federal employees, federal-- California, federal Medicare, Medicaid, is that there-- really, a bit more pragmatic approach is to look at those things that the government does very well, does better than the private sector, and then look at those things that the private sector does better than the government.

So, I would say the short list of that is the government is very good at eligibility. The government tracks-- in this country, we have large information systems that know what your earnings records were, how many jobs you've had from age 18 until 65, and so-- and you have every chance to correct it if it's wrong. No private sector entity in the United States could give you that kind of detail, and it's done well. Not a lot of complaints about errors, not a lot of people, you know, not getting enough pension because of it, so the government does that very well through what we call Social Security.

The government also does very well eligibility, questions of fairness. Markets are efficient. They are not often fair, you know. So, you know, if you have a question of fairness like "Am I eligible, did I work long enough to be, you know, in a retiree situation? Is my income enough and how that's counted that I should be subsidized?" I think the government does that much better than the private sector.

Collection-- certainly when you're in the Medicare program, where we both pay them a pension and we provide healthcare, the private sector can't compete on what we think of as bad debt. It can't-- the premiums that are being charged to the retiree come right out of their Social Security check. They never see it. So, everybody pays. No bad debt, 100% payment, and it would be impossible for a private sector market, you know, they don't control your payments the way the government can do that.

Now, this is a very diverse country, and it's somewhat-- my, certainly, especially working on the Hill is it's misleading, because our economy is so kind of universal. So, you'll land-- if you move-- you know, you can go to Alaska and you can go to Texas and you can go to Massachusetts and you'll see many of the same stores and you'll see many of the-- and you'll hear a little difference in the accent, but it's not real dialects that you really can't understand the people from Alaska.

I mean, it looks very homogenous, but it's very, very diverse in many ways. The mix of immigrants to non-immigrants, the ethnic-- you look in New England you'll see-- I mean, it's called New England for a reason. Lots of English, lots of Irish, lots of Scots. You look at Hawaii, it's all native Hawaiians, Japanese, Chinese-Americans. So, it's a very, very diverse country, and so how you-- when the government thinks that they can set prices in all of these different-- I mean, it is like the Eurozone problem. 300 million people.

So, you know, same thing. How do you set prices in Luxembourg versus Portugal versus-- and so it looks like-- and I don't think we're quite as diverse as Luxembourg versus Portugal, but it's very hard, and I don't think the government has done a very good job. And as you think about how these markets-- like, when you think about things like pharmaceuticals, where the price for a particular pharmaceutical can change on a daily basis, you know, I have a patent on whatever, I'm a large-- I charge 800 euros per dose.

Now, someone enters the market and has, again, a patented drug that does the same thing. He's not going to charge 800-- he's going to say "I'll charge 500 euros and take away all the market." So, if the government says they're willing to pay 800 euros, or, in this case, \$800, and they publish that once a year, they're-- it's terribly inefficient. They shouldn't be paying \$800 for the rest of the year. They should be going down to \$500, and then they should move over to whatever that-- because the goods that they're trying to purchase vary tremendously by geography, as well as by just kind of the market costs for doing these things.

Things come off-patent, things go, you know, new things are released, and how you do that. So, I think that when you look at the competition where you take different-- different private-sector entities, some that are national, but some that are very regional and even local, they just don't know their own local area and their own local markets, and they-- some are more expensive than others, but it has to do with things that we, would understand, like an oversupply of physicians.

And the government tends to be in trouble with an oversupply of physicians, because they just keep doing more and more things at the one, set government rate, whereas the private sector says, "If we have an oversupply of physicians, then you need to give me a discount to be covered by my plan. I can send patients to you, but not at \$50 an office visit. At \$35 an office visit I will send you all the business you can take."

So, it's that kind of a thing where, again, I think that there are just these things-- well, when you think about some of the stuff they've having to do now, there are some areas that are going to be partnerships, new technology, and some of the assessments that are necessary to know about new technology, the government is the only one with the resources to do that well.

But in terms of would you cover it, do you cover it right away, how much do you cover it, the government can use the smaller, private-sector entities as, in effect, laboratories. Okay, what happened when United covered the latest technology in diabetes? Did their patients really respond, or was it just more money with very few clinical outcomes?

So, there's-- it doesn't have to be war between the government and the market, in my opinion.

**Interviewer 2: Okay, so where did you find these ideas about the data concerning diversity, prices and information?**

Mostly through all these-- I mean, just my thinking evolved as I first started working on this for the Library of Congress at this group called the Congressional Research Service, and I was modeling this, and then, you know, often you have to do the data, then all the rhetoric drops away, because you say, "Well, no, but they didn't really pay more here, or they didn't really cost, you know, less than what, you know, the conventional wisdom."

So, you're trying to get back to your science base, and so then when I went to the commissions and wrote those papers, then I had to study very carefully sort of what were-- an argument had been made-- well, here's a good example.

An argument had been made for a long time that the way the government did in comparing Medicare to the federal employees, that it was like comparing common stocks to government bonds, that Medicare was like government bonds, that they were very stable, didn't change much year-to-year, but that they didn't-- they tended to cost more. Government bonds don't pay you as much, but if you put your money in the stock market and you have a lot of time, it goes up and down a lot, but that your 30-year yield is higher than if you had taken the same amount of money and put it-- so, the argument was made that the private sector and doing it by bidding and whatnot would be more volatile.

You might see an 8% raise one year, 0% the less. That kind of thing, as these markets sort of play out, but that, long term, the growth rate would be less than if you just simply let the government run it and it went along and just grew it at 5% a year, or, you know, GDP plus 2 or whatever. And up until 1997, that was true, until the market base-- I looked at that data. I was one of the guys who collected some of that data.

And-- so, you could look at that, and you could say, "Okay, that's a reasonable argument for a more market-based approach." Now, what happened in 1997 is the Congress came in and they cut Medicare very deeply, and they-- it's a good analytic example, because they cut doctors, hospitals, nursing homes-- we weren't doing drugs then, but it was sort of-- and they didn't properly account for the interactions, so there were sort of-- as if they were individual-- you know, this saved \$20 billion, this saved \$40 billion, and it turned out to save way more than they thought, because they hadn't thought about if you're cutting doctors, you won't see

as many more hospital admissions, so you're cutting-- and they had missed on the interactions.

That's the last time the United States had a surplus, was when they cut all that-- most of that-- three-quarters of that came out of Medicare, those savings. It almost killed our healthcare system, but-- so, what that meant was, as you look at the analytics, I could no longer make the argument that the market could deliver the same savings or the same slow growth rate.

I you think of all our countries in healthcare, we would like to get something closer to GDP, because GDP is what we can afford to spend on healthcare. So, nobody wants to be at GDP plus 2, maybe you could live with GDP plus 1, but you would really like to be at GDP, so that was the context of this argument. Who could get us to GDP?

And so before 1997, you could say the market seems to be doing better by about 1 full point. So, this was 6.5%, this was 5.5%. So, it was pretty good. When they-- when the Democrats came through and cut so-- it was more axe than scalpel, but people like me couldn't complain. I mean, it worked. It did slow the spending, and so now-- it has taken off again since, but it's quite clear-- like, when you see this fight going on in the United States right now, some of this is, you know, right versus left among health people, but there's these budget people who are much more bipartisan, and they get-- you know, they work together better, and what they want is to slow the growth of these programs.

So, if they can do it through the market, they'll do it through the market, and if they have to come in and just cut, they will just come in and just cut, as I think most European countries are seeing. You know, they see-- you can just cut. You may have riots on the street, but you can just cut.

So, that sort of is my thinking-- so, it was mostly coming out of a series of analyses that I did over the years, a disappointment to see how often good, well-trained researchers would let their own values creep into an analysis, do you know, where they sort of slipped from being an analyst in an area to being an advocate for an area.

I mean, I think it's one thing to do your research, do it cleanly, come up with certain conclusions that you've drawn from it, and then make an argument afterwards. But your research should not only ask the set of questions that will show up positive results for your agenda, and so that's a little-- because I think every-- most of the people that I can think of that I'm disappointed with, both Republicans and Democrats, you know, they come out of good institutions.

They were trained once, maybe 20, 30 years ago, but they learned philosophy of science, proper methodology, you know, where your values are appropriate and where they're not.

**Interviewer 2: And who were your allies and your opponents?**

Okay. Well, the allies just certainly were the idea that, as I said, when this point-- when I had done this work where I had sort of laid out how Medicare could be made more market-based, my allies at that point become mostly market-based Republicans who knew they wanted to move towards a more market-based approach but didn't have, really, a blueprint of how to do it.

**Interviewer 2: Did that include the Consensus Group? You know, from the Galen Institute?**

I know those guys. Those guys are a little-- they are very nice, and I've worked with some of them before and I really like them a lot. They're a little more conservative than I am. If you think of American politics as being sort of-- there's a real right wing and a real left wing, and then there's this big middle, I'm a little bit more in that big middle, not independent, but not as far to the right of--

**Interviewer 2: You can consult them, but you will not (inaudible) ideas to you?**

Yeah, and, like I say, I worked with, like, one of the fellows I don't know that you're going to talk to is a fellow named John Hoff.

**Interviewer 2: We're seeing him tomorrow at 10:00, no, the afternoon.**

Okay, so say hi for me. John-- you know, John, he used to work for me. I was an Assistant Secretary, he was one of my deputies. He is more conservative than I am, but we work together fairly well. I mean, there were times clearly he was frustrated with me because I was willing to move a little to the center more than he would have done, but there were times I was a little frustrated because he wanted to stay a little further right.

But he spent a lot of time in Paris.

**Interviewer 2: Yes, I met him in May.**

Okay, so, he should be, I would think, very helpful. You know, John is an attorney. There's another thing, just because we're all political scientists here. To a certain degree, I've seen this theme that runs through it, and I'd be interested to see whether you see it in French politics or other EU politics. Attorneys are trained to be advocates. Here's my hypothesis, you can see what you think.

Attorneys are trained to be advocates, not researchers. They are trained to make one set of arguments, and it's someone else's responsibility to make the other. So, sometimes when you're addressing one of these policy questions, there's just a very different way of-- I mean, I think people out of traditional sort of research communities, sort of the PhD types, okay, what are the pros, what are the cons, what are the strengths, what are the weaknesses, and you at least want to-- you may go forward with the policy anyway, but you want to know the weaknesses, because if nothing else, you want to be ready for the criticism you're going to get when you go forward.

I've found that-- and you just see tomorrow or this afternoon when you talk to John. John is a lawyer. John is an advocate.

**Interviewer 2: And--**

If you got arrested, call John. You know, you would want John there-- he would have you out in a minute. John is tough.

**Interviewer 2: I could (inaudible). Among your opponents, was it a small group around Hillary Clinton, maybe, or--**

It wasn't-- you know, that's an interesting point, because there's a lot of different people who-- I would say that if you're from the far right or the far left, it's harder to be bipartisan. Some are very good at it-- Senator Kennedy was perfect. I mean, he certainly got-- he just understood that he disagreed with his friends from the far right, but there was no sort of-- and he would argue, you know, passionately, but he didn't think that they somehow weren't real Americans because they wanted a market-based approach, so he was very good. Some of the people who have gotten, you know, on the far sides, have the hardest time going for it.

The other thing that I would say is, which I alluded to before, is what bothers me the most as a PhD is, people who would-- and these were the ones who I was more likely to kind of go to war against. People who would use their skills in data or analysis or whatnot not to have the best-informed decision but to simply make their point, and to beat up-- to use it as a debating technique, to sort of try to roll people who didn't have the same level of analytic training, to try to beat them down by saying, "No, you don't have the studies."

So, I felt that I had to go to war-- I had to step up there and say, "No, I read this literature, I've done this sort of stuff, I know how to build these kinds of models, and that's not how it-- that's maybe your takeaway from the literature, but no." So, those were the people I more went directly at.

The straight political, I understood them. I mean, that's the advantage-- I would say it's a great advantage to be a political scientist. Some of my economist friends were terribly frustrated. They just didn't get that sort of that's not their role. It's a democracy, it's a representative function, so it's going to be people Youngstown, Ohio, voted for you. It's not a meritocracy in these other senses of you've got a well-published, you know, CV that is going to move you forward and, you know, it's not a meritocracy, it's a democracy.

And therefore, you know, you look at the guy and say, "Who would ever vote for this idiot?"

**Interviewer 2: So, this is why they lose, because they tend to be too pretentious, in a way?**

Well, it's-- no, I think that-- what I see is it's more the burnout. What I see in my friends who are economists is that they will see something that is a political overriding of what they think is the most efficient policy, and you have to say, "Yes, but you need a consensus among the people." I mean, this is not just-- in Washington they say "Do X" and the whole country does X. The country has to sort of believe in X, or at least a good percentage of them, and so the fact that you have something that you think we should move forward on reform very quickly, but there's not agreement yet in the country, then you need to convince the country.

You can't criticize if some Senator from some state doesn't do what you wanted when the people in his state don't want him to do what you are putting forth. There's a little joke that I make sometimes, because at this point in my career, I get to sit on these advisory-- you know, Institute of Medicine panels and so forth, and it's that experts never get to declare martial law

in a democracy. It's not like we'll just turn it over to the PhDs, they will decide and tell us what we're going to do. People get elected. Nobody elected us.

**Interviewer 2: Can we quote this?**

Sure. You know, in a modern, pluralistic, representative democracy, the experts don't get to declare martial law. It just doesn't happen.

**Interviewer 2: Have you seen any motion in the last 20 years in terms of power and politics-- I mean, in terms of policies, healthcare policies and in terms of power inside the policy domain?**

Well, let me think about-- in terms of the policy, I mean, I think what we see is the same thing we've seen in the broader community, so the same way when you think about the kind of tools you could bring to bear are analytic tools, so the fact that now we have much faster computers, we have much better techniques, we have much better-- so, now it's-- there's things that we could never do in the past where you could actually, in that balance between what is sort of political and policy and what percentage of that is based on evidence and what percentage is-- we just have better evidence, faster access to evidence, we can say, you know, we don't have to guess about this, we can look at how spending changed over the last five years for, whatever, physicians.

And we can control for this and we can control for that. So, some of that in terms of this struggle, which is not a partisan struggle, but between the people who want to base it on evidence and data versus the people who want it more on philosophy, I see that that's-- not that always evidence and data wins, but they're in a stronger position to win more often, and it's a shared methodology across parties. So, you'll see-- you know, like I say, it's sort of orthogonal. There are data people who are to the right and the left, and there are non-data people in both parties, too.

**Interviewer 2: So, that means that it is less partisan?**

Not necessarily, because we can look at the same set of data and you can say, "I want to fix this problem--" we can agree on the problem, but-- and then you-- you know, I want to, okay, option 1 is a market-based approach, I'd like to try that, option 2 is a-- well, if you look at the compromise that was just reached here between the President and the Republicans.

So, they both wanted-- so, tax cuts, the Republicans, that's their preferred policy option to fix the economy. The President wants to do other things with unemployment insurance and things like that. So, the compromise was, "We'll try your options and we'll try my options, and we'll see-- you know, hopefully, some combination-- hopefully it will work." But it is that compromise of saying different people can agree on the problem and just approach it with different alternatives.

**Interviewer 2: So, but there's still two different ideologies fighting over--**

Yes, and I think it's more of a fight than it needs to be. For me, it basically comes down to are you more comfortable with using the market to make a change, or are you more comfortable using the government to make a change, and it shouldn't be-- there's nothing

mean or nasty about that, that's why if you're more comfortable with the government, you should be a Democrat. If you're more comfortable with the market, you should be a Republican.

If you are more comfortable with the market and you're a Democrat, you're going to be kind of frustrated a lot and vice versa. So, it's not-- you know, like I say, they're all good Americans, they're all pretty nice people. They are trying to bring their smartest people to hard problems, and we just disagree on things.

You know, it's like, have you ever had someone who keeps trying to make the same arguments over and over and you go, "I understand your argument, I just disagree with your point," and they keep thinking that if they explain it again and again and again, eventually, I mean, you just because you're getting tired and you'd like to go home, but, you know, it's that idea of thinking about how you--

**Interviewer 2: It looks like the Democrats are not so much, now, in favor of the government healthcare policy. They are closer now to the Republicans and the market?**

Well, and that is slightly-- that's a very positive thing here. So, here is one of the very positive things that is not much mentioned in American healthcare policy is that there are-- this approach that I'm talking about, this sort of hybrid approach where you use some government and some market, so, this is very much-- it was what President Clinton had as his underlying notion of how you would do this for the uninsured population.

It was how President Bush wanted to do it for the Medicare population. So, Medicare is our most government-run, and then we-- so, the same people who-- this model, there are plenty of moderate Republicans and moderate Democrats that like this model, and they may tweak it, you know, a little bit more government if you're a Democrat, a little less, you know, a little more market if you're a Republican, but that framework of sort of saying we don't want it to be either all government or all market, we want some government protections, like I say, you know, government-- if you're talking equity, you like government. If you're talking efficiency, probably markets.

If you would like-- you know, there are certain things you want to be sure you're fair on, other things you want to be sure you're efficient on. That's why you're going to get to GDP, so, you do that-- so, that's a very-- you'll see this model brought up by either party. They may apply it in different things.

One of my friends who is a Democrat said, "Well, we're willing to put up with all this competition in market-based in order to get the uninsured covered, but we've already got the Medicare people covered and so we want to stay with our government-run program for them."

So, it's that kind of a balance, but the fact that you'll find both-- I don't think you'll find anybody from the far left, but you'll find writers, academics, and sort of think-tank people from both the moderate, independent sort who are pretty comfortable with this kind of model and have been for a long time, probably since the early '90s. You'll see there are articles by Robert Rieschauer and Henry Aaron, who were both at the Brookings Institution at that time.

**Interviewer 2: Why does it happen only now?**

*W. Genieys, Operationalizing Programmatic Elite Research in America, OPERA : ANR-08-BLAN-0032.*

Well, it has to do with, again, building consensus and where people are. If you're a government-based guy, you're the Democrats, and you have the House, the Senate and the Presidency, you didn't really have to entertain an awful lot of market-based ideas. Now, I think, the voters sort of said they might want you to think about some market-based-- but, at that point, when you look at parties and politics-- I'm trying to think, but I don't know enough about French party politics, but sometimes the way the process works, it can draw you towards those poles, and so when you-- so, Mrs. Pelosi is not a hybrid-- I don't think she wants any market at all. She just thinks that the government should run it out of Baltimore, and 5000 federal employees will figure out what the prices should be in 3200 counties on 10,000 different items.

I mean, I have nothing against the people who-- the civil servants who run it, I just think they're being asked something that's just unrealistic, that they could come up with a set of formulas that could handle that much variation. I wouldn't want to try and come up with that.

**Interviewer 2: Okay, and in terms of power, but not only power, influence of actors, influence in terms of ideas, also in terms of decision-making, have you seen any evolution?**

I have seen some evolution. It's-- like I say, you will see this permeation of analysis, so even when you think of things like lobbying, it's now not enough for a lobbyist to go in and make a persuasive argument and take someone to a football game or make a campaign contribution, because you know now that even if you went forward and you agreed with the lobbyist and you put whatever they asked you to into the next bill, it's going to go to the Congressional Budget Office, and they are liable to say "\$100 million every year for the next--" and so even the lobbyists have become more analytic.

They need their own-- the best lobbyist I ever saw was a fellow from one of the major American drug companies, and they were talking about doing a drug benefit-- some changes to a drug benefit for our program for the poor, our Medicaid program, and he came in and he had studied what the Senator who I worked for was in favor of, so he knew what his goals were, and he had put together four options for the Senator that all matches his goals, but, of course, all fours did not hurt his drug company either, but he had had people who used to work for CBO model it for him. He had people who used to work on the tax committee staff do what the tax effects would be, so it was like a beautiful piece of analysis.

Here are your three goals as we understand them, just tell us if we've got them wrong, but here is option one through four. They will all meet your three goals, but this is a little stronger on your goal one or goal two. You knew, without them saying, none of these were going to hurt the company, but then here's what it will cost, here's what we think CBO will tell us it will cost, here's how the language should be-- so, it was very-- it was a very complete analysis.

Now, he threw it out because he was sort of saying, "No, we'll do our own analysis and we'll draft our own legislation, we're not going to let you," but it was probably more influential, mostly because of the arguments that were made in it, in terms of just thinking through design. If you do it this way, you have this strength, but then you can't, you know, you don't get things back. So, it was a very-- it was not the stereotype that you see in the movies. It

was a very sophisticated set of analyses that were-- and, candidly, were much more persuasive than when people would come in with the old style with, "Oh, remember when we went to the football game," you know, what has that got to do with the legislation. Nobody changes their vote because you buy them lunch. You know, that's just on TV.

So, it's that sort of stuff where you see more and more-- there's better information, there's better data, so the analysis, so I like that. I like that the analytic aspects are on the ascendancy. Now, in terms of when you talk about the politics, I don't know that it has changed tremendously in that sense.

The major stakeholders are always important to talk to, and you don't want to be too cynical about it, because you always learn something from them, so you want to take it with the right grain of salt, but you do want to-- in fact, one of the things that the President has made mistakes on is that you can see-- and he's fixing them, I'll give him credit for that. I'm not his biggest fan, as you might imagine, but he's a smart guy, and he's trying very hard.

But, like, he got into trouble with healthcare reform, because he said, "But I used Republican ideas." Well, but he didn't ask the Republicans whether those were the ideas that he-- he didn't really sit down with the Republicans. Last week when we did this tax thing and he sat down with the Republicans and said, "Okay, here are the four or five things I really want to accomplish, what are your four or five," and they prioritized and negotiated it out, not to say I'm going to take a Democratic proposal and then I'll sprinkle a few Republican ideas on it like sugar on the cake and say-- and call it bipartisan. That's not-- your opponents are too smart and too well-armed to-- for that to fly.

**Interviewer 2: And was there an individual important during these last 20 years, or are people changing and moving, or--**

I think that there are some people who have been mostly members of Congress who have been very influential over the last 20 years. I would think Senator Moynihan. Senator Roth spent more time worrying about taxes. Senator Kennedy was certainly very influential. This fellow Bill Thomas did not get much press, but you see his mark on lots of-- certainly in Medicare, and then he also went on, when he became Chairman of the Ways and Means Committee into tax policy.

So, again-- that's-- but that's what you don't see. So, if you think about kind of the skill set that you would need to be very influential as an elite, he's probably a good example. A somewhat difficult man to get along with, a little bit of a temper, but very well trained as an empirical sort of-- he was a very well-trained political scientist who then took that and was a very effective politician, and so-- he could dominate both in terms of-- on the analytic component of things, and he could dominate in terms of just top, hard politics, and the combination of the two meant that he was very successful at getting what he wanted passed, and for the most part, it was very well-designed, because he was like his own--

I don't know that it would have been much fun to work for him. I did a little bit on this one-year commission that I talked about, but you were just sort of filling in-- he laid out the big design. You were kind of carrying his-- you were just implementing his ideas.

**Interviewer 2: You are talking about Bill Thomas?**

*W. Genieys, Operationalizing Programmatic Elite Research in America, OPERA : ANR-08-BLAN-0032.*

Bill Thomas, who is now at AEI, American Enterprise Institute, who you might want to talk to if you get a chance.

**Interviewer 1: (inaudible) politicians?**

Well, yeah. Well--

**Interviewer 1: In the technocratic elite, or--**

Oh, in the technocratic elite?

**Interviewer 1: Yeah.**

Let's see. Yeah, well, you already talked to Bill Scanlon, didn't you? William Scanlon?

**Interviewer 1: Yes.**

So, he was the chief health person at this one group called the General Accounting, or GAO, Government Accountability. He is very influential, I'm sure he didn't tell you he was very influential.

**Interviewer 2: William Scanlon?**

Lot of Irish. You have to watch out here in the United States. So, he was very-- he was both the head of this organization for the Congress, and then he was also on this Medicare payment advisory commission. He also now sits on what's called the National Committee for Health and Vital Statistics, which is very important in terms of health information technology, privacy, a number of different issues. Very soft-spoken, as I think you've already talked with him.

**Interviewer 2: And inside maybe the HHS?**

Inside the HHS, in terms of the technocrats? There is one fellow who sticks out, and I don't know if you want to call him influential or not. So, there's a chief actuary. His name is Rick Foster, he is an old friend of mine, and he has a very strong feeling about the independence of his office, and so during the Medicare drug debate, there was quite a controversy here because he took the-- he was making the estimates, he was doing the modeling of what the various proposals would cost, who would be helped, who would be hurt, how much it would cost, and he was doing it for the Secretary of HHS, and he decided that it was his responsibility to release it to the Congress, and the Secretary of HHS disagreed with that.

If you think about what we do in terms of analytic policy work, there is some part that is very similar to outside research. You've collected your data, you've done your study, you're following the trend, is it up, is it down, that's totally public domain. But when you move into something where, let's say, either the Chairman of one of the Congressional committees, if you work for them or the Secretary of HHS says "I need four options of how I can move forward on the uninsured," if he goes through and you do it and you talk pluses and minuses, you know, the sort of analysis I think you should do, you know, nice, rigorous, could hold up

to peer review if it ever needed to, that kind of level of sophistication-- if he picks option 2, he's not going to want options 1, 3 and 4 published in a journal six months later.

It's a confidential advice role, and the Chief Actuary decided that that was not appropriate, that he should be able to say-- in that case, it was a situation where, if you know about this kind of modeling, Actuaries use different techniques than econometricians. Actuaries techniques are much closer to straight statistical than econometric modeling.

So, the Congressional Budget Office, which uses mostly econometric or other economic financial analysis, they came up with saying this thing was going to be \$400 billion over ten years. Well, the actuaries under Rick Foster, who is the Chief Actuary for the Medicare program said, "No, it was more like \$543 billion." So, significantly more expensive.

The official agency that decides these things, because it was part of a bill being debated, the Congressional Budget Office, there is no-- they are the official scorekeepers for this thing. So, his boss told him not to release it into the public, that the people who were supposed to do this said \$400 billion, and the fact that he said \$534 billion or whatever was interesting for an in-house discussion and to talk to the Secretary about, but not necessarily-- should not-- and he decided no, and he released it to the Congress.

So, the opponents of the bill said, "Oh, no, he must be right. The Congressional budget must be wrong." So, needless to say, there was about a year there where I think I was the only Republican political appointee who spoke to the guy because if nothing else, nobody wanted-- if this was a guy who talked to Congress all the time about things, you weren't going to say anything that you didn't want repeated in front of him.

So, it was sort of-- and they had hearings about it and what did you really think, and it came to actuaries and economists use different techniques, and two separate people analyzing the same sets of things using basically the same data but different assumptions come up with different things.

So, the used the Congressional Budget Office. So, now healthcare reform comes around. Now, it's the Republicans in Congress and the Democrats in the White House. He does the same thing again, so the Congressional Budget Office says, whatever \$800 billion for healthcare? He says, "No, \$1.1 trillion," or something like that. So, is he influential? Yes, he gets lots of headlines.

And, in this country, you get more attention from the media by the sort of big explosion than you do solid, quiet analysis. Is he really influential? At this point, I don't know that the-- it's sort of just-- it's just flipped around. Now, the Democrats are afraid to say things in front of him.

But is he the one most quoted if you do a reference of American media? Will you see-- of the people who work on these sorts of issues, yeah, I think you'll probably find him the one that you're going to find the most citations.

**Interviewer 2: And is he a civil servant?**

Yes, he's a civil servant, a very senior civil servant.

**Interviewer 2: So, would you say that civil servant has as much influence as--**

Nowhere near as much influence as-- not like Europe, you know, not like where you will see a General Secretary or something like that. When you come in, in the United States, and this is, I think, a question again in a straight political science question about how much do you want from one administration to another, how much change do you want to see and how fast do you want to see it.

So, when I came in, like I said, I had an office of 125 people, 125 civil servants, but I had five political appointees under me, so it wasn't just what I think of as the European model, you know, one minister and then everybody, it was me, and I had a whole team that I could hire and I could recruit. So, it meant my influence over changing the way things were done in that agency were much more profound, because I brought in my own team, it wasn't just me.

A little bit of that-- because our civil servants are very good. Not-- as you can tell, when I went through this, I was a civil servant for a very long time, but it also meant-- there are also ways civil servants deal with political.

Yes?

Unidentified Participant: Are you going downtown to the meeting today?

I am. Is it-- are we close? What time is it?

Unidentified Participant: We're leaving at 12:30.

And what time is it now?

Unidentified Participant: 12:30.

Okay, well, I'll be coming along in a minute then.

Unidentified Participant: Okay, we're down in the lobby.

Well, you should go ahead. I'll meet you down there.

Unidentified Participant: Okay.

Sorry about that. So, there is that idea of civil servants, I think, in every country. Do you remember the old British sitcom about "Yes, Prime Minister?" It's a great one. If you get a chance to-- if you get any old BBC on the web, take a look at it, and it's just sort of how they-- I mean, there are very good civil servants, but they sort of lead the political appointee by the nose, and here we don't-- that's not what we-- we have good civil servants. Being a civil servant you are well-protected in terms of, you know, from partisan whatever, and you're not told to change your results because the Republicans are in or the Democrats are in. It's a good civil service.

But at the top of the-- well, this is the way I would explain it to my guys, because they were all analysts. You do your best. Whether you are a Democrat or Republican is your business. You vote for who you want to when it's election day. You do the most professional job you can, and there is a wall here, between the political appointees and the civil servants. In the civil servants, I expect the most professional job they can, and then to turn those results over to the political appointees.

You may or may not agree with the policy decision that the political appointees make based on that analysis, but that still has to be your very best unbiased analysis of what you've got, and then-- but then I try to tell them, when parties change and the new guys come in, you are not going to be in any way vulnerable, because you didn't get too close to the Republicans or, vice versa, get too close to the Democrats.

I knew, as a Republican, that when the Democrats get very-- and, like I say, you will meet Sherry, she is very nice, but if you she had some civil servant who was, in effect, kind of a-- had gotten too close to the Republicans, I think she would figure out some way to get rid of him. I mean, you can't have that. She would have to send them to another agency or figure out some other way to do it.

So, it is a very different thing there, and you can see that how things can change, and your ability when you come in from-- when you are part of the new party, and you are expected to change things. That's what the President promised on the campaign, and they get cynical on TV about it, but Presidents take it very seriously if they promise something on the campaign and you don't do it. You may not have your job much longer.

**Interviewer 2: I see. We don't want to be too late. You have a meeting.**

Well, (inaudible). But we should probably wrap up, yes, I have to get downtown.

**Interviewer 2: Okay, so, maybe just two last questions.**

Sure.

**Interviewer 2: One about the link between the HHS and the White House. What are the relationships between the two?**

Well, they are both kind of collegial and competitive. I think a strong secretary wants to have their own portfolio and not simply be the implementer of what the White House wants. I've worked for one strong and one not as strong Secretary, and the Secretary who was very strong kept kind of-- you know, it was like this, and he made sure that I knew who I worked for, that I did not work for the White House, but I worked for him. I was the one who had hired him.

But, when I went for a job like I had, I was interviewed by the Secretary, I was interviewed by the White House, the kind of policy people, and then I was also interviewed by the-- they have like a White House office of personnel, and so that sort of-- political litmus tests, things like that.

You know, "Are you a party member?" you know, you're not a closet Democrat trying to take a position in a Republican administration. So, the selection of people tends to be joint. You

can ask Sherry what it was for her, but I would guess it's the same kind of thing, and you have to be, to a certain degree, a known quantity. It's not that you send in a CV and then they pick you. I mean, part of it is, when you think about these sort of things, I would say that much of the things that I have seen with political appointees in the United States is that it's a combination of-- the two big dimensions are your confidence and whether they trust you or not.

So, like, I remember being a civil servant and thinking, you know, why did they bring in this guy. He's not that smart, I mean, he's okay, but he's not the smartest lawyer, or he's not the best guy, and what I realized was that he was somebody they had worked with for years, they trusted. They maybe weren't going to get the most brilliant innovation out of this guy, but you weren't going to get any ugly surprises out of him either.

So, trust is very-- trust is a very important currency, I would guess in all political systems, but certainly in this one. People who go back on their word don't do very well.

**Interviewer 2: So, you and some political appointees work for the White House, and some work for the Secretary?**

Yes. Just-- the Secretary of State is, of course, our foreign minister, the Secretary of HHS, Health and Human Services, Secretary of Labor, you know, so it's minister.

**Interviewer 2: But when you're a political appointee in the HHS, who do you work for?**

The Secretary.

**Interviewer 2: Okay, so when did you say that one of the Secretaries that you had was much stronger than the other?**

Well, because it depends on how much the White House can tell you what to do. I mean, the Secretary-- when I worked for the stronger Secretary, he would say-- well, let's say he liked the uninsured. Now, the Republicans didn't end up doing anything on the uninsured, but he would say we'll come up with the options and we'll bring them over and we'll present them to the President, and the White House staff would say, "Well, we need to see them first." And he would say, "If they're done in time for you to take a look at them before we show them to the President, that's okay."

But he wasn't going to imply like somehow they could say, "No, you can't say this to the President." He had been a governor, the President had been a governor, they had been peers, and if he wanted to take an idea to his friend George, he was taking an idea to his-- and some-- I forget what he called them, but it wasn't a very nice name, in the West Wing of the White House who didn't like it, tough, whereas other Secretaries would be much more likely to-- you know, they had reviewed, and they were comfortable, and things like that.

So, it depends on how competitive you're going to be. But, if you look at the Bush Administration, you know, we had very strong Secretaries in that first term. Colin Powell, this guy Tommy Thompson, you know, a number of them. Treasury Secretary, I'm blanking on his name, but in the second term, they replaced them with people who were not as individualistic, let's say.

I mean, Condoleezza Rice was a tremendously competent person, but not Colin Powell, you know, not that kind of a leader on their own right, rather than somebody who is very good at making sure the President's policies get implemented.

**Interviewer 2: And the last-- the very last question, we have a hypothesis that there is something like a state (inaudible) during the last 20 years-- not just state, but central government of states (inaudible) is back in terms of the policy (inaudible), so would you agree with that?**

I think that states have always-- I have not noticed a change there. The federal government and the states in a number of programs were sort of at war. The states figured out a way to basically-- what the federal government thought was to cheat the federal government. Figured out how it was supposed to be 50/50 state/federal, and they would figure out little ways to really turn it into 60% federal, 40%. So, there was a bad feeling there.

But, governors have always been very, very powerful in this discussion. You will see on different health bills, especially if it's in some of the bigger states, you will see that the California, the Senators and the Congressmen will meet together across both parties for just what is pro-California, especially these days, when they are so poor, or have spent too much, however you want to think about.

But it's sort of-- so, no, I think that the nature of federalism in the United States is that these people will always have a fair amount of influence, and like I say, I think the relationship is a little better. It tends to be a little tougher in-- the states do better in Republican, simply because Republican notions-- they have a concern about big government, and so if they are going to do something through a government, they would prefer to do it through a state government than the federal government.

And when the Democrats come in, there are certain things-- you know, like, we run Medicare totally federal, and it's one benefit package, everyone in the country, whereas Medicaid is run at the state level and it varies. So, some of the Democrats have wanted to take Medicaid and make it more like Medicare, run it through the feds, you know, have it-- you don't get more generous benefits in New York than you get in Mississippi.

You know, that bothers their political-- and it's that interaction between what you are considering as an equity question and what do you consider is an appropriate role for federalism, but I would argue that the diversity of the country is such that that federalism allows, you know, you can have a core value, but you can have these variation-- you know, sort of the Florida version and the Alaska version, and it allows for greater consensus, although not equity.

It does mean you get different benefits if you're in Florida than you're in Minnesota, and, you know, it just is your political preference.

**Interviewer 2: Okay, so, (inaudible). Thank you very much.**

**Interviewer 1: Thank you very much.**

And as you know, I need to get downtown. So, anyway, I wanted to ask you, though, are you heading back--