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The Nation; Looking Back At Jackson Hole

By PETER T. KILBORN

WASHINGTON— SINCE the start of the 1970's, an obscure group of economists and health specialists had been flogging notions of universal medical care to the deaf ears of legislators and Presidents.

The group's organizers, Paul M. Ellwood, formerly a pediatric neurologist in Minneapolis, and Alain C. Enthoven, a health economist at Stanford University, had a theory about expanding the cost-efficient practices of managed care into a vast system that would cover all Americans.

'Grotesque' Version

Then six years ago, during the Presidential primary campaigns in New Hampshire, they received a call from Bill Clinton's health advisers, who wanted a briefing about the plan. Suddenly, the Jackson Hole Group, as they called themselves, was a household name.

"The rest is bad political history," Dr. Ellwood said.

Four years after the demise of the Clinton Administration's "grotesque" formulation of the Jackson Hole plan, as Mr. Enthoven puts it, managed care now dominates the marketplace, having evolved on its own because of economic pressures.

Eighty-five percent of all workers are now covered by some sort of managed-care plan, up from 50 percent four years ago. But the results are mixed, many consumers are unhappy and health care has returned to the top of the nation's political agenda. No one in Congress or the White House has an appetite any longer for grand schemes and revolutions. And no one is picking the brains of Jackson Hole this time around.

As they look back at the swift and far-reaching changes they helped inspire, the Jackson Hole planners say they were right about some things and wrong about others.

"The real weakness in the system now is nobody trusts anybody," Dr. Ellwood said. "Health plans are on the defensive, doctors are on the defensive and patients are skeptical."

The unadulterated Jackson Hole plan was simple, at least in theory. Called managed competition, it envisioned a Government-guided system of private health plans and insurance companies that would compete to enroll large regional pools of workers and other groups. Vigorous competition to win contracts with employers would drive down the cost of care. The savings would then be used to extend health care to the uninsured. Plans that enrolled disproportionately high numbers of young, healthy workers would subsidize plans with older and sicker workers.

In hindsight, Dr. Ellwood and Mr. Enthoven acknowledge that it was unrealistic to expect Congress to revamp the whole health care system with a single bill.

Peter Boland, a health care consultant in Berkeley, Calif., said the plan was "a plausible model that probably could have worked with modification." One flaw, he said, was the assumption that employers could readily be organized into regional groups to purchase care. Another was "a distinct lack of choice on behalf of consumers," he said.

No Consumer Voice

Mary Jane England, a psychiatrist and a Jackson Hole member, said the plan was drawn up without the involvement of consumers. "From 1993 to now, the biggest shift that we've seen is the shift to consumers," said Dr. England, who is the president of the Washington Business Group on Health, an organization of large employers.

It was the luxury of wide-open choice, and the accompanying rise in costs, that inspired the Administration's pursuit of a plan in the first place. Enrollees in the prevailing fee-for-service plans could get whatever care they wished from doctors who could prescribe and charge whatever they wished. Insurers would write them checks and then raise the premiums they charged employers.

As managed care has spread, so have complaints from consumers and physicians about the loss of choice and prerogatives. A consumer rebellion has already prompted at least 43 states to enact laws expanding consumer rights.

But managed care, left to the marketplace, has had some successes. It met the overriding goal of the planners -- stopping the soaring inflation in health costs at the start of the 1990's. The nation's spending for health care in 1996 reached $1 trillion, 4.4 percent and $50 billion more than in 1995 -- the smallest percentage increase in 37 years.

Still, the planners did not anticipate how the marketplace would reward the system's participants. Employers are unscathed. They have been holding the line on the premiums they pay to insurers and managed care organizations, forcing the managed care industry as a whole to lose money last year. And employers have been requiring workers to pay ever larger shares of the premiums.

As a result, the Employee Benefit Research Institute reports, 41.4 million Americans under 65, or 17.7 percent of the population, has no insurance at all, compared with 38.3 million, or 17 percent, in 1992.

As the White House and Congress tinker with the system the marketplace wrought, that gap could begin to shrink. Last year, Congress voted to try to extend coverage to five million of the nation's 10 million children, and this year the President has proposed extending Medicare coverage to the uninsured among people who are 55 to 65.

Such initiatives have become possible, Dr. Ellwood says, because of the Federal budget savings arising from managed care's leveling of health care costs. "Our idea," he said, "was that enough money could be saved from managed competition to pay for the coverage of those who didn't have it."

Healthier, Not Happier

For those who are insured, it is too soon to tell whether managed care has improved health in any significant way. Statistics from the Centers for Disease Control and Prevention show that people are no sicker than they were in the fee-for-service days.

But managed care, by encouraging preventive medicine, with all but free mammograms, physical examinations, prenatal care and childhood immunization, has probably produced some health improvements.

"Maybe people aren't happier," said Uwe E. Reinhardt, a health economist at the Woodrow Wilson School at Princeton. "But they're healthier."

This month, Mr. Clinton told the American Medical Association that he is taking a "step by step" approach to health care reform.

In the new debate, the lightning rods are the President's promise of better quality of care -- implying more choice and regulation -- and industry's warnings of rising costs, driven by regulation, that could leave still more people uninsured.

And the debate will center on new questions, like how much government should intervene to stop abuses of the market-driven health care system; how far to go toward coverage for the working poor who have no insurance; how much choice to allow H.M.O. enrollees; how much to let doctors reclaim control of health care decisions, and how much consumers, their employers and the economy will accept in higher premiums to pay for greater choice.

"The best thing the Clinton plan did," said Jack Faris, president of the National Federation of Independent Business and a participant in the Jackson Hole deliberations, "was to tell us in the private sector we'd better get our act together and improve quality and lower cost and give us a wider selection of care."

Photo: With the costs of managed care rising, Norman C. Payson, the new chief executive of Oxford Health Plans, made a case for huge rate increases last week. Oxford lost $20 million last year on individual policies, whose holders tend to be sicker than people in more profitable group plans. (John Sotomayor/The New York Times)