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OMB Director Peter Orszag: Obama's Point on Healthcare Reform?

By David W. Johnson

It was supposed to be Daschle. He had just the right combination of policy expertise, political savvy and gravitas to champion the young Obama administration's ambitious program for redesigning American healthcare. Tax problems dashed his candidacy. The President passed the baton to Governor Kathleen Sebelius of Kansas by nominating her to be HHS Secretary. She is no Daschle, but is a rising star in the Democratic Party with deep experience regulating the insurance industry. She had tax problems of her own that delayed her confirmation until last week (nudged forward by the swine flu outbreak) and reduced her political standing. Facing strike two and not wanting to publicly diminish Sebelius, the President has positioned the self-described "super-nerd", Peter Orszag, to spearhead healthcare reform. It's a stealth move but necessary since Mr. Obama has identified that healthcare reform is now his most important legislative priority.

Peter Orszag is the most visible and powerful OMB Director since David Stockman in President Reagan's first term (the last time the country confronted a major recession). Orszag has become a talk show hit (even featured on John Stewart's "The Daily Show") and the subject of intense media coverage. Below are three recent features that caught my attention:

- A New York Times feature article on March 28th by Jodi Kantor: "Obama's Man on the Budget: Just 40 and Going Like 60"
- A five-minute plus National Public Radio story on April 6th by Andrea Seabrook: Budget Chief Peter Orszag: "Obama's 'Super-Nerd'"
- A six-plus minute interview with NPR's "Morning Edition" anchor Steve Inskeep on April 16th: "Budget Chief: For Health Care, More is Not Better"

These stories mix biography with public policy. We learn that Mr. Orszag comes from a highly academic family that includes a demanding math professor father and three competitive brothers, who also attended Princeton to become economists. He's only 40, but has worked in and around Washington since he was 17. Key experiences include a successful tenure as head of the non-partisan Congressional Budget Office and being a co-founder of the centrist Democratic think tank, The Hamilton Project. It was at the Hamilton Project that he first impressed then Senator, now President, Barack Obama. He runs marathons, consumes enormous quantities of caffeine, believes in behavioral economics, is one of the few non-physician members of the Institute of Medicine, has staffed his office with policy heavyweights and has strong bipartisan support in Congress. Orszag developed an obsession for healthcare policy while running the Congressional Budget Office. Not surprisingly, the OMB Director is now using his newfound celebrity to discuss America's broken healthcare system and

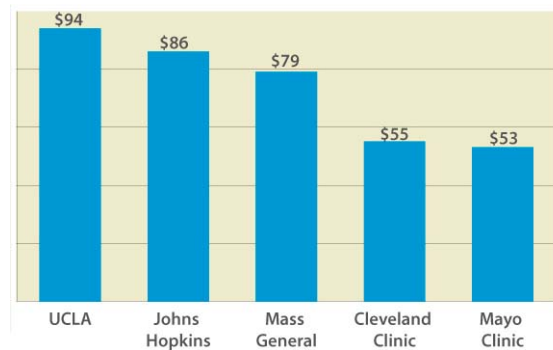
how to fix it.

Is the Orszag media blitz accidental? Hardly. Having watched the Obama presidential campaign unfold with remarkable precision and discipline, it seems clear the administration is running a campaign to make Peter Orszag their de facto healthcare "czar".

If I'm right, then the healthcare industry needs to understand Orszag's opinions and strategies. So what does Peter Orszag think about the American healthcare system and how will he seek to improve it? There are several clues embedded in his policy work and public statements. Here are some educated guesses:

- **High Dissatisfaction with the Current System:** Orszag is on record as identifying healthcare as "the least efficient sector of our economy" and stating that the current system is "on an unsustainable path." He agrees with President Obama that it's impossible to "fix" what's wrong with the U.S. economy without fixing our national healthcare system.
- **Increase Access AND Contain Costs:** Unlike Massachusetts where healthcare reform focused first on expanding access (and state healthcare costs skyrocketed), Orszag believes the country must expand coverage of the uninsured while reducing the system's overall cost. Each is a part of "the package" of change sought by the Obama administration.
- **Primacy of Evidenced-based Medicine:** Orszag frequently references statistics from the Dartmouth Atlas of Healthcare to illustrate the variation in costs and outcomes in healthcare delivery. In the April 16th NPR interview, he contrasted UCLA Medical Center's much higher cost of chronic care in the last two years of life to that of the Mayo Clinic's (see chart below):

**Chronic Care Cost
Last Two Years of Life**
(000's)



Source: 2008 Dartmouth Atlas

- **Making the Sale – “More Care isn’t Better Care”:** It is tricky politics to argue that better healthcare will come to more people at lower cost through standardizing treatment patterns. To make this case, Orszag emphasizes the two “I’s”, *information* and *incentives*. Better information and fewer “distorted” treatment incentives (e.g. paying hospitals and doctors for medical activity instead of treatment outcomes) will enable physicians to deliver higher quality care and put the country on “a path toward a more efficient healthcare system.”
- **A Collaborative Approach:** The Obama administration wants to establish policy guidelines and then work with Congress to draft legislation. This represents a 180 degree turn from the Clinton administration’s unilateral approach, but comes with a high number of risks (not the least of which the risk of losing policy control in what will be a tumultuous legislative approval process).

Mr. Obama sometimes quotes Chicago’s master architect, Daniel Burnham, who wrote over one hundred years ago, “Make no little plans. They have no magic to stir men’s blood and probably will not themselves be realized.” The administration’s bold ambitions for reforming American healthcare, if enacted, will change the practice of medicine in fundamental ways: 1) by redefining how doctors treat patients; 2) by pursuing universal coverage; and 3) by mandating payment for preventative and promotive care. There will be clear winners and losers along with high stakes lobbying by well-funded vested interests.

We know President Obama plays to win. Accompanying the Sebelius confirmation last week was the passage of the President’s \$3.8 billion budget, a forceful response to the swine flu outbreak and Senator Arlen Specter’s switch to the Democratic party. Together these events generate positive momentum to initiate healthcare reform. Vice President Biden recently stated that healthcare is “the top, the very top” of the administration’s agenda for its second 100 days. Can the Obama administration successfully reform healthcare under Peter Orszag’s leadership when so many other leaders have tried and failed? If cornered, most seasoned political observers will opine that the Administration is pursuing too much change too quickly to win the American people’s vital support for their program. The President has several behavioral economists, including Peter Orszag, among his inner circle of policy advisors. They counsel that human beings, particularly in times of crisis, adapt to massive and sudden change more effectively than slower, incremental change. Mr. Orszag will have the opportunity to test whether this theory of change comports with reality on the administration’s signature domestic policy issue. Fasten your seat belts. It’s going to be a bumpy ride.