

Programme OPERA – ENTRETIENS

Entretien – santé n°34

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Interviewer: We were very interested in meeting with you because of your involvement in the field of health policy, at the OMB, CBO. We would like to gather your views about health care policies and politics.

Responder: OK. It is a complicated subject as you know. It is more complicated here as in France.

I: Why?

R: There is a struggle here for a very long time between the private and the public. Until now there has never been a National health care system. Now we are sort of reaching to it. But preserving most of the employer-based health insurance.

I: Would you be in favor of a national health care system?

R: I am going back and forth on that. In principle, yes, if we could manage it well. I am not sure we could. We are a very large diverse country. Without the centralization that you traditionally have in France since you centralized health care and also school system, we should not do it. And it has not been part of our tradition. Now, we do a part of our health care by a national system: Medicare. It is the single payer system. It works very well. It works through private providers and insurance companies but the bills are federal. Doing that for the whole system has always seemed to very daunting. I am not sure it would. Medicare in fact is not nearly as efficient as it could be because of political opposition to make it more efficient.

I: How would you make it more efficient?

R: It is a fee-for-service system. There is no incentive for economize or group practices. The fashionable term now is the Accountable Care Organization. There are a lot of different terms for this, but the meanings is that a group of doctors and other providers are responsible for their patients. We have such things in the US. The most famous is Kaiser Permanent. It has been going on for decade, mostly on the West Coast. There are more efficient; but there are not especially popular and there is not incentive in Medicare to join such a group. Efforts made by organizations like Kaiser or for instance Geisinger to control the hospitalization, to

keep out of hospital as much as possible, to lower the costs are not required under Medicare. There are optional.

I: I thought that the BBA, which was passed under a Republican majority, had done something like that...

R: Well. There is something called the “Medicare advantage” that was a Republican idea. It was sort of these ideas but it has turned to be more expensive than Medicare because it has been quite heavily subsidized.

Are you interested in my personal views or in how the policy system works?

I: We would like to gather your views about your experience in CBO or OMB. You were at the head of the OMB in 1993...

R: President Clinton campaigned heavily on health reform, stressing covering everybody with health insurance and health security. The slogan was “health care that cannot be taken away” or something like that. Even before he was inaugurated, []. I was coming into the OMB. Health care was not my primary responsibility. President Clinton put Hillary in charge of developing the health reform and to gather the higher consultants, Ira Magaziner, who I have worked before and who was a sort of business consultant. Ira set up a very [aliberate] process involving a lot of experts, inside and outside the government. I was one of those but I was not in charge of it. This [rather liberal] process began with a lot of meetings and decisions. For several months, the economic team within the administration [] was worried about that because we thought that it was rather over-liberate. Not only the process was over-liberate, but the plan was maybe too ambitious or too liberate. But Ira and his team, and Hillary, had a pretty clear idea of what they wanted. The result was not very different from what has passed now. One of the most important decisions you have to make on health care in the US is, because most people get their insurance through their employer: “do you want to add to it or replace it?” Both, Clinton and Obama made the decision that replacing it was too radical. 70% of the population had their insurance from their employers. The plan that Clinton came up with preserved the employer held, the employer supply insurance, mandated the employers either to provide insurance – what most of them did – or to pay for a fund. It was called play or pay. The fund would be used to subsidize people who did not have insurance. Insurance market would be reformed so that people would have access to a choice of private plans with government subsidies. The market place of this big – we called it the Alliances[], the Obama administration calls it an exchange but it is exactly the same idea – alliances were made to provide a choice of plans that people could easily choose from.

One of the problems was that at the time we were very focused on bringing the budget deficit down. So we were unwilling to spend a lot of extra money. The real presumption of the Clinton plan was that over time, over a short period of time, there would be savings from the various reforms in the plan. So that the new subsidies for the people who would be newly covered could be paid from it. That was never realistic in the short run I think. One of the problems I think is that we were trying to do health care on the cheap and not to recognize that it would cost money to cover millions of people. Anyway, the plan was very complicated: it has a lot of things that would work, money saving things, foster competition. I think that it could have worked, even if it would have cost more than what said the administration, but it did not pass the Congress. About a year was consumed to try to convince the Congress but at

the end, it failed. It was not the end. There were other attempts during the Clinton presidency to increase the health care availability, especially for children. The program is called S-CHIP. It was the product of that. But it was a joined state-federal program, like Medicaid. It expanded the coverage to a very large number of children. So it was a positive stuff. But the national failed and was not picked up again until the Obama administration.

I: The role of Ira Magaziner and of the economic advisers is well known. But the role of the OMB and of the Budgetary team?

R: We were part of it: we are at all the task force meetings and a lot of my staff were in task force. We did a part of the analysis. The health department – the health and human services – was also heavily involved. They already run very big programs, Medicare and Medicaid. So they were involved, we were involved. It is not easy to describe because the ultimate decisions were made by the President but the recommendations came from teams of people and we were included in them. I was always in senior meetings that included the President, the secretary of HHS, the secretary of treasury, and some other people.

I: Did the different administrations easily agree? Or was it sometimes difficult between them?

R: It was sometimes difficult but the discussions were sort of organized for the President by the First Lady and Ira Magaziner. There was an excess of expertise. Too many people.

I: The task force stopped in summer or fall 1993...

R: When you read about the task force it is always presented as an entity. But it was a series of meetings and I am not sure what was named by the task force.

I: Why?

R: Because I don't think it existed! It was a lot of subgroups. I am not even sure what was called the task force.

I: I also have a question about the ideas that OMB supported. You said that you were worried about the costs. Did the OMB supported specific provisions?

R: But how to do something and what were the costs was part of the issue. But there were no OMB plan. We were all working on this large group.

I: You were trying to pay attention to the budgetary issues, whereas other were more talking about the benefits, or?

R: I would be nice if it was possible; but you know, benefits have costs and it is impossible to separate them, to talk about benefits and then about costs. The benefits' structure determine the costs and it was always pushed back to how much we can afford.

I: You had to decide between different plans...

R: Between different versions of the same plan.

I: Do you remember which version you opposed, from a financial point of view?

R: One set of issues that we worried a lot about : what the rules would be for people who had employer-based coverage, and for the employers. If the subsidies were too generous, there would be an incentive for companies to drop down their insurance. It has been an issue in the Obama plan as well. One of issues that we analyzed was: how many would keep their plan? How many would drop their plan? Depending on what the subsidies was. Another question was about the mandate: what did the mandate mean.

At that time, we were talking about employer mandate: the idea that employers have either to provide insurance to a certain standard – and the question was what level of standard – or pay into the fund. One of the issue was to structure that and not to discourage too many employers that would say: “well, I will pay to the fund.” Because that would have to be more disrupted. Then there were other issues: How the new subsidies would fit with the Medicaid program, which is already subsidized for low-income people. And also for other special health programs, for Indian for instance.

I: The OMB works for the implementation. So you were concerned with the concrete working of the plan...?

R: The OMB does not directly implement but we are concerned with how concretely it would work.

I: It is maybe why you think there were too many experts...

R: No! I think there were too many experts because there were too many experts. It has been a widely criticized sense and the Obama administration did not make this mistake again to bring a large number of people to consult, and so forth.

I: How you explain why the reform passed this time and not in 1994? And how would you explain the strong similarities between the two reforms?

R: There are very strong similarities in the two plans; but that goes back to what I was talking about at the beginning when you asked about a national plan. Both administrations made the decision very early that they would not go to a European type of single payer plan; that they would stake with employer-based insurance and try to fill in the cracks for people who did not have one. The other decision was not to change the Medicare program. Older people have Medicare program, they like it, it may not be very efficient, but it is there! It seems a too big step to try to fold it in, so they did not. Pretty much they left the Medicaid program alone too. Eventually, if the Clinton had passed, Medicaid would probably have fails out but it did not passed. So we cannot have any idea of what it would have been. Once you decide these things and that you want a market place for insurance, then you have a basic structure that is the same in both plans.

The main difference is about how you handle the mandate, how you make people buy insurance. The Clinton plan was based on an employer mandate to offer insurance. You did not have to buy insurance but you have to be offered. The idea of exchanges and subsidies was to make insurance affordable for people who did not have insurance through their employer. The Obama plan went a different way. They said: instead of having a mandate on employers, we will mandate on individuals. Every body has to buy insurance. We have to

reform the market place so they actually can buy it at a price they can afford. By the time the Obama plan was being crafted, we actually had an example of a state, Massachusetts, which have done it in similar working. I think this is a big thing.

Why the Obama plan passed, although with great difficulties, and the Clinton plan did not... I think because the Obama administration was more clever in negotiating with the opponents. When the Clinton plan was formed, there was a big effort to bring the insurance companies, the doctors, the hospitals together. At the beginning. And they were part of this task force effort. All of these have sent experts. But at the end, the insurance companies thought that they could only lose. They opposed it very strongly and efficiently. They had the television, ridiculing the plan and making it over ridiculous and complicated. Since the plan was complicated, it was easy to make it sound even more complicated. There was a famous series and add, called Harry and Louise, talking about how terrible it would be and how people would lose their coverage. They were quite unfair but they were very very effective and very well funded by the insurance industry. The Obama administration knew that and they got the insurance industry, the hospitals and everybody to try to find a deal. We really need you to be part of this; what do you take to get your support? They succeeded fairly well. The opposition came from some providers who thought the might loose, but not from hospitals because hospitals thought that would have enough new patients that they would actually benefit. The insurance companies behaved better. There was some opposition but not as effective as during the first round. Democrats had a better majority in Congress. So they were able to pass it. They had to do some compromise to do it but the compromises were with the conservative Democrats, whereas the Republicans. They tried. Now the Republicans say: "they did not listen to us". That is really not true. Obama made an enormous effort at the beginning to meet with the Republicans, to bring them in. There were some Republican who were working with Democrats but at the end, the Republicans decided that they just would not go on. They thought "if their views become unpopular, that will be good for us".

I: In terms of actors, would you say that the fact that many people who worked for the Clinton reform came back in the government of the Obama reform matters? To explain the success: the continuity between the actors, and the policy learning?

R: I think that it was both an advantage and an disadvantage. It is true that there were a lot of people who wer in the Obama administration who had been in the Clinton administration. Many were not in the same kind of job. Peter Orzag who is now the Budget director was in the Treasury in the Clinton administration. He was not on health care at all. In the mid-term, he had been the CBO director and he realized that health care was going to come back as an issue and his staff in CBO did a lot of analytical work on options and alternatives, and so on, and hired very good people. So the CBO would be ready when the health care reform came. Then Peter orzag went to OMB, taking with him a lot of analysis and knowledge that he had got when he was there. Peter played an important role in this but I do not think that it is significant that he had been in the Clinton administration. He was very young and I do not think that he was involved in health care.

Nancy Ann De Parle is a different case. She worked for me at the OMB in the Clinton administration. We was in the HHS but during the health care debate, she was one of my important people in this task force thing. She is a very good health analyst and very skilled person and I thank that she learned a lot both from that experience and from when she was

administrator of Medicare and Medicaid in the Clinton administration. So she was an important part of the team.

I: Why did you say that it was also a disadvantage?

R: Because, again, there were too many policy analysts getting into the complexity of the analyses: “if you do this, it will cost more, if you do that it will cost less”. Twicking the plan rather than understanding the public view and trying to explain it to the public. I don’t think that Obama has a very used ability to explain the plan. It happened also under Clinton. When you do a poll and you ask people if they are in favor of health reform or universal coverage, they say “yes”. But then, when they hear the deatails, how it is complicated and that they might losse their health coverage or have to change it in some way, they back off. It happened twice, under the Clinton and the Obama administration. Under Clinton, the polls were very strong, everybody was for health care reform. Yet Republican were able to make this plan sound although it were a big complex and governmental thing, a nd people were going to be detected where you get your health care. Which was not really true. But the administration did not explain what they were trying to do. And Obama neither and I think that they learned the wrong lesson.

During the Clinton administration, the initiative was in the White House. There were communication with the Congress and other important groups, business groups and consumers groups. But the perception was: the bill was written in the White House and then sent up to Capitol Hill, ant that is the reason why it failed. I don’t think that is why it failed. But the Obama people learned that it was te reason why it failed. So they said: We won’t do that. We are going to sketch out some general guide lines, which were rufely the same as the Clinton administration had (except with this emphasis on the individual mandate). We will make the Congress having the input on this, so it won’t be felt that the administration has imposed it as well. Because of the structure, they handled it with two different bills. The House, which is much more left-wing than the Senate, had a much more expensive plan and a plan with a public option in it. The Senate had a less expensive plan and more actually like the Clinton plan. They couldn’t of course agree. The fact that they were not very different in the structure was because the Obama administration was working with both alone. But that was not apparent and the Republicans began saying: we don’t have any saying in this process; and they became close to the reliant, uncomfortably close. Then, they were this finance [get over]. They got the bill through the Senate with the necessary votes. The House had to accept the Senate bill even though many of the left did no want to. They wanted a more generous bill but they did not even have the choice. They did have a chance to change it a little bit but not very much because anything that the moved to the left was not likely to pass in the Senate.

I: How do you see the evolution of the White House on the long run? Is there an evolution or not?

R: My guess is that it has [] again. It was swiing back. The next administration should take a stronger hand. That is the lesson they learned from Obama. He almost lost the bill because he did not kept a tight control on it. I hope they learned the lesson that you need to educate and explain what you are doing.

I: It is maybe what there are trying to do currently with the law on the regulation of the banks?

R: Yes, maybe. But they have an advantage on this bill that the country is very angry on the banks.

I: Did you do something during the Obama reform?

R: I was not very involved. I talked to people who I know: Nancy Ann De Parle and Peter Orzag.

I: What do you mean by “talking to”? Do you mean “sharing ideas”, “writing something for them”?

R: No, I was really not involved in it. I am much more active on the moment on the financial bill. I have testified several times on the financial reform. I did not testified on the health care reform.

I: Why?

R: You can't do everything.

I: Do you prefer now to work on financial issues than on health policy issues?

R: It was not this kind of decision. There are a lot of people now working on health care issues. After I worked for the Federal reserve, it was a natural thing to do. And I worked a lot on the budget itself. I am very involved in that but not so much on the health care part.

I: I would like to know more about your experience of the founding director of the CBO, if you agree.

R: That goes back to a long way; to 1975. The Budget Act was in 1974 and was a major piece of legislation that changed the way that Congress makes the budget. Before that, there was no budget committees. It is hard to understand how they worked that way but they did. The legislation in 1974 set up the budget committees and the CBO and I was asked to start it. It was a very exciting thing to do. It was difficult in the sense that not everybody agreed that it should be a Congressional budget office and it was somewhat frightening to the existing staffs and committees. It is always like that. But we started to work. I was responsible to the whole Congress but especially to the budget committees. They had strong bipartisan leadership, especially in the Senate.

Having a non partisan organization is a strange animal in a very political environment like Capitol Hill. But we were able to have a non partisan group. I thought it was very important to have very good analysts and we hired very good people. I wrote something recently about this, which I could give you. Just last month, I was in Budapest. The Hungarians have a budget deficit like everybody else. In 2008, they decided to have an independent financial commission. Basically, they are trying to do something similar to the CBO. They organized an international conference and asked me to give an introduction. It goes through the history and why I think that it succeeded.

I: I have a question about the Brookings Institution, since you have worked here for a very long time. Do you see an evolution of this institution between when you started to work in the 1960s and today?

R: It is bigger! No so much but there are more staffs. I don't think that Brookings has changed so much as the whole world has changed. At that time, there were very few think tanks. Brookings has been around for a long time. It was founded in the 1870 or 80s. It was already an established institution and it was sort of the only one! Since there have been all the other thin tanks, the Heritage Foundation, the AEI, the progressive policy Institute, the dozens of smaller institutes. Then the other thing that has changed is the media. In the old days, we wrote books and articles and occasionally did interviews on the radio or television, but only occasionally. Today, the media is everything. Not only is there a lot of exposure on television and radio, but there are all the other media, electronic media, we blog, we putter (?). I don't putter, occasionally I blog. All the institutions are doing all the other things. And fewer books and article. Less paper. A lot of people think that it is a loss; that the pace is too fast and that nobody takes two years on a subject to really think about it. I have not written books recently. But in a sense, the books are a kind of excuse for media appearances and the articles. Books are shorter than they used to be.

I: Is the expertise less deep?

R: Some people say that. I think that it is probably right. On the other hand, you can do a lot of very good empirical research now faster, thanks to Internet and the computational capacities of the computer. I wrote my doctor dissertation on a simulation macro model. It was pretty primitive by today standards and it took so long to do the computation. We had computers but they were very slow. Some of simulations took days; now it takes one seconde! The capacities are enormous. So I think that there is better research now but undoubtedly, it is different.

I: Do you think that there are more connections between Brookings and the political world today? Or less?

R: No. The reason why Brookings was established in Washington and not somewhere else is its objectives with policymakers, both in executive branch and Congress.

I: With one party more than another?

R: It has always been bipartisan.

I: So you think today it is still bipartisan?

R: Well. It depends. There are more Democrats here than Republicans. Most of the time I have been associated with Democrats. I think that it was true much earlier, like in the 1930s. It was more a conservative force. Brookings thinks of itself as centrist and non partisan. In contrast to the Heritage Foundation, which is conservative and Republican, and on the other side, the Progressive policy Institute, which is liberal and democrat. We [impract] very hard to be in the middle.

I: Do you think that it is very useful for the nation to have neutral think tanks?

R: I do.

I: Why?

R: Because I think that most of the policies that we have to undertake at the present time like health care reform, like financial reform, need a bipartisan support to succeed. That is one of the risks with the Obama health care reform that it did not get any Republican. In the case of the financial law, my guess is that they will have some kinds of compromises during the debate and at the end there will be a pretty broad bipartisan support for the final bill. It is a guess. The reason why I am worried about health care is that they did not get any Republicans. It would have been much more secure to get some.

I: It is maybe more and more difficult to get the support of the opponents?

R: It seems so. The politics is become more and more partisan. But from a policy point of view, it makes no sense and if you come from France, it must make even less sense. The Massachusetts plan, which the Obama administration is modeled, was proposed by governor Romney, who is Republican. It was passed by bipartisan votes in Massachusetts and is quite popular in Massachusetts.

I: If you still have time, would you like to talk about your personal background? Why did you choose to get involved in health care and budget issues?

R: Economic policy in general. I have been always interested in public policy. I grew up in a family where there were a lot of conversations, although my parents were not in the government. My father was a scientist and my mother was interested especially in international affairs. So I grew in a family talking about policy around the table. When I went to college and started that way, I was interested in history and I took my major in history. But then I discovered economics and I found it interesting and in a sense more useful. So I majored in economics. Then I spent some time in Europe and in France actually. When I came back to graduate school, I did a Ph.D in economics but I have always been interested in the policy aspects of economics, more than the theory aspects of economy. When I got the chance to come here, when I was actually finishing my dissertation. So I have been [] in Brookings since this time, that is 20 years. I have been in the government about half the time, about 20 years also.

I: It was your objective to be in the government when you started your career?

R: At the beginning of my career, I wanted to save the world. I was actually very much interested in international affairs. This was not very long after WWII. The young people were really interested in ensuring that there won't be another war, in international cooperation, in something called, "world federalism", which was a very popular cause when I was 18. But gradually, as I graduated in economics, although I spent a year in France - which was fascinating because it was the end of the Marshall plan, I was there in 52-53. We were still very focused on cooperation across the Atlantic – I did my undergraduate thesis on European economic cooperation and I predicted this crazy idea that there might be a common currency some day. But anyway. I got more involved in domestic issues after a while.

I: In the 1960s, were you in favor of a single payer system, concerning health care?

R: I was probably. You could find something where I wrote that. But it was not one of my big causes.

I: How did you do to work for the administration the first time? I saw that you have been secretary for planning and evaluation... How did you arrive here from Brookings?

R: I had done some work for the first Brookings major project on higher education, alternative way of financing education, on federal aids to our education. And I had worked on other education policy things. When they were setting up the office of planning and evaluation, which was a new thing at that moment, they asked me to come. I came as the deputy first and then I took over as assistant secretary. That was based on the fact that I had done a work on education. That is why I first did health care analysis. The department no longer exists. It was called "Health, education, and welfare". Education at the federal level is not very important actually. But in welfare, which meant social services and actually included social security at that time – later they broke that to separate departments.

I: That is where you started working on health care...

R: Yes, I worked on health care there, as well as education and welfare. And wrote about why actually I left.

I: Beginning of your interest in health issues maybe?

R: Well. I was interested in many different issues and I was also interested in decision process issues. That is really why I went to CBO. I came back to Brookings and worked with Charles Schultze, who had been OMB director, and other people on a serious book that Brookings did in these days called *Setting Priorities*. There were very useful [lions] about the budget and the various parts of it. That was before the CBO. That role was taken by the CBO.

I: Before it was the Brookings...

R: Right. Brookings continued for a while but it changed the nature because the CBO really became the central organization that did analysis on the federal budget and projections.

I: The same question: how did you arrive at the OMB?

R: It was not directly after the CBO. I stopped in 1983 and came back here, worked on projects and wrote a couple of books. When the Clinton administration came in, I actually had not worked on the campaign. I had met Clinton and liked him a lot when he was governor of Arkansas. Because I had been head of the CBO and because I had written a lot of stuff on policy and budget, I was a logical candidate to run OMB. I was called and interviewed. There were several candidates. One of them was [Lyan Padada], who now runs the CIA. He had been in Congress for 16 years and had been the chairman of the Budget committee. The President chose him and asked me to be his deputy. At the very beginning, Lyon was the deputy director and I was his deputy. But I was an economist and he was not.

The president wanted to have his economists team around him to get a budget proposal very quickly. I was in all these meetings and it was not that important that I was the deputy. Then, about one year later, 15 months, in June 1994, the President was taken a lot of criticisms for the fact that his all office was not very well organized. His chief of staff was a very nice person. They were very old friend from kinder garden. He was not the right person to be chief of staff because he was too nice. The chief of staff has to say: “no!” The President finally realized to find another job for his friend. Lyan took the chief of staff job and asked me if I could lead over OMB.

I: In the 80s, you worked on long term care. Why did you choose to work on this issue?

R: Because it is a big issue that has not been solved yet. It seems an interesting issue. I did other stuffs too. It was one of the issues that I focused on.

I: You said that in the 1960s, there were much less think tanks. Do you have an idea why it evolved like this?

R: Well. Brookings was very successful, very visible. Then people pretended imitating success. But it was partly to do I think with the conservative Reagan revolution. I am not sure when Heritage was founded but somewhere in the 1970s. The Republican party became more militantly conservative. The election of Ronald Reagan was a symptom of that. But even before that, there were a lot of conservative policy work and Heritage was part of that, the AEI was less conservative than Heritage. They became preminent, Heritage especially. Wealthy people gave money to Heritage and others. Then, the liberal society said “we can have our think tanks too!. There was this proliferation of think tanks on both sides of Brookings.

I: Do you think that it could also have to do with an evolution of the demand of the government? Do you think that the government ask and use more external expertise?

R: Yes. And also with media. The press ask for expertise, want to call people, want to say: there is a study that says this, want to get scholars interviewed.

I: You said us that you were not very involved in the last reform. But I saw that you wrote a book with Joe Antos on health care issues. Was it to push issues or...?

R: That was part of my budget work. There were three books. The first was what we called *Restoring fiscal sanity* because we were a bipartisan group very concerned by the federal budget before the recent crisis. Now it is worse. There two sort of problems. One on the short or medium term and one on the long term problems. When you focus on the long term problems, it become obvious that there is a health care problem: how you can reduce the long-term costs.