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Funding Public Health: A New IOM Report on Investing in a Healthier Future

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Institute of Medicine · Committee on Public Health Strategies to Improve Health

Funding public health: A new IOM report on investing in a healthier future

George Isham, MD, MS, Robert Kaplan, PhD, and Glen Mays, PhD

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About the Institute of Medicine

The Institute of Medicine (IOM) is part of the National Academies and was founded in 1970.

The National Academy of Sciences was established by Congressional charter in 1863.

IOM serves as adviser to the nation on health improvement.

Study Overview

Sponsor	The Robert Wood Johnson Foundation
Duration	November 2009 – April 2012
Products	3 reports on 3 topics
Committee	18 members with a range of expertise

Report 1 Key Points

- *For the Public's Health: The Role of Measurement in Action and Accountability* (December 2010)
- Changing the conditions for health begins with data and indicators
- What is not measured is not done; what is measured may not always be done, but is harder to ignore; and what is measured can facilitate mutual accountability

www.iom.edu/measuringhealth

Report 2 Key Points

- *For the Public's Health: Revitalizing Law and Policy to Meet New Challenges* (June 2011)
- Public health law and policy should be:
 - Updated as needed
 - Maximized, enforced
- National public health accreditation needed to ensure a minimum standard of health department performance
- Embrace health in all policies approaches
- Build policies based on best evidence

www.iom.edu/lawandhealth

Report 3: Charge to the Committee

Develop recommendations for funding state and local public health systems that support the needs of the public following health care reform. Recommendations should be evidence based and implementable. To develop them:

- Review current funding structures for public health
- Assess opportunities for use of funds to improve health outcomes
- Review the impact of fluctuations in funding for public health
- Assess innovative policies and mechanisms for funding public health services and community-based interventions and suggest possible options for sustainable funding.

Report Contents

Four chapters (containing 10 recommendations)

- Introduction and context
- Reforming public health and its financing
- Informing investment in health
- Funding sources and structures to build public health

Three Commissioned Papers Further Inform the Committee

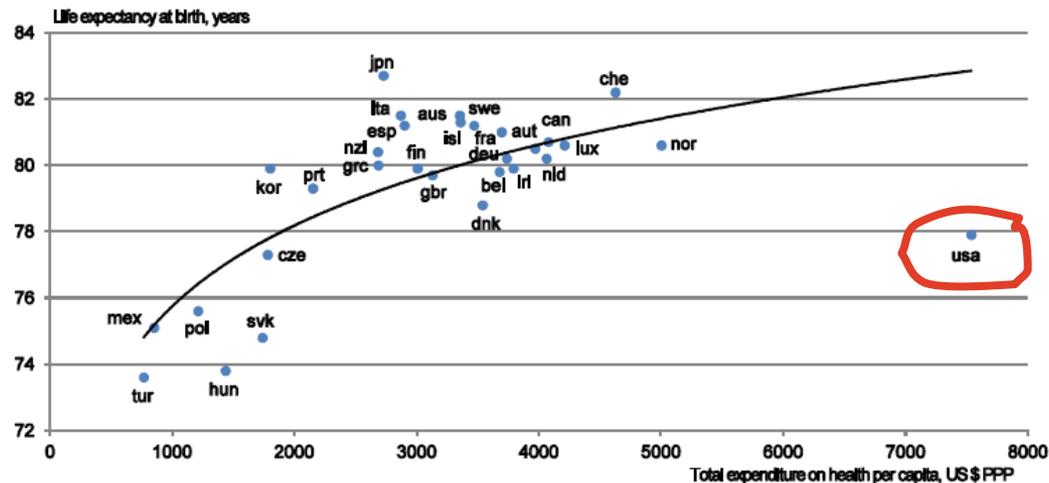
- S. Rosenbaum: The Patient Protection and Affordable Care Act: Opportunities for public health agencies and population health
- E. Salinsky: Financing mission-critical investments in public health capacity development
- S. Sessions: Financing state and local public health departments: A problem of chronic illness

What the US gets for its investment

Poor value for money invested

Lagging behind comparable, high-income nations on multiple measures of population health

Figure 1. There are large differences in life expectancy and health care spending across OECD countries 2008¹



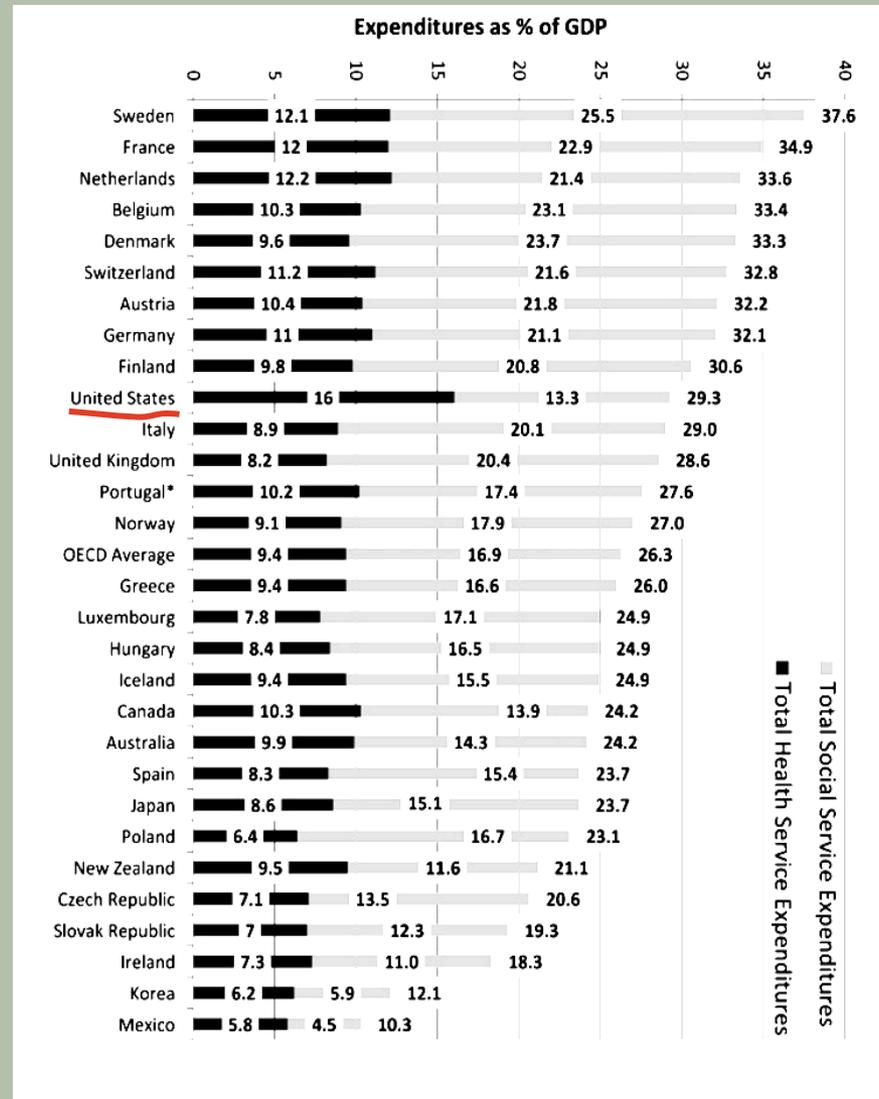
1. Or latest year available.
Source: OECD Health Data 2010.

US Social Spending

Ratio of non-health care social spending to health care social spending:

- 2.0 in the OECD countries
- 0.83 in the United States

Source: Bradley et al., 2011:3 (BMJ)



Achieving better value

- The US lags its peers in health status while leading the world in cost
- Lots spent on health (care) means far less is left for education, business development, and other systems that keep nations globally competitive
- The US must stretch its health dollar by:
 - Eliminating inappropriate and unnecessary care
 - Limiting administrative costs
 - Achieving universal access
 - ***Implementing population-based health improvement strategies***



Achieving better value

The economic burden of excess chronic disease morbidity is far reaching

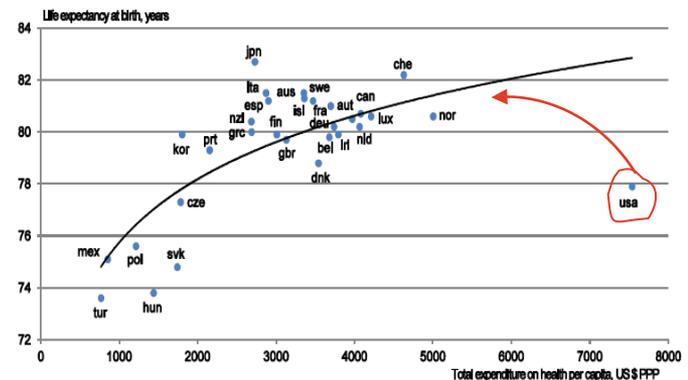
- Employers lose productivity due to lost work time and diminished performance at work because of illness.
- The financially-strained health care delivery system weakens the nation's economic vitality and global competitiveness.
- Opportunity costs

Setting national goals

The report recommends that . . .

The Secretary of HHS should set national goals on life expectancy and per capita health expenditures that by 2030 bring the US to average levels among other wealthy countries.

Figure 1. There are large differences in life expectancy and health care spending across OECD countries 2008¹



1. Or latest year available.
Source: OECD Health Data 2010.

Action Steps

Others are working on health care quality, efficiency, and access BUT

Implementing population-based prevention strategies will require:

- Considering health when making policy in education, transportation, agriculture, etc.
- Establishing new and innovative multi-sector partnerships
- Rapid translation of public health research into practice
- Strengthening the public health infrastructure to facilitate the application of pertinent skills and expertise throughout the health system



What Every Health Department Needs

A minimum package of “foundational” and “programmatic” public health services that:

- Protect and promote the health of populations
- Are available and visible in all communities
- Serve as a framework for program and financial management
- Help demonstrate what public health funding will buy

The “Minimum Package”

Minimum package of public health services

Basic Programs

Maternal & child health

Mental health & substance use

Injury Control

Communicable disease

Chronic disease

Environmental health

And many others

Foundational Capabilities

Communication

Health planning

Information systems

Partnership development

Policy decision support

Research and evaluation

And many others

Research and expert advice to inform national investment in health and shape public health practice

Public health research

The evidence base for public health is thin in important areas:

- Prevention effectiveness – “what works best”
- Public health systems and services – “how best to deliver”

Research funding is inadequate

Public health’s ability to adapt, retool, and respond in contemporary needs and priorities is inadequate.

Public health research

Industries characterized by high growth, innovation, and adaptation commonly devote 15% or more of their budgets to research and development

Public health needs a similar capacity for rapid-cycle discovery and learning:

- Early termination of strategies that do not produce expected benefits
- Rapid identification and spread of strategies that work

Public health research

The report recommends that Congress direct DHHS to develop a robust research infrastructure for establishing the effectiveness and value of public health and prevention strategies, mechanisms for effective implementation of these strategies, the health and economic outcomes derived from this investment, and the comparative effectiveness and impact of this investment. The infrastructure should include:

- A dedicated stream of funding for research and evaluation.
- A national research agenda.
- Development of data systems and measures to capture research-quality information on key elements of public health delivery, including program implementation costs.
- Development and validation of methods for comparing the benefits and costs of alternative strategies to improve population health.

Action Steps

- Agreement on roles to be played by CDC, NIH, AHRQ, HRSA in public health research agenda
- Determine high-value research priorities, e.g. using VOI analysis, stakeholder engagement
- Development and testing of new measures
- Design and development of new data sources
- Expansion of CER to include head-to-head comparisons of public health strategies



Expert investment advice

More information – both research and operational – is needed to reach an optimal balance of spending between medical care and public health.

The *minimum package of public health services* needs to be defined and the costs identified.

A knowledgeable body of experts is needed to work on these key issues as information becomes available.

Expert investment advice

Expert panels should be convened by the National Prevention, Health Promotion, and Public Health Council to determine

- The components and cost of the *minimum package of public health services* and the cost of main federal functions.
- The proportions of federal health spending that need to be invested in the medical care and public health systems.

The information developed by the panels should be included in the Council's annual report to Congress.

Action Steps

Research and synthesis are needed to inform the work of expert panels:

- Identifying high-value basic programs
- Identifying foundational capabilities required for effective, efficient delivery
- Estimating the cost of delivery, such as through production function analyses
- Modeling and simulation to determine optimal spending allocations for clinical care and public health



Improving how public health funding is allocated, structured, used, and tracked

Resolving dysfunctions in funding

Allocation, structure, and requirements for use of public health funds are flawed.

Serious shortcomings in how public health is funded include:

- Poor alignment with population health needs
- The rich get richer
- Inflexible, fragmented, and poorly coordinated funding streams

Resolving dysfunctions in funding

To ensure better use of funds needed to support the functioning of public health departments, the report recommends that....

federal funders enable greater flexibility and encourage greater coordination among the public health agencies they fund

Tools to record financial information

Many challenges to collecting and reporting PH financial information

Need standard tools across health departments to:

- Permit apples to apples comparisons of public health departments
- Support the development of better aggregated information about the PH revenues and expenditures across the nation
- Enhance understanding of resource allocation and link to community outcomes

Tools to record financial information

The report recommends that...

a model chart of accounts is developed for all public health agencies to track funding on programs and outcomes across agencies.

Account Category (Programs)	Account Code	Account Title	Definition/Linked to
Immunization			All funds spent on immunizations
	3000	Routine vaccine clinic administration	
	3010	Routine vaccine supply management	
	3020	Emergency mass immunization clinic	Linked to preparedness category
	3030	Communication on immunization	
Environmental Health			
	6000	Healthy Homes and Lead Hazard Prevention Program	Linked to prevention programs category
	6000.1	Public service announcements	
	6000.2	Staff training	
	6010	Compliance and enforcement, Air Outreach and education	
	6010.1		
		Permits	
	6010.2		
	6020	Compliance and enforcement, Water	
Chronic disease			
	9000		

Clinical care and health departments

- Health care reform is intended to substantially extend insurance coverage.
- As coverage increases, the need for direct clinical service provision by public health departments should diminish.
- Although the “assurance” function may in some instances continue to require direct care provision by public health agencies, the primary activities of health departments are better directed at critical population-based activities that they are uniquely charged with providing.

Clinical care and health departments

The report recommends that...

public health departments to work with clinical care providers to develop adequate alternative capacity for clinical care services (i.e., outside health departments)

State and local funds

Currently, local and state government funds are used to pay for clinical services delivered by public health departments.

As health care reforms lead to improvements in coverage, local and state funds could be “liberated.”

Shift of clinical care funds

The committee recommends....

public health department funds for clinical care services to shift to population-based services (after clinical care becomes covered by other entities)

The cost of underpaying public health

Public health has a track record of achievement in vanquishing the historic causes of death and disease

Growing and unsustainable cost of preventable non-communicable disease to the economy, employers, and American families

- Obesity accounts for up to 20% of the rise in medical care spending over the past decade, and along with medical costs, there are effects on worker productivity.

Public health needs the resources to deploy and expand its expertise, collect/analyze/communicate data, and convene and mobilize partners to begin to bend the risk curve and turn down the spigot (patients “flowing” into the clinical care system).

Funding for the Minimum Package

Current federal funding levels for public health departments fall well short of what is needed to allow departments to function smoothly in fulfilling their duties.

Governmental public health needs adequate funding to enable it to deliver the ***minimum package of public health services***—those foundational and programmatic services needed to promote and protect the public's health.

Estimating what public health needs

Necessary steps:

- Better financial data
- Strengthened public health research enterprise
- Convene expert panels to:
 - develop and “cost out” the minimum package
 - determine the proportions of national health spending to be invested in the medical care and public health systems

Funding the *Minimum Package*

The report recommends....

to enable the delivery of the *minimum package of public health services* in every community across the nation, the current federal appropriation for public health should be doubled. Adjustments should be made over time based on the estimated cost of delivering these services.

A starting point



The information needed to make an accurate estimate of the financial needs to support the public health system is limited.

Several ways to use the available information to arrive at a conservative initial estimate

- A \$24 billion investment by the federal government (roughly doubling of the current \$11.6 billion federal portion spent on governmental public health activity as defined by the National Health Expenditure Accounts)

Sources of funding for public health

Sufficient, stable, sustainable funding is needed to support state and local public health departments.

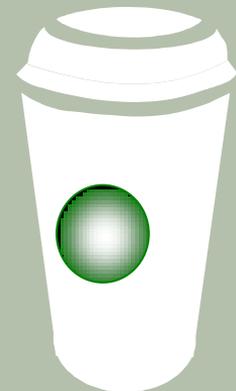
Various options for revenue generation exist. The best meet three criteria:

- Have a meaningful connection to population health
- Raise sufficient funds
- Do not have significant deleterious economic consequences

Increased funding

To enable the federal government to support public health departments in delivering the minimum package of public health services in every community, Congress should establish a new funding source by enacting a national tax on all medical care transactions

The back of the envelope cost of raising \$12 billion in per member per month terms? About \$3.65 per month for each of 273 million insured Americans = 1 Starbucks latte/month or 3 cups of Dunkin Donuts coffee/month



Report Messages

- The United States gets poor value from its current health expenditures. It needs to change its investment strategies by simultaneously decreasing medical care system waste, and bending the curve to decrease health risks of its citizens.
- Public Health has the mandate and the skills to develop an evidence-based understanding of population health needs, and can develop strategies and collaborations to address these needs.
- Better coordination and deployment of current funding is critical, as are additional sources of predictable, adequate, and sustainable funding.

For more information about this report, visit

www.iom.edu/PHfunding

**For more information about the project, including
previous reports by this committee, visit**

www.iom.edu/PHstrategies or email

publichealth@nas.edu