

## INTERVIEW

## Thinking Outside The Box: A Conversation With John Breaux

A Senate veteran discusses his vision for Medicare reform and extending insurance coverage to all Americans.

by Gail R. Wilensky

### Providing Health Insurance To All Americans

**Gail Wilensky:** Our current system of private health insurance is under a lot of scrutiny these days. What would you like to see replace our current system?

**John Breaux:** I've become more convinced as time goes by that the system is fundamentally broken and needs major surgery. Right now we have a system where you get health care depending on which box you're in. If you're old, you're in the Medicare box. If you're poor, you're in the Medicaid box. If you're a veteran, you're in the VA box. If you're working, you're in an employer coverage box. And if you don't fit in any of those, you're uninsured. And we spend an incredible amount of money on this system of boxes. The federal subsidy for the Medicaid box is about \$170 billion a year. The subsidy for the employer coverage box is \$140 billion, because we allow employers to deduct their insurance premiums and employees do not get taxed on them. The subsidy for the Medicare box is about \$270 billion or so. The VA box's subsidy is \$26 billion. And each one of those boxes has a bureaucracy with an incredible amount of red tape and rules and regulations.

I'd like to see a nationwide federal mandate that every U.S. citizen purchase a private health insurance policy. There would be a ba-

sic plan, that the government would help fund for low-income people who can't afford it. The government's subsidy would be graduated according to income, to the point where you would ultimately be responsible for paying for it all yourself when you can afford to. People could buy more than the basic plan if they wanted to, but it would be at their expense. We are working with insurance companies, employers, think tanks, and others about how this would be structured. It would have to involve some type of risk pooling.

The advantages are obvious: A lot more healthy people would have insurance, because many of those who don't have insurance now are young and relatively healthy. Their contributions could help level the playing field and lower the costs for all, which would have a positive impact on how the program would operate. And some savings would be generated from lower spending on uncompensated care.

The debate ten years ago was about an employer mandate ("play or pay"), but the employers resisted, so we didn't do it. But this is not the same thing. And it's not a "government-run" program in the sense of being a "single-payer" system. I don't want a government-run program. I support an individual mandate to buy private health insurance. We have to travel a lot of road in order to get there, from where we are now, with the current mix of group and

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individual, public and private coverage. But I think that it's the right way to go.

**Wilensky:** Do you worry about the problems in defining the minimum benefit package?

**Breaux:** No, I don't worry about it. I think that the political problems are more difficult than the structural problems. You can structure a basic health care benefit plan—we've got one for federal employees to use as a starting point. You come up with a package that covers hospitals, drugs, and doctors, and then go from there.

**Wilensky:** Do you see this ultimately replacing employer-sponsored insurance over time?

**Breaux:** Over time, yes, I do. Look at the problems we've got in this country right now with employer-sponsored health insurance. Health benefits are among the fastest-growing costs employers face now, and some can't afford to pay for health care any more—many, particularly small businesses, are dropping it entirely. Of course, a lot of people like their employer plan and would want to stay in it. We want to make sure that we don't discourage those who are providing coverage from continuing to do so, if it works for them.

Right now, we accept employer-sponsored coverage because we're used to it. But it's a relic from the post-World War II era, when we had price controls on wages, and people offered insurance as a way to attract employees. That's not a justification for it now, but the reality is that 163 million people in this country currently have it.

### Subsidizing Coverage

**Wilensky:** Do you assume that everybody would get some subsidy, even if we gave a lot more subsidy to those with low incomes?

**Breaux:** People who can afford to pay for their coverage could still deduct part of the cost of that coverage from their taxes, if that's what you mean. That would be a form of subsidy.

**Wilensky:** Do you think low-income people would view this favorably, to have a chance to buy private insurance? Will they or their advocates get uneasy about what happens to Medicaid, if this new system replaces Medicaid as well?

**Breaux:** Anybody who runs a Medicaid pro-

gram is probably looking for a different way to run it. Many of the states, I think, would very much support having a private health insurance program for some of the low-income people they cover, although Medicaid will continue for the older, disabled, and long-term care populations.

### Response From The Insurance Industry

**Wilensky:** Do you have any sense about how the health insurance industry would regard your mandated private insurance? They seem to be keen on keeping employer-sponsored insurance as it is.

**Breaux:** That may be, but that is because they like employers paying for it and helping aggregate risk. Health insurers want people to buy their products, but I don't think they care how they're paid for. They know who the current payers are today, although you have forty-one million people who don't have anything. There are a lot of people out of work, a lot of companies that don't buy coverage for their workers, and a lot of workers who decline employer coverage. If we can replace the current system with one in which the government helps to pay to cover people who can't pay for their own coverage, that means that more people are buying insurance, not fewer. The insurance industry should see this as a real boon, because the system will still be privately run—they're not going to be working for the government, they'll still have all their plans, they'll still have to compete—but there will be a law that says everybody has to buy their products! If they can't make that work, they shouldn't even be in the insurance business.

**Wilensky:** I like the idea, personally. But I've always been a little nervous that if private insurance were mandatory, some of your congressional colleagues would say, "Well, if people have to buy it, then we need to make sure they are not charged too much, so we'll put restrictions on what those insurance companies can charge. And we'll have to make sure they have all the benefits they need."

**Breaux:** Yes, that's certainly a concern. But look at our own coverage, in the FEHBP [Fed-

eral Employees Health Benefits Program]. We aren't telling participating insurers specifically what they have to offer and how much to charge for it. I envision a basic level of coverage being required for everyone, then people can buy more if they want to.

Negotiation is what it's all about. We would negotiate for the best possible price for the basic plan, but if someone wants to charge more, they can do that if they can argue that their plan is so much better than the others—and people who choose that plan will pay more for it. We're definitely not saying that every insurer has to charge the same price. We want competition and negotiation, but they must take place in the private sector.

### Reforming Medicare

**Wilensky:** In your first Breaux-Frist proposal, you talked about adopting something like the FEHBP for Medicare. Is that still what you're thinking?

**Breaux:** The Medicare box has big problems now because it doesn't cover prescription drugs, and because it's going broke even as it prepares to be inundated by seventy-seven million baby boomers.

The Medicare box, I think, can be fixed by working this year with the administration, with Bill Frist, and with Democrats who think that Medicare needs to be reformed. I think that we should pattern what we do after Breaux-Frist I, which reworked Medicare for seniors based on a competitive model much like the FEHBP. That would also include prescription drugs. But these options would be available for seniors who wanted to change; those who wanted to stay in the old Medicare fee-for-service program could do so.

I'm encouraged about this now, because the administration is making it a high priority. Also, Bill Frist, my partner in this effort, is now the Senate majority leader. So I think that the chances of getting something done on real Medicare reform, including prescription

drugs, this year is much better than it's ever been.

**Wilensky:** The stars look like they might be aligning to actually do something?

**Breaux:** Yes, I think so. A funny thing happened on the way to the elections. I mean, the elections came and went, and my colleague [Frist] is now the majority leader, and no one would have expected that, including him. But there he is, he's the leader of the Senate and he's on the Finance Committee. That's definitely

good news for proponents of Medicare modernization and prescription drugs.

**Wilensky:** Do you think there's any additional support, politically, in Congress for these actions? Have you had difficulty bringing in new converts?

**Breaux:** Politically, this is very difficult to do, for a number of reasons. Number one,

it's much easier just to add benefits to the program rather than making needed structural changes. People would rather just add prescription drug coverage and call it a day. That would be easy to do, but it would do damage to the program instead of helping to solve the problems, particularly if it's done the wrong way. And it would do a huge disservice to our children and grandchildren who will have to bear an unsustainable tax burden in order to pay for it. Number two, if you do prescription drugs only, you also remove the incentive to ever reform the program itself, until the system is at the breaking point.

As elected officials, we must listen to the voices that are clamoring for prescription drugs, as the seniors are, along with their children and grandchildren. We've got to be strong enough to convince them that we have to do more. But it's not easy politically, which is one reason we want to try to do it this year, not in the election year.

**Wilensky:** What are the partisan politics here?

**Breaux:** The division in the government is on both sides. Some Democrats think that the government should do everything. And some

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Republicans think that the government should do nothing and the private sector should do everything. I've always believed that the right solution is to blend the best of what both sides can do. What this means is that the government should raise the money to pay for the program and monitor it to see that it meets certain standards—not micromanage it, but monitor it to make sure that everybody is participating, meeting minimum standards, and not trying to scam the system. The private sector needs to be involved because it needs to be a competitive system, to help keep prices down. But competition in the private sector also brings about greater innovation and new processes and delivery systems for health care.

**Wilensky:** Let's say that you and Bill Frist manage to get fifty-one or fifty-two votes for Breaux-Frist III, assuming you make minor changes to what's already out there. Is it a problem, politically, if you don't have a super-majority? I'm thinking back to the Catastrophic experience—not so much that it was a close vote, because it wasn't, but the uproar of seniors after the fact. Do you think that it's not enough to just be able to squeak legislation through, when the changes are fairly major?

**Breaux:** It won't be just Frist and me and the Senate. President Bush is a major player in this, and I think that he could really help generate additional support, help educate the public from the bully pulpit that he has. He could help to assure seniors that they're getting something that's better than what they have now. But the end result, in my opinion, whether you have fifty-one votes for it and it gets signed or seventy-five votes for it and it gets signed, is the same. The bill's in law, and it will be the law whether it passes with fifty-one, seventy-five, or ninety-nine votes.

I think that I'm being realistic here. I just want to get these reforms passed. I know the changes we're advocating are sweeping changes, and there are some built-in political organizations that feel very strongly about not giving people choices. That's really what we're talking about here. People say, it may work with the federal employees, but they're younger, and smarter, and healthier than seniors

are. I don't buy that. Government employees may be younger and relatively healthier. Health care for seniors will clearly cost more, but seniors can handle choices, and their children and their advocacy groups will be helping them as well. Besides, I think that giving people more information and better choices is good public policy.

**Wilensky:** Seniors already have to make many choices under current Medicare—which doctor to go to, which hospital, and so on.

**Breaux:** Exactly. Something else to consider is this: When you're talking about a less healthy population, the government comes in and makes sure that nobody scams the system by offering plans that cherry-pick only the healthy seniors and lead to adverse risk selection. But the government doesn't have to fix all the prices and say we're only going to have one plan. That doesn't work.

**Wilensky:** At the end of the day, do you think that Congress is likely to pass prescription drug coverage first, and not the rest of Medicare reform?

**Breaux:** I certainly hope not. I believe that drug coverage should be added to Medicare as part of a larger package of Medicare reforms. Adding a drug benefit to Medicare without fundamentally reforming the program would be a huge disservice to future generations.

### Engaging The Public

**Wilensky:** Do we need to do something to get the public more interested in this debate? Seniors are clearly interested, because they want prescription drug coverage, but the forty- and fifty-year-olds don't seem to care much. How much of a problem is that?

**Breaux:** More and more younger people don't think that these programs are going to be around for them, whether it's Social Security or Medicare. But the younger generations, who are not in the programs now, are the key to fixing them, because they have become used to a different type of delivery system in medicine, and they accept it. My father, for example, is not likely to change; the current Medicare system is all he's known for twenty years. But people in my generation and younger have

come up through managed care, with its different choices, and I think that these generations will be the key to changing Medicare for when they become seniors. Give the seniors who are in Medicare now the option of staying with what they have, unless they would like to change, but not force them to it. I think that's what's going to happen.

### Covering The Uninsured

**Wilensky:** Let's turn to Medicaid and the uninsured, and how these fit in with what we're talking about. Is there anything the Senate can do on Medicaid right now?

**Breaux:** It's like we discussed with Medicare. While we work toward a long-term solution where everybody has health insurance, we still have to address the current situation. Eventually, when everyone has an insurance policy, the insured poor will be treated like the insured wealthy. That's the goal. In the meantime, I support many incremental Medicaid reforms, including program expansions to cover more uninsured. I also support increasing state flexibility to encourage a move toward more home and community-based services.

### Medicaid And Long-Term Care

**Wilensky:** Two big cost issues for Medicaid are the disabled population and long-term care, as you well know, from your work with the Aging Committee. Do you see mandated private insurance covering those two populations as well, or do you think Medicaid might continue for them?

**Breaux:** Medicaid will need to continue for older and disabled populations as well. Everybody needs to know they can receive Medicaid's long-term and chronic care benefits if they meet current eligibility standards.

But the current system can't handle all of the country's long-term care needs, and it certainly can't handle all the needs of the baby boomers. We need to encourage private health insurance to cover long-term care. Right now, people have to go out and spend all their money and become indigent so Medicaid can cover their long-term care. Ludicrous! It's embarrassing and it encourages fraud. I support legislation that would provide tax credits for

the purchase of long-term care insurance now. The FEHBP just added long-term care coverage as an option for us. Here we sit and don't want to make any changes for anybody else, but we certainly are getting the benefit of comprehensive coverage. As a senator, I can buy long-term care coverage, drug coverage, hospital coverage—and I've got choices about who I want to serve me. I'm doing fine as far as health care. Why can't we give those same options to the rest of the country? Many members say, "No, we've got to protect the rest of the country. We can't let them have what we have." Well, what we have is pretty darn good.

**Wilensky:** Something else crossed my mind. Maybe because of the committees you sit on, you've had the opportunity to think about the issues of long-term care, nursing homes, and assisted living. Nursing homes are bitterly complaining that Medicaid isn't paying enough to cover the cost of nursing home care, which is traditionally high, so they've been turning to Medicare to make up for some of the Medicaid underfunding. It's only lately they've put it quite so starkly. Should Medicare have an obligation to give a little more money to places like nursing homes that are so heavily funded otherwise by Medicaid?

**Breaux:** This gets us back to the situation where we are robbing Peter to pay Paul—taking from one provider and giving it to another because the overall program is strapped for funds. The federal government can subsidize long-term care coverage through reimbursable tax credits, to get people to buy it when they can afford it, so that it covers them when they are retired. I'd love to have Medicare cover long-term care, and I'd love to have it cover prescription drugs. But we've got to figure out a way to do it affordably, because those things are very expensive.

**Wilensky:** Do you think, ultimately, you could imagine a program where there is a substantial tax credit for the lowest-income people, for them to go out and buy a policy rather than being a public responsibility?

**Breaux:** Yes, I think we ought to do something in terms of income-relating a long-term care program. If we had all the money in the world,

we would just pay for everybody's long-term care insurance. But we don't. Can the American public afford to subsidize Warren Buffet's long-term care insurance? No. But can we do it for someone who really needs it but can't afford it? I think the answer is yes, and we should do it through both Medicaid and long-term care insurance subsidies.

### Weighing The Costs

**Wilensky:** Putting all of these ideas that you've mentioned together—full subsidies for low-income populations, partial subsidies for the middle class, the tax exclusion for employer-sponsored insurance, tax credits for long-term care, and prescription drugs for Medicare—all of this implies that more money is going to go into health care over time. Is this a fact of life with an aging population and the other problems that you've raised?

**Breaux:** I'm afraid so. When we started off with the Medicare Commission, as you know, we were trying to find ways to save money. We ultimately came to the conclusion that you must spend more money but that you'll spend it more wisely and more efficiently and hopefully at a slower rate of increase. That's the goal. We're going to have to spend more because of the sheer demographic forces at work. We've got this huge baby-boom generation becoming eligible for all these entitlement programs, and not only are there a lot more of them, they are living a lot longer than previous generations did. So I think it's naïve to believe that we won't have to spend more money on health care, but we ought to spend it on a twenty-first-century delivery system, not some 1965 or 1935 model. That seems to be the real problem: We are frozen in time. Sure, Medicare was good in 1965, but it's not functional in 2003. That's what we have to face.

**Wilensky:** Are you hopeful that a refundable tax credit for the currently uninsured has some chance of moving through Congress?

**Breaux:** I am. I've been a big believer in using the tax code to help people buy insurance and think it is an important interim step on the path toward universal coverage. We got our foot in the door with a tax credit to help those who are temporarily displaced from work, due to increased trade, buy health insurance. Hopefully, that model will prove to be workable. Its success will increase our ability to make the argument that we can expand it further.

Ultimately, I want to see all individuals and families with incomes of less than 150 percent of poverty receive a full subsidy to buy a basic insurance package and subsidies provided on a sliding scale to everyone up to 250 percent of poverty.

### Progress In Congress

**Wilensky:** Are you spending time lobbying your colleagues to come along with you on these two ideas, for Medicare and private health insurance?

**Breaux:** As far as private insurance reforms go, we're still in the juvenile stage, or maybe even the infant stage. We're still trying to figure out all the details of the plan, but the concept is clear. But I'm working in a bipartisan fashion, with my Republican and Democrat colleagues. Regarding Medicare, we are trying to get prescription drugs added to the program, in the context of comprehensive Medicare reforms. It's something we work on every day. Everybody says they want to do it, but nobody wants to really make the necessary compromises. And the problem is, if we take those positions, we end up with nothing. I've always said that I'd rather have half an apple than no apple, and continue to work on getting the rest later. That's what we're trying to get people to be agreeable to.

**Wilensky:** You clearly indicated that this is going to take a while to phase in. Have you given any thought to the exact time frame for your Medicare reforms or your mandated private insurance?

**Breaux:** I'd like to get it done before I leave the

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Senate.

**Wilensky:** You have a date in mind then?

**Breaux:** We're looking at several possible dates right now.

**Wilensky:** OK, I'll let you off on that one. Now, back to the private insurance proposal for a moment. Do you envision some draft legislation by this year?

**Breaux:** I've produced a concept paper that spells out the principles of what we want to do. That's taken a lot of time. I've talked to many groups and scheduled meetings with people who are experts in various stages of this, to get their advice. Now that it's out there, people can start picking it apart.

**Wilensky:** Again, from your Aging Committee experience, are you worried about what happens, in the short term, to low-income seniors as a result of states' budget squeeze and the types of wholesale reductions in provider payments they are reporting?

**Breaux:** I think we are standing on the edge of a cliff. States' Medicaid programs are in terrible shape, nursing home reimbursements are going down—my state [Louisiana] is one of the lowest—and we have to wonder if long-term care patients can be adequately served. Doctors are not taking on new Medicare patients because we've cut reimbursements so sharply. When the baby boomers come along to say, "Where's mine?" it's not going to be there. It's an unsettling situation.

Now, I don't want to denigrate the overall situation in America, because most Americans still have great health insurance, and we are the envy of the world when it comes to innovation and advances in health care delivery. But we need to be aware of this cliff that we're in danger of falling off of, if we don't start now to make some serious, fundamental changes, in how we're going to deliver health care in the future.

**Wilensky:** Do you think it'll take something cataclysmic—no, cataclysmic is too strong a word—something as intractable as the fiscal crisis the states are reporting, to shake legislation loose in Washington?

**Breaux:** I would rather see persistence get it done, not a catastrophe. I just hope that our

persistence pays off as our arguments begin to make sense. I think they are making sense to a lot of people who, at the time the Medicare Commission started working, would not accept this kind of approach. And they now realize that the government cannot continue to micromanage health care like they have. I think we have made some progress.

## Next Steps

**Wilensky:** Is there a single most important next step to help move your ideas along?

**Breaux:** Yes, we're going to start talking about it more publicly. The press is starting to pick up on our ideas. I think that they find it interesting that I'm offering something like this, not a more traditional liberal Democrat who has always advocated a more government-run approach. When reporters find that someone from the middle of the road is offering it, that in itself generates some attention.

**Wilensky:** The notion of having a business-minded Democrat talk about universal coverage does capture people's fancy.

**Breaux:** It does—but my proposal also maintains the private-sector delivery system, and I think it's a good combination. Let's mandate that individuals have a responsibility to find coverage, but do it through the private delivery system with government oversight and subsidies where appropriate. Wacky idea, huh?

**Wilensky:** Is health care likely to be an issue in the 2004 election?

**Breaux:** Yes. I think that this administration and Congress will probably spend time on tax reform and Medicare modernization—two big domestic efforts—but probably not Social Security. So I do think that health care could be a major issue in the next presidential election. I certainly hope they make it one. I'm going to really push it and get everybody talking about it, and that's the next step.

**Wilensky:** I'm delighted to have you so invested in this issue.

**Breaux:** I'm invested. I'm locked in. Can't get out of it.

**Wilensky:** OK—we won't let you do that. Thank you.