

## Total Cure: SecureChoice for America's Health Care System

**P**resident Barack Obama's new budget proposes to allocate \$634 billion over the next decade as a down payment on national health reform. The question is: What to do with a health system that most experts agree is broken?

Harold Luft, Ph.D., director of the Palo Alto Medical Foundation Research Institute and Professor Emeritus of Health Policy and Health Economics at the University of California-San Francisco, has an idea – a carefully crafted and thought-provoking idea that he calls SecureChoice.

According to Luft, the United States needs to restructure its health care system—creatively combining government's ability to pool risk and resources with the market's ability to foster innovation and change. With the support of a Robert Wood Johnson Foundation Investigator Award in Health Policy Research, Luft recently published his proposal for overhauling the system in his book, *Total Cure: The Antidote to the Health Care Crisis* (Harvard University Press).

Luft asserts that SecureChoice addresses the fundamental flaws of the current system while leveraging its best features. “The plan I envision starts with the existing organizations, programs, laws, and self-interested behavior of stakeholders, but realigns economic incentives, thereby refocusing behaviors to achieve better care at lower cost,” Luft explains. “It is compatible with employment-based contributions for coverage and with Medicare. The ‘secure’ part is universal coverage for major costs—hospitalization and chronic illness—and the ‘choice’ is in choice of providers and how care is delivered.”

The ailments of the U.S. health care system are well-known. Spending is out of control: In 2006, total U.S. health spending surpassed \$2 trillion, or \$7,026 per person. “Absent change, we're on the road to spending 20 percent of our GDP on health care by 2016,” says Luft.

“In return for all that money,” Luft continues, “we have a system in which 46 million Americans are uninsured, millions more are underinsured, coverage is insecure, quality of care is substandard, and coordination of care is poor.”

The crux of the problem, Luft believes, is that current health care markets lack the right incentives to provide high-quality, cost-effective care for everyone, regardless of whether they're healthy or sick.

SecureChoice aims to repair the underlying incentives so that they better reflect the principles of insurance. Under Luft's plan, health care would be separated into two components: care for expensive and generally unpredictable health problems that would be covered universally and less expensive care for more predictable problems that would be paid for out-of-pocket or by privately purchased insurance.

Universal coverage would pay for all major and emergency medical and surgical services performed in hospitals or specialized centers, as well as ongoing treatment and management of chronic care. These types of services account for about two-thirds of all health care costs. Enrollment in this coverage pool would be mandatory to ensure stability. Luft notes that voluntary insurance tends to fail because too many “healthy” people opt out.

Premiums would be based simply on a person's age and sex, with income-based subsidies ensuring affordability and eliminating costly bureaucracies for determining eligibility. Broad-based taxes, like those funding Medicare or a new value-added tax, could finance the universal pool. Alternatively, SecureChoice could use an individual mandate with existing employer contributions.

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“This system does not require new managed care organizations, just new incentives for hospitals and health care professionals,” Luft notes, adding that, with payers moving into the background, patients’ relationships with their physicians would be enhanced under his proposal.

Physicians would work with hospitals in self-governing teams receiving a bundled amount for an entire episode of care. Payment would be based on the resources used by those teams achieving above-average patient outcomes, and teams would have complete flexibility for allocating their resources.

Luft believes that this focus on performance would motivate physician teams to improve care and reduce inefficiency. For example, hospital doctors might enforce a strict policy of frequent hand-washing, which has been shown to reduce the spread of costly and potentially deadly hospital-based infections among patients. They might also take a harder look at new technologies, and determine whether the latest drugs and devices are really appropriate for all patients or for just a few with specific indications.

The universal pool would not need to cover minor injuries or illnesses, such as a sprained ankle or a case of the flu. Under Luft’s proposal, patients could pay for these relatively low-cost services out of their own pocket or purchase private insurance to cover them. Currently, total expenditures on those minor problems are less than what people now pay in copayments, deductibles, and exclusions for all services.

Patients would be encouraged to choose a primary care practitioner to serve as their “medical home,” to help coordinate care. The primary care clinician would choose a payment intermediary to provide patients with a health credit card to be used for services by any practitioner. This card would serve three purposes: facilitate payment; permit routine collection of confidential, de-identified data needed to measure quality and resource use; and link with medical record data for clinical care.

Premiums for outpatient care would vary, Luft explains. Physicians would charge what they want for as long a visit as they need—their patients would determine whether the care is worth the cost. Longer visits with attentive clinicians can reduce premiums by avoiding unnecessary tests and repeat visits. Telephone and e-mail consultations would flourish, reducing travel time. “Physician time and attention would become more highly compensated, attracting more primary care practitioners,” Luft says.

Under SecureChoice, patients would be able to select physicians who match the style of practice they want—high-tech or high-interaction. If these different practice styles carry different cost implications, those differences would be reflected in patient premiums. This would encourage, but not force, patients and physicians to consider the value of the care provided.

Employers could still contribute toward coverage, but they would not determine employees’ choice of plans or provider networks.

Luft also believes that, with greater flexibility and financial responsibility, physicians would demand unbiased information on what drugs, devices, and treatments provide better value. To meet this demand, routinely collected data would be converted by independent analysts into information on what works well in the real world. “And with that kind of information, we’d finally have a system that fosters continuous improvement,” Luft says.

Luft says that although many policymakers agree on what’s wrong with the U.S. health care system, they haven’t been able to agree on how to fix it. He argues that most reform proposals focus on simply bringing more people into a poorly designed system and subsequently adding external controls that only exacerbate the system’s existing problems. Rethinking the design – in much the same way that automakers have designed hybrid cars that use the energy generated during braking to run their engines – can improve quality and efficiency, he says.

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## About the Investigator

Harold S. Luft, Ph.D., is the director of Palo Alto Medical Foundation Research Institute and Chair of the Health Policy Department. Previously, he was the Caldwell B. Esselstyn Professor of Health Policy and Health Economics and Director of the Institute for Health Policy Studies at the University of California (UC), San Francisco. His research and teaching have covered a wide range of areas, including medical care utilization, managed care organizations, hospital market competition, quality and outcomes of hospital care, risk assessment and risk adjustment, and health care reform.



Dr. Luft has been involved in postdoctoral training for more than 30 years, having been co-director or associate director for four training programs sponsored by UC San Francisco and/or Berkeley. He is a member of the Institute of Medicine (IOM) and served six years on the IOM Council. He was a member of and chaired the National Advisory Council of the Agency for Health Care Policy and Research (now the Agency for Healthcare Research and Quality). He served on the board of AcademyHealth for 10 years and was co-editor of the journal *Health Services Research*. He has authored or co-authored and edited a number of books and published numerous articles in scientific journals.

Dr. Luft received his A.B., M.A., and Ph.D. in economics (specializing in health sector economics and public finance) from Harvard University.

Luft notes that the various elements of his plan don't need to happen all at once – change can be implemented incrementally. But it does need to start immediately. And with a new Administration and a new Congress in Washington, he believes that now is the time for action.

Luft says that SecureChoice keeps the best elements of the current system – choice, competition, and innovation – and realigns the incentives to achieve better care at lower cost, allowing for expanded coverage. “It’s a plan that will get us where we need to be,” Luft says.

### Publications

Learn more about SecureChoice at [www.SecureChoice.info](http://www.SecureChoice.info). In addition, Dr. Luft has authored or co-authored the following publications:

- Arrow K, Auerbach A, Bertko J, Brownlee S, Casalino L, Cooper J, Crosson FJ, Enthoven A, Falcone E, Feldman RC, Fuchs VR, Garber AJ, Gold MR, Goldman D, Hadfield GK, Hall MA, Horwitz RI, Hooven M, Jacobson PD, Jost TS, Kotlikoff LJ, Levin J, Levine S, Levy R, Linscott K, Luft HS, Mashal R, McFadden D, Mechanic D, Meltzer D, Newhouse JP, Noll RG, Pietzsch JB, Pizzo P, Reischauer RD, Rosenbaum S, Sage W, Schaeffer LD, Sheen E, Silber BM, Skinner J, Shortell SM, Thier SO, Tunis S, Wulsin L Jr, Yock P, Nun GB, Bryan S, Luxemburg O, van de Ven WP. Toward a 21st-century health care system: recommendations for health care reform. *Annals of Internal Medicine*, 2009; 150 (7): 493-5.
- Luft HS. *Total Cure: The Antidote to the Health Care Crisis* (Harvard University Press), 2008.
- Luft HS. Universal health care coverage: a potential hybrid solution. *Journal of the American Medical Association*, 2007; 297 (10): 1115-8.
- Luft HS. What works and what doesn't work well in the U.S. healthcare system. *Pharmacoeconomics*, 2006; 24 (Suppl 2): 15-28.
- Luft HS, Rappaport KM, Yelin EH, and Aubry W. Evaluating medical effectiveness for the California Health Benefits Review Program. *Health Services Research*, 2007; 41(3) Part 11: 1007-26.
- Luft HS and Dudley RA. Assessing risk adjustment approaches under non-random selection. *Inquiry*, 2004; 41(2): 203-17.

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