

**Insights**

The Federal Health Authority, a Federal Reserve System for Health Care COVID-19 Has Exposed a Need for Change

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Background and Rationale

In 1907, a financial collapse led to a major US national recession, a 17% decline in industrial output,¹ and creation of the Federal Reserve system in 1913 to "provide a means by which periodic panics which shake the American Republic and do it enormous injury shall be stopped."²

The current COVID-19 pandemic shares many of the same causes as the Panic of 1907: lack of a coordinated federal response, lax state-level regulations, and absence of clear strategies to respond and recover from the initial outbreak. Therefore, we propose a new entity paralleling the Federal Reserve—the Federal Health Authority (FHA)—to anticipate health shocks, coordinate future responses, and address longer-term problems in the nation's health and health care. Just as the Federal Reserve is tasked with sustainably maximizing the nation's financial health, the FHA would be tasked with doing the same for the nation's health.

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Mandates

We offer 5 mandates for the FHA. First, pursue national health policy toward sustainably improving population health while reducing health inequities in physical, mental, and social well-being. Second, in times of crisis, coordinate relevant federal agencies to mitigate the effects of health crises on national health and the macro-economy. Third, supervise and regulate health entities: as the Federal Reserve regulates banks, the FHA would provide certification for health quality and provide discount lending or subsidies for struggling safety-net hospitals. Fourth, ensure consumer protection; data and health benefits portability; consumer engagement; and public transparency regarding health care delivery, outcomes, and cost. This would include a clearinghouse function for common health insurance claims, similar to what the Federal Reserve historically provides for checks. Finally, align with national research institutions to provide early warnings of impending health crises and foster health care research, longitudinal data collection, analytics, and monitoring of health inequities.

Structure and Governance

The FHA will have 12 districts, each operating independently but coordinated and supervised by the FHA's board of governors and the US Congress. Congress will approve the executive branch-nominated chairpersons of the FHA and members of the FHA board of governors. That board will appoint district chairs and deputy chairs as well as class C directors; class A and B directors will be elected by member health care systems, insurers, and businesses with class A directors elected to represent those entities and class B directors elected to represent the public. All positions would be subject to a 7-year term with 1-time renewal. This structure allows for regional independence, representative oversight, and national coordination with the legislative and executive branches.

The FHA would be accountable to Congress and the public, providing regular congressional and public testimony, with quarterly reporting. One of the FHA's first tasks would be to serve as a clearinghouse for a uniform insurance claim form, providing near real-time national all-payer data on health outcomes and health care use, saving billions in wasteful administrative spending.³

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This new structure will require some reorganization. The Centers for Disease Control, which currently is subject to political influence by the executive branch and Congress, could retain scientific independence by reporting to the FHA; similarly, some functions of the Department of Health and Human Services could move to the FHA.

Funding

While there are a variety of ways to fund the FHA, the simplest would be a small transaction fee for processing of insurance claims. Similar to the Federal Reserve, which self-funds using interest earned on US government securities, we propose a self-funding FHA based on health care transactions. For example, a 0.3% processing fee—just 30 cents per \$100—would replace many status quo processing fees and allow for an estimated \$30 to \$40 billion annually to fund initiatives to reduce harm, lower costs, and improve the alignment of health care services with patient preferences. In contrast to the Federal Reserve, which returns excesses to the US Treasury, FHA funding would be allowed to accumulate as a hedge against future pandemics or other disasters and to provide a credit line for distressed health care facilities. Initiatives leading to lower health care costs with higher quality of care would accrue to society.

Limitations

Our suggestion has several limitations. The idea of creating a new entity like the FHA will be viewed by some as a political act; even apart from politics, typically few in either state or federal agencies are eager to relinquish power. Yet the pandemic, with its health and economic impact, is exactly the type of a once-in-a-hundred-years calamity that allows fundamental reform to occur. Second, it will be important to ensure that the FHA follows best scientific practices free of political influences and avoids undue influence from industry insiders. Third, it will be critical to determine what, exactly, the FHA would be allowed to control: could it close consistently low-quality hospitals, or regulate prices in local areas with monopolistic behaviors? It may be best to begin the FHA with narrow scope with clear benefits, such as reconciling and maintaining medical claims in a secure way.

Conclusion

The Federal Reserve was created in response to the 1907 financial panic that began on Wall Street but quickly jumped the Hudson River and spread across the country. By the same token, COVID-19 does not respect state borders: a motorcycle rally in one state will lead to viral outbreaks in adjacent states; states may have no recourse to protect their citizens and may suffer economically from the resultant surge. We propose an FHA as an effective way to address what are fundamentally national, not local, needs: to coordinate data and policies across the nation's health care, public health, pharmaceutical, and technology sectors; to provide data and trends analyses on the health of citizens and their impact on economic prosperity; to alert the nation to emerging public health threats; and, when crises erupt, to coordinate a national response.

The COVID-19 pandemic has laid bare the severe shortcomings of our current health care system, including racial and ethnic inequities that require a national solution. The time for an FHA is long overdue; the crisis of this pandemic must not be wasted.

ARTICLE INFORMATION

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