Presentation to the
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Chapman University School of Law
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Assignment: Who is the Jack Welch of Health Care?

General Electric CEO and “Manager of the Century” according Fortune magazine.
And the rest of government...
U.S. health care inflation is a major cause of stagnant wages and downward mobility for working-class Americans.

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Capita Cost of Health Care</th>
<th>Median Labor Hours Required to Cover the Per Capita Cost of Health Care</th>
<th>Health Care Cost “Freedom Day” for typical worker.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>$191</td>
<td>78</td>
<td>@January 15</td>
</tr>
<tr>
<td>2007</td>
<td>$6,600</td>
<td>411</td>
<td>@March 15</td>
</tr>
<tr>
<td>2054</td>
<td>$484,000</td>
<td>2,970</td>
<td>@December 30</td>
</tr>
</tbody>
</table>
The Real Entitlement Crisis is Healthcare

Congressional Budget Office
In Memoriam
The Reassurance of Reputation

“The U.S. News & World Report list began in 1990 and Georgetown has claimed top honors since its inception for 11 consecutive years.”

✓ The United States Department of Veterans Affairs, popularly known as the VA, serves eligible U.S veterans after they leave military service.

✓ Benefits include integrated health care services delivered by VA-owned hospitals, clinics, domiciliaries (“old soldiers’ homes”), and long-term nursing care facilities.

✓ The VA is distinct from the Military Health System, which serves active duty and career military retirees through hospitals and other medical facilities run by each the armed services (e.g., Walter Reed Army Medical Center).
The VA: Conceived in Scandal

“Colonel” Charles R. Forbes, 1924

World War I deserter, embezzler, imposter, and first director of the Veterans Bureau.
Post-WWII VA

• Capably administers G.I. Bill.

• Forms relationship with academic medicine.

• Wins two Nobel prizes.

    BUT...

• In 1954, 65 percent of VA patients have been in the hospital for more than 90 days; 8 percent for over 20 years!

• Eradiates G.I.s and gives them LSD.
Ken Kesey’s inspiration for *One Flew Over the Cuckoo’s Nest*:

Palo Alto VA, circa 1962.
Tom Cruise’s depiction of life in a Bronx VA Hospital, 1989

Sample dialogue: This place is a f***ing slum!
By the 1990s, The VA becomes a *reductio ad absurdum* proof against the hazards of “socialized medicine.”

“The history of the [VA] provides cautionary and distressing lessons about how government subsidizes, dictates, and rations health care when it controls a national medical monopoly.”

--Robert E. Bauman, Cato Institute, 1994

“The real question is whether there should be a veterans health-care system at all.”

--Richard Cogan, Center on Budget and Policy Priorities, 1994
Unexpected Encomiums for the VA in the Emerging Health Care Quality Literature, circa 2000-2005

Comparison of Quality of Care for Patients in the Veterans Health Administration and Patients in a National Sample

Steven M. Asch, MD, MPH; Elizabeth A. McGlynn, PhD; Mary M. Hogan, PhD; Rodney A. Hayward; Lisa Rubenstein, MD; Joan Keesey, BA; John Adams, PhD; and Eve A. Kerr, MD, MPH

21 December 2004 | Volume 141 Issue 12 | Pages 938-945

Background: The Veterans Health Administration (VHA) has introduced an integrated electronic medical record system, a quality improvement initiative, and other system changes directed at improving care. Recent comparisons of the VHA to other systems have suggested improvement in quality of care and efficiency.

Objective: To compare the quality of VHA care with that of care in a national sample by using a comprehensive comparison of outcomes and processes of care.

Design: Cross-sectional comparison.

Setting: 12 VHA health care systems and 12 communities.

Creating a Culture of Quality: The Remarkable Transformation of the Department of Veterans Affairs Health Care System

For decades, fairly or unfairly, the Department of Veterans Affairs (VA) health care system had a suboptimal image in the quality of care it provided and in the evaluation of that care. About 10 years ago, the VA leadership (including several departments, diabetes severity, and other comorbid conditions) uniformly across systems and used these measures to adjust for differences other than sex between the VA and communities in the same communities.

Improving Patient Care

Diabetes Care Quality in the Veterans Affairs Health Care System and Commercial Managed Care: The TRIAD Study

Eve A. Kerr, MD, MPH; Robert B. Gerzoff, MD; Sarah L. Koen, PhD; Joseph Y. Selby, MD, MPH; John D. Piette, PhD; J. David Curb, MD, MPH; William H. Herman, MD, MPH; David G. Marrero, PhD; K.M. Venkat Narayan, MD, MSc; M.B.A.; Monika M. Safford, MD; Theodore Thompson, MS; and Carol M. Mangione, MD, MPH

Background: No studies have compared care in the Department of Veterans Affairs (VA) with that delivered in commercial managed care organizations, nor have studies focused in depth on care comparisons for chronic, outpatient conditions.

Results: Patients in the VA system had better scores than patients in commercial managed care on all process measures (for example, 93% vs. 83% for annual hemoglobin A1c; P = 0.006; 91% vs. 75% for annual eye examination; P < 0.001). Blood
RAND Ranks VA Best:


### The VA Outperforms the National Sample on Nearly Every Measure

<table>
<thead>
<tr>
<th>Health Indicator</th>
<th>VA Score</th>
<th>National Sample Score</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>67</td>
<td>51</td>
<td>16</td>
</tr>
<tr>
<td>Chronic care</td>
<td>72</td>
<td>59</td>
<td>13</td>
</tr>
<tr>
<td>Chronic obstructive pulmonary disease</td>
<td>69</td>
<td>59</td>
<td>10</td>
</tr>
<tr>
<td>Coronary artery disease</td>
<td>73</td>
<td>70</td>
<td>3</td>
</tr>
<tr>
<td>Depression</td>
<td>80</td>
<td>62</td>
<td>18</td>
</tr>
<tr>
<td>Diabetes</td>
<td>70</td>
<td>57</td>
<td>13</td>
</tr>
<tr>
<td>Hyperlipidemia</td>
<td>64</td>
<td>53</td>
<td>11</td>
</tr>
<tr>
<td>Hypertension</td>
<td>78</td>
<td>65</td>
<td>13</td>
</tr>
<tr>
<td>Osteoarthritis</td>
<td>65</td>
<td>57</td>
<td>8</td>
</tr>
<tr>
<td>Preventive care</td>
<td>64</td>
<td>44</td>
<td>20</td>
</tr>
<tr>
<td>Acute care</td>
<td>53</td>
<td>55</td>
<td>-2</td>
</tr>
<tr>
<td>Screening</td>
<td>68</td>
<td>46</td>
<td>22</td>
</tr>
<tr>
<td>Diagnosis</td>
<td>73</td>
<td>61</td>
<td>12</td>
</tr>
<tr>
<td>Treatment</td>
<td>56</td>
<td>41</td>
<td>15</td>
</tr>
<tr>
<td>Follow-up</td>
<td>72</td>
<td>58</td>
<td>14</td>
</tr>
<tr>
<td>VA-targeted performance measures</td>
<td>67</td>
<td>43</td>
<td>24</td>
</tr>
<tr>
<td>VA-target-related performance measures</td>
<td>70</td>
<td>58</td>
<td>12</td>
</tr>
<tr>
<td>Measures unrelated to VA targets</td>
<td>55</td>
<td>50</td>
<td>5</td>
</tr>
</tbody>
</table>

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What Do Vets Think?

“The quality of care is outstanding.’

--Peter Gayton, Washington
Executive Director,
American Legion.
**Food for Deficit Hawks**

**COST-EFFECTIVENESS:**
Ten Year Cumulative Percent Change in Costs

- VHA Cost per Patient—Total Medical Care Obligations (including MAMOE) per Total Unique Patients (including non Veterans)
- Average Medicare Payment per Enrollee—Medicare Program Benefits per Enrollee (www.cms.hhs.gov/researchers/pubs/datacompendium)
- Medical Consumer Price Index—Bureau of Labor Statistics (household “out of pocket” medical expenses including insurance and co-payments)

<table>
<thead>
<tr>
<th>Year</th>
<th>VHA Cost Per Patient</th>
<th>Avg. Medicare Payment/Enrollee</th>
<th>Medical CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>-</td>
<td>6.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>1996</td>
<td>-0.3%</td>
<td>14.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>1997</td>
<td>0.8%</td>
<td>14.9%</td>
<td>9.6%</td>
</tr>
<tr>
<td>1998</td>
<td>-6.2%</td>
<td>12.6%</td>
<td>13.5%</td>
</tr>
<tr>
<td>1999</td>
<td>-8.6%</td>
<td>14.9%</td>
<td>18.4%</td>
</tr>
<tr>
<td>2000</td>
<td>-6.5%</td>
<td>25.5%</td>
<td>23.7%</td>
</tr>
<tr>
<td>2001</td>
<td>-7.3%</td>
<td>31.9%</td>
<td>25.5%</td>
</tr>
<tr>
<td>2002</td>
<td>-9.1%</td>
<td>40.4%</td>
<td>34.7%</td>
</tr>
<tr>
<td>2003</td>
<td>-4.6%</td>
<td>44.7%</td>
<td>39.4%</td>
</tr>
<tr>
<td>2004</td>
<td>0.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Serving an “at risk” population

- As a group, VA patients are older, sicker, poorer, and more prone to mental illness, homelessness, and substance abuse than the population as a whole.
- Half of all VA enrollees are over age sixty-five.
- More than a third smoke.
- One in five veterans has diabetes, compared with one in fourteen U.S. residents in general.
The VA Paradox

- Long history of scandal.
- Government owned and managed (more so than Amtrak, Postal Service).
- Micro-managed by Congress and political appointees.
- No capital budget (Lives on yearly appropriations).
- Heavily unionized workforce (even docs).
- Primarily serves an older, poorer population.

= BEST CARE ANYWHERE?
## What is Quality in HealthCare?

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice of credentialed professionals?</td>
<td>NO HARM DONE?</td>
</tr>
<tr>
<td>Latest technology?</td>
<td>Patient satisfaction?</td>
</tr>
<tr>
<td>Bedside manner?</td>
<td>Cost effectiveness?</td>
</tr>
<tr>
<td>Evidence-based, integrated care?</td>
<td>Improved wellness/morbidity?</td>
</tr>
<tr>
<td></td>
<td>Immortality?</td>
</tr>
</tbody>
</table>
What is Efficiency In Health Care?

At their peak, two rogue Tenet Healthcare cardiologists in Redding, California performed 800 open-heart operations a year—most of them unnecessary.
Where is the Science?

John Wennberg, MD, MPH, Founder, Center for Evaluative Clinical Sciences at Dartmouth Medical School
PERCENT OF CANCER PATIENTS RECEIVING CHEMOTHERAPY DURING THE LAST TWO WEEKS OF LIFE
Total Medicare Expenditures in the Last Two Years of Life.

Miami, Florida

Salem, Oregon
Women with stage I or stage II breast cancer should be offered a choice of modified radical mastectomy or breast-conserving surgery, unless contraindications to breast-conserving surgery are present.

## Selected Quality Metrics and Percent of Patients Receiving Recommended Treatment

<table>
<thead>
<tr>
<th>Quality Metric</th>
<th>National Average</th>
<th>VA Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients admitted with unstable angina (heart pain) should receive cardiac monitoring.</td>
<td>61</td>
<td>90</td>
</tr>
<tr>
<td>Patients with newly diagnosed diabetes should receive dietary and exercise counseling.</td>
<td>42</td>
<td>64</td>
</tr>
<tr>
<td>Patients admitted with acute MI (heart attack) should receive a beta blocker within 12 hours of admission.</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

RAND Corp., Comparison of Performance of the Veterans Health Administration Sample and the National Sample by Indicator
The Relationship Between Quality and Medicare Spending, by State, 2004

Composite Measure of Quality of Care

Source: Data from AHRQ and CMS.
The More Things Change…

<table>
<thead>
<tr>
<th>1911</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor L.J. Henderson (1879-1942) Harvard University</td>
<td></td>
</tr>
</tbody>
</table>
When it comes to health care, leave your ideology at the door

Selected paradoxes of U.S. healthcare:

☑ Medical practice is only weakly based on scientific evidence.

☑ Your risk of overtreatment depends primarily on the number of specialists in your community and on their particular (entrepreneurial) culture.

☑ Generally, the higher the reputation of a hospital, and the more it spends per patient, the worse care it provides.

☑ The uninsured get better acute care than the insured.
U.S. health care systems metrics at a glance...

✓ 20-30% of total spending goes for ineffective, often dangerous medical services.

✓ Overtreatment causes 30,000 premature deaths per year.

✓ Medical errors cause 98,000 preventable deaths in American hospitals, per year.

✓ Preventable hospital infection takes another 31,000.

✓ Life expectancy gains disappearing for the population as a whole; falling for working class whites.

✓ Contact with U.S. health care system is estimated to be the third leading cause of death in the U.S., behind all cancer and heart disease. (JAMA)
So maybe the VA offers “Best Care Anywhere” only because the rest of the U.S. health care system is so bad?

Yes, but...
Revolution from Below: Origins of the “Hard Hats”

- Deviant
- Secretive
- Insubordinate
- Persecuted
- Persevering
- Triumphant
- Unsung

“Hard Hat” Greg Kreis
Precondition of reform #1:
The VA’s near lifetime relationship with its patients creates incentives for effective care.
First Precondition of Reform #2:
The Original Age Wave

Some 20 years ahead of their time, VA doctors were confronted by an explosion of age-related chronic conditions that is now found in the U.S. population as a whole.
Precondition of Reform #3: Hitting Bottom

Article 99 (1992)
Plot Summary:

“A group of doctors in a Kansas City Veteran's Administration Hospital come up against bureaucratic red tape from the hospital administrator that inhibits them from treating their patients.”
Fourth Precondition of Reform:
The dawn of proto-“Open Source” hacker culture, circa 1977.
George Timson – 1980

Front line reform: (“quite unauthorized and quite unpaid-for”)
VA MUMPS
UNDERGROUND RAILROAD

GEORGE TIMSON
Membership Card
To overcome a Central Office ban on personal computers, “Hard Hats” ordered and then modified word processors designed for secretaries.
Wrong patient, wrong med, wrong dose, wrong time?

G. Sue Kinnick, a VA hospital nurse came up with the VA’s bar-code system while returning a rental car in Seattle. Why not use the same handheld reader with which attendants matched cars and renters to help nurses match bar-coded drugs with bar-coded ID on the patient’s wrist?

Elsewhere in the US health care system, dispensing errors kill 7,000 hospital patients a year.
Modern VistA
Continuing Revolution Leading to “Best Care Anywhere”

*Capitalizing on long-term relationships with patients leads to…*

- Emphasis on prevention, primary care/chronic disease management (medical home).
- System-wide implementation of proven, open-source Health IT.
- Use of Health IT to promote patient safety and coordination of care (“patient centered healthcare” in today’s jargon).
- And development scientific protocols of care (“evidence-based medicine” and “comparative effectiveness research” in today’s jargon).
Take Aways

- VA is actual “socialized” medicine.” Not a “single-payer” system like Medicare, but more like a “single-provider” system.” Closest analog: British Health Service.

- But the VA is not a monopoly: it must compete with other providers to serve veterans.

- Unlike any other health care provider in the U.S, the VA has a near lifetime relationship with its patients, providing institutional incentives for prevention and effective disease management.

- Deploys integrated, open-source health IT, written “by doctors, for doctors,” in both medical practice and research.

- Enjoys a strong base of political support among veterans who are otherwise conservative, and who testify to its effectiveness.

- Exceeds the rest of the U.S. health care system in key quality measures, including cost, patient safety, and satisfaction.
What’s Going to Happen to the VA?

A Shrinking Population of Veterans

VA Office of the Actuary
Scenario I:
✓ A VA for all vets (and their families)?
Scenario II

A Civilian VA?

“The public option may yet find its voice in the latest round of accomplishments demonstrated by the [VA]. Thanks to proposals to repeal the historic Patient Protection and Affordable Care Act, it is ironic that the moment for reconsideration has returned—and with it, the opportunity to celebrate more vociferously the triumphs of the country’s largest integrated and publicly funded health care network.”

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