

Beeman's Health Care Thoughts

If you have constructive feedback, please email: ebeeman@umich.edu

~~March 5th, 2009~~ March 18th, 2010

I believe there are two primary problems with our current system – (1) rising systemic cost and (2) lack of health care access for patients. To address these issues, I propose (9) sequentially implemented steps:

- Step 1 Establish a National Insurance Market
- Step 2 Establish Transparent Pricing
- Step 3 Establish Consistent Quality Reporting
- Step 4 Modify Insurance Company Practices
- Step 5 Save the Federal Budget
- Step 6 Subsidize the Poor and Working Poor
- Step 7 Make Health Insurance Portable
- Step 8 Eliminate Price Controls
- Step 9 Adopt Health Care Information Technology when it makes business sense

This plan is based in part on my review of these sources:

1. The Cure, Dr. David Gratzner
2. Who Killed Health Care?, Regina Herzlinger
3. Critical – What we can do about the Health Care Crisis?, Tom Daschle
4. A Second Opinion, Dr. Arnold Relman
5. [Nonprofit Health Insurers: The Financial Story Wall Street Doesn't Tell](http://www.nonprofithealthcare.org), <http://www.nonprofithealthcare.org>
6. Consumer Health Coalition <http://www.consumerhealthcoalition.org/>
7. Saving Primary Care <http://savingprimarycare.org/>
8. [Qliance The Economics of Primary Care](http://www.qliance.com)
9. Galen Institute <http://www.galen.org/>
10. [MHA 2006 Survey of Primary Care Physicians](http://www.mha.org)
11. Foundation for Economic Education, Healing America: “The Free Market Instead of Government Health Care”
<http://fee.org/nff/healing-america-the-free-market-instead-of-government-health-care/>
12. US Constitution,
<http://www.heritage.org/research/features/almanac/documents.html>
13. Physicians for a National Health Program, <http://www.pnhp.org/>

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Step #1 Establish a National insurance market

I would ensure that insurance companies are no longer subjected to individual state laws and regulations. I would make the health insurance market national (aka National Health Insurance Exchange) and invoke the interstate commerce constitutional clause that enables congress to regulate markets at the federal level. ~~The only regulation would be that all policies include catastrophic coverage above a certain dollar amount... say 30% of the median family income and consumers cannot be screened for pre-existing conditions.~~ I expect deductible levels would vary just as with homeowners insurance and patients could choose the deductible level and policy they wish to purchase. This would encourage patients to become more price conscious with their medical expenditures. I also expect that people would choose higher deductible insurance when faced with the high cost of comprehensive insurance.

To centralize the consumer reporting needs of the health care market, I propose the government initially sponsor a price and quality reporting website for insurance companies, physicians, hospitals and pharmacies. I would call this website the "Health Exchange Website". I believe the sponsorship should take the form of a private competition. The Health Exchange Website itself best resides in the private sector yet I believe we need at least a state level sponsoring organization in order not to fragment the information. This website(s) would have two primary functions – establish pricing transparency and facilitate quality reporting and feedback. Consumers could sort/filter results with fields such as facility, area, provider or insurance company.

Why?

I believe the freedom of choice will best help individuals address their particular health care situation. I believe regulations that require specific benefits artificially drive up prices and force patients to purchase coverage they may not need (such as maternity, very low deductibles, chiropractor services, podiatry, etc). Also, I believe consumers need a readily available, online source for reliable information relating to the health industry pricing and effectiveness.

Step 2 Establish Transparent Pricing

I would require that all physicians, hospitals, pharmacies and insurance companies provide their price list upfront. Providers would deliver estimates prior to treatment. These estimates would be acknowledged and signed by the patient. If the estimates differ after consultations, then a revised estimate must be provided to and signed by the patient. All price lists should be published on the Health Exchange Website and shared with patients prior to treatment. Hospitals should publish price estimates for pre-defined, common situations ... broken arm, appendicitis, heart attack, stitches, emergency room time. Then, the prices of these common situations could be compared between hospitals in a particular area prior to the emergency. Of course, in an emergent situation with an unknown condition and unconscious patient the patient will not be price conscious but even then the mere pricing availability and exposure will drive down prices and lead to value based decisions from patients. Prices will have

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been set beforehand so there would be no incentive to charge patients more for their emergency. I believe if a patient is aware that pharmacy A charges \$80 for 14 day course of Prilosec while pharmacy B charges \$14, they will choose pharmacy B.

Why?

Patients cannot be effective, price conscious shoppers if they can't compare the prices of hospitals, physicians, pharmacies and insurance companies. I believe the dual objectives of cost control and improved access are not possible until patients themselves assume responsibility for evaluating tradeoffs relating to health care service and pricing.

Step 3 Establish Consistent Quality Reporting

After each patient encounter, a patient would be given the web address of the Health Exchange Website where a reporting portal would be customized for the physician or hospital in question. A short quality survey would be completed with the physician's federal identification code and a unique patient code. Physicians need the ability to respond, if desired, to negative feedback as often dissatisfaction or poor outcomes result from the poor lifestyle choices of the patients in question. Physicians would not be able to cite patient names but may explain the medical facts of the case. Patients would have 30 days to complete the survey and physicians would have the option to respond at any time. In addition, the board certification status, CME courses and other details on the physician training would be available on the Health Exchange Website.

Finally, both consumers and providers could rate the insurance companies on the Health Exchange Website. Consumers would have access to these ratings in order to help make their insurance purchase decisions.

Why?

To be effective shoppers, patients must have quality information on their physicians, hospital, pharmacies and insurance companies. This information must be from verifiable patients in order for the physician or hospital to be able to respond to feedback.

Step 4 Modify insurance company practices

For profit insurance companies have perverse incentives to lower payments to providers and decrease or deny coverage to patients. Unfortunately, we can't consistently depend on altruistic motives of for-profit insurance companies to improve health care access for our population. Federal regulations and improved consumer information are required to identify those companies that stress profit over patient outcomes or provider reimbursement. ~~All insurers should be required to spend a certain amount of every premium dollar they collect on health care, as opposed to overhead or advertising costs.~~ Performance measures, such as the percentage spent on health care vs. overhead, should be published on the Health Exchange Website just as is commonly done for non-profit organizations. Any profit, over and above minimum reserves, infrastructure investment, and a shareholder return, should be given back to consumers in the form of

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a end of year rebate. Insurance companies also should not be able to dictate formularies or care as this is between the physician and patient. Finally, I believe we should require insurance companies to cover pre-existing conditions so all patients regardless of their health status or history can purchase insurance.

Why?

If we are to maintain a private insurance industry, then the insurance company incentives need to be aligned with the societal good rather than simply to maximizing profits for shareholders. I maintain a basic belief that private businesses are driven to be more efficient than government. Process improvement and control is better in the private sector since they must actively manage their bottom line to maximize shareholder returns. However, I do believe the perverse incentives of lowering payments to providers and decreasing or denying coverage to patients must be addressed. I believe these perverse incentives can be addressed while reaping the inherent process efficiencies of the private sector.

Step 5 Save the federal budget

Medicare and Medicaid are financially unsustainable in their current form. I would change the payment policies to instead deliver a pre-defined contribution amount to each eligible individual's health care. These dollars would be placed into a tax sheltered, cash based account that can only be used for purchasing medical insurance. This transition from pay-per-encounter to set contribution would happen gradually over a period of 3 years. The government would require each person to have their own health insurance policy funded partially or fully with the set contribution amount, depending on which insurance policy they chose. The arrangement would be very similar to the Federal Employee Health Benefits Plan and a market of insurance alternatives to fit individual circumstances would be available. This change would set the stage for subsequent removal of price controls and reinstating the physician's ability to balance bill.

Why?

Our government does not have unlimited funds. Unchecked federal health expenditures will push out other government spending priorities and private capital expenditures.

The constitution outlines a limited role for our federal government. If we change Medicare/Medicaid from a monopoly insurance payor to a private market facilitator, I believe this moves the federal government closer to the constitutionally outlined limited role.

Step 6 Help the poor and working poor and those with preexisting conditions

Each individual would have available a minimum default insurance policy. Direct Tax credits and/or subsidies for lower income people could be used to improve the insurance options for the working poor. Our policy for charity medical care would be to provide direct subsidies to the individuals in question. Any subsidies would be placed in a tax sheltered, cash based account that can only be used for purchasing medical

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insurance. Similar to Medicaid today, enrollment for the subsidies and default insurance policy would be possible at "Point of Sale" when required – hospitals or physician offices.

A USA social security number would be required in order to receive any subsidies to ensure there is not an incentive to illegally immigrate to the USA. For those without social security numbers, the transparent pricing and competitive market forces will help contain their expenses to typical market rates. However, their expenses would not be borne by USA taxpayers and would require a cash-based transaction.

For those denied coverage due to a preexisting condition, I would allow enrollment in a federally sponsored medicare style coverage. For those unable to afford health insurance due to a pre-existing condition, taxpayer subsidies for medical costs over 30% of annual income would be provided.

Finally, to encourage the provision of charity care, I would allow physicians, pharmacies, and hospitals to deduct in full the lost revenue of the charity care that they provide. The deduction dollar amount allowed for the charity care would be limited to the published price on the Health Exchange Website. I see this option being used extensively to avoid taxes and would significantly increase the services available to the poor and working poor.

Why?

I believe we should use health care subsidies to enable the individual to help themselves. I believe the direct health care subsidies to individuals are cheaper than indirectly subsidizing hospitals to provide the charity care.

I also believe that the cost of federal subsidies for the working poor would be less than having those patients be cash based. Though I generally believe illegal aliens should not be supported by the USA taxpayer, there may be a business case for this group to receive subsidies as well. At this point though, I don't believe we should provide further incentives to illegally immigrate.

Step 7 Make Health Insurance Portable

The current employer provided health insurance lacks portability. I would move the tax credits for health insurance to the individual rather than with employers. Employers would be required to convert their health care expenditures into their employees' base salary. This, paired with a national insurance market, would allow individuals to choose the insurance policy that best meets their needs and budget. Individuals would select and pay for their own health insurance policy and the policies would not be tied to employment.

Why?

People change employers often during their lives. Ensuring insurance is portable will prevent lapses in coverage and reduce the number of uninsured. Eliminating employer

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sponsored insurance and promoting individual health insurance responsibility will allow people to buy health insurance to fit their individual situation.

Step 8 Eliminate Price Controls

My final improvement to the health system would be for physicians, pharmacies or hospitals to be able to charge as much as the market will bear. This requires elimination of price controls from the government and insurance companies and removal of balance billing limitations. As long as there is transparent pricing and quality ratings, I believe that physicians should be just like plumbers, lawyers or accountants and should be able to charge market rates based on their relative expertise. Just the other day, I spent \$90 for a plumber to come out to check a drain. He spent 15 minutes at our house. I compare this to a physician doing a follow-up exam on a medicare patient. The government will only pay ~\$53 for this type of visit due to their price controls. This inability for physicians to charge for their years of training is inexcusable. Price controls lead to rationing one way or another. Either physicians will not see patients paying the artificially low price or physicians will be driven away from the field as is now happening to primary care. I believe price controls never work and they need to be eliminated. Paying market prices and any subsequent profits will attract attention and encourage greater supply. A greater supply of health care services and innovative products leads to an increase in the public good.

Why?

We must remember that health care access does NOT equal access to affordable insurance or even government provided single payor insurance. A large supply of qualified physicians and innovative pharmaceuticals is needed to improve health care access and outcome performance. Improving physician supply requires that physicians be appropriately compensated for their 12 years of post graduate training and for the life & death decisions they must make each day. If not well compensated, many potential physicians will choose other higher paying, less demanding fields.

Step 9 Adopt Health Care Information Technology when it makes business sense

Health Care IT will naturally be adopted by physicians when it makes business sense and helps improve office workflow. When physicians are being paid market rates, the physicians in question may have the funds to purchase the systems on their own and at their own pace. Physicians should not be forced or penalized for not adopting these IT systems, just as there are no penalties for plumbers, accountants or lawyers for adopting IT in their business. For purposes of information gathering for public health policy, including vaccines, outbreaks, etc, doctors should be able to submit their data to the Health Exchange Website. A physician portal subset of this website would allow physicians to upload data either one record at a time or in batch format from their Electronic Medical Record system. To protect patient privacy, no identifiable information should be stored about the patient. Tax credits should be granted to physicians to voluntarily provide this information.

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Why?

I believe it is wasteful to force physicians, hospital or pharmacies to adopt IT when it may not make business sense to do so. Using federal government monopoly insurance power to force IT adoption is also contrary to my view of the role of limited government. This is especially true when the IT business value is spurious.