May 11, 2010

To: Larry Summers

From: David Cutler

Subject: Urgent Need for Changes in Health Reform Implementation

I am writing to relay my concern about the way the Administration is implementing the new health reform legislation. I am concerned that the personnel and processes you have in place are not up to the task, and that health reform will be unsuccessful as a result.

Let me start by reminding you that I have been a very active supporter of reform. In addition to being the senior health care advisor to the President's campaign, I worked closely with the Administration, helped Congress draft the legislation, met with countless Members of Congress and interest groups to explain the reform effort, conducted numerous radio and television interviews, walked hundreds of reporters through health care, and wrote a number of op-eds and issue briefs supporting reform. I am told that the President and senior members of the Administration valued my input, though I was never offered a position in the Administration. I say this to illustrate that I have thought about the issues a good deal and have discussed them with many people.

You should also note that while this memo is my own, the views are widely shared, including by many members of your administration (whose names I will omit but who are sufficiently nervous to urge me to write), as well as by knowledgeable outsiders such as Mark McClellan (former CMS administrator) and Henry Aaron (Brookings). Indeed, I have been at a conference on health reform the past two days, and have found not a single person who disagrees with the urgent need for action.

My general view is that the early implementation efforts are far short of what it will take to implement reform successfully. For health reform to be successful, the relevant people need a vision about health system transformation and the managerial ability to carry out that vision. The President has sketched out such a vision. However, **I do not believe the relevant members of the Administration understand the President's vision or have the capability to carry it out.** Let me illustrate the problem you face and offer some solutions.

<u>Problem Areas</u>

A central concern is the Department of Health and Human Services, the main implementation agency for reform. The Department is making a good start on the immediate deliverables of reform: high risk pools and coverage for young adults. But it is far behind the curve on the key long-term reform efforts, most notably reforming the delivery system to support higher quality, lower cost care. Let me give you a few examples.

1. A good deal of reform implementation needs to occur at the Centers for Medicare and Medicaid Services (CMS). You were dealt a bad hand here. The agency is demoralized, the best people have left, IT services are antiquated, and there are fewer employees than in 1981, despite a much larger burden. Nevertheless, you have not improved the situation. The nominee to head that agency, Don Berwick has never run a provider organization or insurance company, or dealt with Medicare or Medicaid reimbursement. On basic issues such as the transition from fee-for-service payment to value-based payment, Don knows relatively little. Further, he has been ordered not to be involved in anything at the agency until he is confirmed, which will likely be in the fall. Don has a wonderful vision, but there is no way he can carry it out in any reasonable time without substantial help.

Unfortunately, the senior staff at CMS, which has been appointed, is not up to the task. For example, I recently met with the senior CMS staff about how all the new demonstration and pilot programs envisioned in the legislation might work. This is a crucial issue because the current demonstration process takes about 7 to 10 years, and thus following this path would lead to no serious cost containment for the next decade. When engaged about the speed of reform, the staff expressed the view that: (a) their fear was going too fast instead of going too slow; (b) we ought to add a layer of university review to the existing process, to be sure we are doing the right thing; and (c) the natural place to start demonstrations is in end-of-life care (Death Panels notwithstanding).

As a result, you have an agency where the philosophy of health system reform is not widely shared, where there is no experience running a health care organization, and where the desire to move rapidly is lacking. The result is that I have very little confidence that the Administration will make the right decisions about the direction and pace of delivery system reform.

2. The second major task of reform is to set up and run insurance exchanges. I am not encouraged by what is occurring there either. Running exchanges is a collaborative process. As just one example, the person who ran the Commonwealth Connector in Massachusetts estimates that he had 500 town meetings to discuss reform, the equivalent of 17,000 meetings nationally – and this was in a state where two-thirds of people, along with insurance companies, supported reform. The person newly appointed to head the insurance oversight office has a reputation as an insurance bulldog, not a skilled facilitator. Remember that most people will get their information about reform from their doctor and their insurance agent. If you cannot find a way to work with hesitant states and insurers, reform will blow up. I have seen no indication that HHS even realizes this, let alone is acting on it.

3. A fundamental issue in making reform work is explaining reform to providers and showing them how to respond to it. The Department has done nothing along these lines. Most providers know very little about reform, and they are universally surprised to hear a positive philosophy about how they can benefit from health system transformation. Their most common comment is ‘why hasn’t anyone explained this to us?’ As Atul Gawande’s famous *New Yorker* article put it, you need the equivalent of an agricultural extension worker in every community to make reform work. This does not appear to be on HHS’s radar screen, however.

4. Above the operational level, the process is also broken. The overall head of implementation inside HHS, Jeanne Lambrew, is known for her knowledge of Congress, her commitment to the poor, and her mistrust of insurance companies. She is not known for operational ability, knowledge of delivery systems, or facilitating widespread change. Thus, it is not surprising that delivery system reform, provider outreach, and exchange administration are receiving little attention. Further, the fact that Jeanne and people like her cannot get along with other people in the Administration means that the opportunities for collaborative engagement are limited, areas of great importance are not addressed, and valuable problem solving time is wasted on internal fights.

All in all, the administration has immense decisions to make about transforming health care delivery and coverage. But no one I interact with has confidence that your current personnel and configuration is up to the task.

Some Ideas

When a corporation needs to move in a new direction, it sets up a new structure to focus on where it needs to go. You can't change the culture by piling new responsibilities onto a broken system. I believe you need to follow this model. You need to bring in people who share the President's vision and who know how to manage health care or other complex operations. These people then need to interact with existing agency personnel to make reform happen.

You need to start with a strong team at the White House. That team needs to lay out the milestone goals for the next 5 to 10 years, coordinate across various agencies, and communicate with the public. To avoid the perception of secrecy, I would recommend an outside Board of Overseers that would monitor progress and report regularly on whether health reform is meeting its goals.

You also need a major change at HHS, which I envision as a revamped and enhanced implementation group. That group needs to share the President's vision and have expertise in several areas:

- Managing large and complex enterprises
- Payment reform, including people who can work with existing employees to design and implement the necessary programs;
- Information technology systems, including how to update the IT structure in CMS and link that to the effort to computerize medical records;
- Outreach, including people who can lead an education campaign for medical care providers, insurers, and insurance brokers; and
- State coordinators, who can empower and work with state-specific groups to set up and manage insurance exchanges.

In each of these areas, you need to take advantage of external experts as well as people inside the Administration.

I show below one way to organize this. There may be better ways to organize things than what I have laid out. But it is clear to me that these functions are vital and are not being met. I strongly encourage you to make changes now, before you are too late to get the outcomes we need.