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# Do we really need healthcare reform?



June 04, 2012 | Alex Binder, MBA, CMM - Chief Operating Officer, Visiting Physician Services

Over the past 20 years there have been a variety of attempts to "reform" healthcare in the United States. Reform is really just a courteous term used to describe the need to control the skyrocketing cost of healthcare, while simultaneously improving quality and outcomes. Candidly, the healthcare industry has failed at reforming either of these two critical objectives.

According to statistics from the Organization of Economic Cooperation and Development, the United States spends approximately $7,500 per person, per year, on healthcare. Not only is this the highest expenditure of any developed nation, but it is 50 percent more than the next most expensive country (Norway), and more than twice the price of many countries such as Italy, Spain, France and Great Britain. While some may argue, "you get what you pay for," the quality of care that we receive in the U.S. is far worse than the quality of care provided in many other nations. To this point, we rank 38th in life expectancy amongst members of the United Nations, and 49th in infant mortality. According to the Commonwealth Fund, "The U.S. fell to last place among 19 industrialized nations on mortality amenable to health care -- deaths that might have been prevented with timely and effective care."

As if these statistics aren't daunting enough, our Medicare system is teetering on bankruptcy, employers are being crushed by the burden of rising health insurance premiums, and 50 million Americans don't have health insurance. It seems logical that in order to change any or all of these unfavorable conditions, significant healthcare reform is absolutely necessary.

The Patient Protection Affordable Care Act (PPACA) passed by Congress last year was a major step in addressing our country's woeful healthcare cost/benefit performance. Within the 1,200-page bill there are approximately 30 specific programs designed to either improve care or reduce costs. One thing that is interesting to note is that the majority of programs that are designed to improve quality (or access to care) actually increase costs. Yet, the Congressional Budget Office has estimated that the PPACA, in its entirety, will reduce the deficit by $210 billion over the next 10 years. While it is impossible to know the actual financial impact of this major initiative, it is absolutely critical that we start to look at some of these new and different care/payment methodologies in an effort to help improve the return on our investment.

The majority of Americans would agree that the removal of lifetime coverage caps, the inability of an insurance company to exclude patients with preexisting conditions, the narrowing of the prescription drug donut hole for seniors, and allowing dependent children

to remain on their parent's plan for a few more years (all components of the Act), are fair and reasonable benefits -- that will ultimately improve care. But these benefits will obviously come at a cost. Removing a payment cap or narrowing the donut hole will absolutely increase healthcare expenditures.

Yet, there are also a variety of cost-reduction strategies that are contained in the PPACA. Many of these savings are attributable to the payment reform projects that attempt to "bend the cost curve." Frankly, the current volume-based reimbursement model (commonly known as fee-for-service) is a major reason for our high costs and mediocre quality. There are very few checks and balances in a volume-based system. Physicians are paid for activity not outcomes. In the current model, physicians who misdiagnose and provide poor treatment will typically make more money than physicians who properly diagnosis and treat. Duplicate diagnostic tests and unnecessary specialty consults that generate volume-based reimbursements are obvious activities that contribute to our high cost of care. In a fee-for-service world not only are there few limits on the amount of care, tests, and treatments a patient can receive, there isn't even any evidence that this increase in volume improves patient outcomes.

Accountable care organizations, patient-centered medical homes, transition care programs, value-based purchasing, bundled payments and other similar Medicare demonstration projects that are part of the PPACA attempt to make structural changes to the current inefficient payment model. By looking at the economic side of medicine and focusing on creativity and innovation, where the payment stream is linked to outcomes, we will be able to control the escalating cost of healthcare.

While it is unclear whether these specific programs will have a considerable impact on the trajectory of healthcare expenses, the true significance of PPACA is that we have initiated a dialog. We have already implemented policies that improve access to care, and we are finally willing to talk about physicians' influence over healthcare dollars. While these are difficult and painful discussions that challenge the status quo, they are necessary and productive. It is time to address the root causes of our healthcare plight, and not continue to accept outdated and customary "wisdom." Now is the time for us to find radically different solutions than the methods we have utilized for the past 50 years. The U.S. leads the world on many fronts, but healthcare isn't one of them. Now is the time for America to transform our healthcare system and rebuild our reputation in this essential domain.

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