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GrantWatch

I. ESSAY

The Role Of Philanthropy In Health Care Reform

by Dennis F. Beatrice

The American health care system has been called an unenviable mix of excess, deprivation, and chaos. As more people come to recognize the failings of the health care system, the momentum for reform grows. But the focus of this essay is not on what approach to reform is most promising; one more opinion on the virtues of managed competition versus regulation would hardly make a contribution. Instead, I address how foundations can play a constructive role in the reform debate and encourage action on reform. I suggest reasons why foundations have not been deeply involved in the reform debate, argue that there are compelling reasons why foundations should be engaged in this process, and suggest some options and approaches available to foundations that wish to become involved in reform. I draw illustrations from the reform initiatives that The Henry J. Kaiser Family Foundation has pursued.

Past Foundation Activity

In 1991 foundations spent \$817 million on health-related activities; this represents 17 percent of total foundation spending in 1991.¹ This sounds like an impressive sum until we look more closely at the numbers. First, this 17 percent of total foundation spending on health is down from 25 percent in 1980. Grantmakers who are heavily involved in health would have liked to see that percentage grow, not shrink, considering that health spending increased from \$250 billion in 1980 to more than \$800 billion in 1992, and that health care has emerged over this period as an issue of critical concern to the public and policymakers alike.²

Within that reduced funding commitment, activities related to health reform are very much in the background. Medical research, mental health, and work on specific diseases account for almost half of foundation spending in health, with hospital and medical care accounting for another third.

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The areas of spending most likely to reflect foundation involvement in health reform do not do nearly as well—policy and management account for only 2 percent of health spending; health care financing, another 2 percent; and public health, 4 percent.

Reasons for lack of involvement. Foundations stay away from health reform for a number of reasons. Working with government to guide policy making is not the traditional mission of most foundations. Instead, foundations are most familiar with projects supporting health institutions, community groups, or program demonstrations. Shifting to a focus on government policy requires a concentrated effort on the part of foundations, including a hard look at staffing and grant-making strategies. Such changes are not easy to make.

Also, foundations must cultivate a different relationship with government than with their other grantees. Typically, a foundation needs to help government advance government's priorities; there may not be a market in the public sector for the latest foundation-generated initiative. Government generally is motivated by forces different from those that motivate philanthropy; the agendas of the two sectors do not often overlap naturally. To work together successfully, foundations must bring their activities into step with government priorities, because government will not adapt to the interests of foundations.

Many foundations, especially local or regional foundations, fail to see a role that they can play. Foundation officers, most of whom have no experience in the public sector, are often not oriented toward public policy. Also, it is not easy to identify strategic opportunities for foundations through the politics and posturing that accompany the policy process. The public agenda also shifts constantly, presenting foundations with a moving target.

Finally, a major disincentive for involvement is fear of running afoul of rules prohibiting foundation lobbying. For example, foundations may not support particular pieces of legislation. However, foundations need to realize that advocating for attention to reform, filling information gaps, and educating policymakers and the public are perfectly acceptable foundation activities in the eyes of the Internal Revenue Service.

The Challenge For Foundation Involvement

There are compelling reasons why foundations should find a role to play in the health care reform debate. The twenty-five largest foundations have a total annual payout of \$1.7 billion (about \$500 million in health and human services).³ Government spends \$800 billion a year on health and social welfare programs.⁴ Total foundation resources barely qualify as a rounding error in government spending. Thus, to have a lasting impact,

foundations cannot rely solely on what they do through their grants. The test must be what they influence or persuade others to do. In health, government is the dominant player. Therefore, foundations must seek to influence government decision making and to leverage government funds toward the concerns of foundations.

The Kaiser Family Foundation's decision to emphasize government and public policy in its work follows from the view that government must take the lead in finding solutions to the big challenges we face in American health care: insuring the uninsured, controlling runaway costs, improving the health of the poor and minorities, and providing long-term care for our aging population. A health foundation that concerns itself with these challenges either recognizes the central role of government and tries to do something about it—at times helping and at times pushing government to do its job better—or ignores government at the risk of standing aside and losing an opportunity to be a part of the most important societal changes many of us have ever seen.

Opportunities for influence. Not every foundation will share Kaiser's commitment to influencing public policy and health reform. But for those that do—at least to some degree—a wide range of options and approaches are available. These opportunities fall into four broad categories: (1) Foundations can help to organize and sharpen the public debate, so that the issues surrounding health reform are framed in a way that facilitates decision making. Many issues compete for the attention of policymakers. Foundations can help to set the public agenda by clarifying competing views, bringing public opinion into the debate, adding facts and analysis to opinion and rhetoric, and helping to build consensus. (2) Foundations can provide information for decisionmakers, so that the best available data are brought to bear on decisions about the approach to and structure of health reform. (3) Foundations can fill gaps and do things that government cannot do or chooses not to do because of political concerns. Foundation involvement in such areas ensures that critical but sensitive issues, such as contraception and reproductive health, are not ignored. (4) Foundations can improve government practice, by assessing what has been done in existing federal programs or in the states, drawing conclusions and lessons from these experiences, and disseminating results to provide input to policy. It is important to point out that involvement with government need not be restricted to national foundations—these approaches can be used at the local, state, and regional levels as well as in Washington.

Kaiser Activities For Health Reform

Sharpening the public discussion on reform. The Kaiser Family Foundation
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dation has commissioned a number of opinion surveys to determine how the public feels about health care issues. The foundation has supported a dozen polls over the past sixteen months, moving from the role of health care in Sen. Harris Wofford's victory in Pennsylvania in November 1991, through the importance of health as an issue in the 1992 primaries and general election, up to an analysis of public opinion on key elements of President Clinton's health reform strategy. These surveys found that health was consistently the number-two issue, after the economy, in determining how people voted; that cost, not access, was the most salient issue, by a huge margin, and that achieving cost control is key to lining up middle-class support for a health reform plan that will also improve access to care; that no clear consensus exists among the electorate on what to do about the problems they see in the health care system; that the public is concerned that an employer mandate will cost jobs, strongly supports the regulation of insurance premiums and payments to doctors and hospitals, but is leery of a national cap on health spending; that there is support for combining elements of regulation and managed competition in reform, but that the public is not prepared to go all the way toward either approach; and that there is public support for selected tax increases to finance universal health insurance coverage.

These polls and surveys provide guidance for policymakers on what the public—not political and health care insiders—thinks is wrong with our health care system. They show advocates and elected officials how their particular stand on health reform issues rates with the public. Polls can also indicate where the land mines are buried in proposed initiatives, so policymakers can be smarter about crafting and arguing for reform.

Finally, although some issues demand attention, choices are made about which issues are brought onto the public agenda. In a world of limited staff, time, and money, government cannot do everything. Through polls, foundations can call attention to the reform issues that concern people most, thereby helping to focus government action.

It is Kaiser's hope that policymakers will factor in this information as they weigh health reform options. The level of interest is certainly high—the foundation gets more inquiries on these polls than on any other foundation initiative, by a wide margin. But despite their value, it is important to remember that polls are only tools; they do not predict, tell us what is right (would there have been a civil rights movement if all that political leaders had done was to read polls?), absolve political leadership from making tough decisions, or help to resolve second-level but critical questions. For example, do we really care what the public thinks is the right size for a health insurance purchasing cooperative (HIPC) under managed competition?

Providing impartial information. Bringing impartial information to bear on the reform debate has been a second focus of our grant making. Timely analysis that addresses key issues and is presented in the right way to the right audience can affect decisions made on reform. To this end, Kaiser has made grants to assess the implementation and administrative issues that must be addressed in health reform. These issues are critical if we are to avoid years of chaos when reform finally happens. We also have funded efforts to evaluate the issues surrounding a cap on health care expenditures; to analyze the potential of market-based models of health care reform to control costs and improve access; and to calculate, on a state-by-state basis, whether the Clinton plan and other proposed reforms will afford states fiscal relief or increase their spending for health care. Instead of being yet another interest group pushing a particular agenda, Kaiser and other foundations-as neutral parties-can focus the debate by providing impartial, timely information.

Filling in where government cannot act, Thanks to the support of its board, Kaiser has been active in areas where government cannot or will not act. A foundation does not face the political constraints that can handcuff government. A controversial issue such as family planning may cause a government agency to keep a low profile, while a foundation can act in such a politically sensitive area. Ideally, foundations can conduct “product development” for government on politically charged issues.

The best example of Kaiser’s work in such an area is contraception and reproductive health. When and if a low-income woman has a baby can have a dramatic impact on her life. It may mean the difference between finishing her education, keeping or finding a job, and being on or off public assistance. Kaiser has actively sought projects that look at how the reproductive health needs of women should be addressed in health care reform proposals. For example, Kaiser is supporting a study to document the scope and content of the benefits now received by privately insured women. By identifying what plans cover, how much they pay, and what they leave out, this analysis will show gaps in women’s health insurance coverage, estimate the costs of filling these gaps, and determine who will pay these costs in a new system—the government through a public program, employers through a mandate to provide coverage, or women themselves through higher copayments.

Foundations can also fill a gap by increasing the capacity of the under-represented to be heard in the policy process. Many groups, institutions, and organizations do not participate in policy debates; some that should take part have a difficult time being heard over the louder voices of organizations with better connections and better funding. A foundation can help to level the playing field by strengthening the capacity of certain

groups to make their case. For example, foundations have helped public hospitals determine and publicize the impact of acquired immunodeficiency syndrome (AIDS) on their operations, made the initial forays into highlighting the nature and scope of homelessness, and talked about the plight of the uninsured long before labor unions sponsored television commercials decrying the lack of health insurance for millions of Americans. Despite their strong establishment credentials, foundations can help the “have-nots” in society to become more visible, effective participants in the reform process.

Finally, there can be a lowest-common-denominator quality to government research and demonstration activity, since intense public, legislative, and judicial scrutiny discourage risk taking. Foundations, on the other hand, can support higher-risk, higher-payoff projects that might not survive the political give and take that marks policy making.

Examining government practice. Projects in this area assess what has been done in existing federal programs or in the states, draw conclusions and lessons from these experiences, and disseminate results to provide input to policy. Reinventing the wheel is a favorite pastime of government. The press of events often keeps government from building effectively on the work of others. Comparative information is scarce. Foundations can fill this gap by evaluating programs that could guide reform. In this regard, Kaiser is supporting work to (1) evaluate a major federal initiative on assuring high-quality care for Medicaid recipients in managed care plans (the approach to service delivery that will likely be emphasized in a reformed health system); (2) assess whether Medicaid can serve effectively as the “residual public program” under health reform for those who will not be covered by an employer, or whether low-income people should be integrated into the new system along with everyone else; and (3) evaluate the performance of the Medicaid Bureau in the Health Care Financing Administration (HCFA), to determine how well it is doing its job and how it must change to support Medicaid or its successor public program under health reform.

Of course, distributing a report on research findings or a new government program is not enough. Information needs to be made attractive, accessible, and digestible. This is a role that can be played readily by a foundation if it is attentive to the work and style of its grantees. The audience for information about a foundation initiative must also be carefully considered. For example, an article in the *Journal of the American Medical Association* may not be the best way to communicate with governors, the media, or the public. One size does not fit all in dissemination; rather, the product must be crafted to speak persuasively to those whom foundations wish to inform or influence.

Finally, what avenues of communication foundations choose also matter. Making effective use of the media can amplify our voice; foundation studies, demonstrations, and surveys that receive media attention will reach policymakers with greater force than will a project report they receive in the mail. Creative use of the media—to point out important facts and trends and to educate the public—can get grantees’ studies off the shelves and into the hands of decisionmakers.

New opportunities. The immediacy and pace of reform—or at least talk about reform—have opened up some new opportunities that Kaiser is beginning to pursue. (1) The foundation is seeking to improve communication on health reform, so that the public can be more fully informed. To this end, Kaiser is conducting regional briefings for reporters and news managers to make them better able—and more willing—to frame the complex issues and report on health reform as a health story rather than a political story. (2) No complete models of managed competition yet exist. To provide guidance from practice and not just theory, Kaiser is looking at programs such as the California Public Employees Retirement System (CalPERS), which include elements of managed competition that can inform the debate. (3) Several grantees are providing analytic support to the elaborate task force structure that is designing President Clinton’s reform plan, notably in the areas of how best to incorporate low-income people and persons with developmental disabilities and mental illness into a reformed health care system. The ground rules are simple: This work is made available to anyone who wants it; Kaiser supports only analytic help, not outreach or coalition building to “sell” whatever approach emerges, and the foundation will offer similar support to other credible groups (such as a congressional committee) that request it.

Suggestions For Other Foundations

This essay has suggested some ways in which philanthropy can work with government to support movement toward health reform. Several preconditions are necessary, however, if foundations are to achieve this goal. First, a foundation seeking meaningful involvement must invest a critical mass of resources in the target areas. Programs an inch deep and a mile wide will not have the intended impact on the public sector. Of course, in a state or local setting this critical mass will be smaller, making it possible for more foundations to participate. Second, it is necessary to find and cultivate compatible leaders in government. To achieve success in connecting with the public process, a foundation needs to work with creative public managers who understand what philanthropy can contribute. Third, a foundation has to be willing to link its grant making to issues that matter to policymakers,

rather than to carve out a small niche where important work may be accomplished but in which government will have little policy interest. Fourth, a foundation must be committed to understanding government and its programs. This affects the kind of staff that foundations must hire, since in this new model of foundation involvement staff must be more directly involved with government and able to spot opportunities amid the haze of complex government operations. Finally, grantees must be urged to see their work as a means to an end—making a difference in public policy and not as an end in itself. It is necessary to define explicitly how research questions are asked or how a demonstration program is designed and to plan for dissemination in the initial program design rather than as an afterthought. Too often those who do research and those who make policy decisions do not interact; they live in different worlds and speak different languages. Foundations can help to bridge this gap by thinking about both the research and its use. Government will not change to accommodate the needs of researchers, so the burden lies with those who wish to influence the public process from the outside.

Foundations can matter in the policy environment, but they have to be in tune with the needs of government, and they have to want to count in the process—two straightforward but by no means automatic conditions. Carefully crafted foundation programs can have an impact on government policy, but such an impact requires careful attention and a willingness to adapt grant making to meet the needs of those who are designing and will implement the health care system we all will live under. A window of opportunity has opened for foundations to make a contribution to what could be the greatest change ever in America's health care system. We owe it to society to take advantage of this chance.

This essay was first presented as an address to the Grantmakers In Health annual meeting, 19 February 1993, in Tarpon Springs, Florida.

NOTES

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