Urgent Need to Re-Engineer the US Health Care System

By John N. Simons, MD and Peter J. Adams

Today, there is increasing worry and frustration with the cost and variation in health care quality, as well as the apparent lack of plans to resolve this in the near future. From the White House to Wall Street and main streets, from corporate board rooms to the small business owner, to families raising small children and retirees, there is a well justifiable fear that escalating health care costs will result in mediocre health care and increased health care rationing. Most proposed solutions to the health care crisis focus largely on making consumers share some of the financial responsibility for health care bills. Our analysis documents there is not enough money available today or tomorrow to support our present, fragmented health care delivery system.

We believe that the major problem with health care is how it is delivered, not how to pay for inflated health care costs that result from a fragmented health care delivery system that often produces less than the best possible health outcomes.[1] The alternative to the current costly fragmented system is an "integrated delivery system" in which physicians, hospitals, other health care providers, and often insurers provide health care in a well integrated manner using what is known as "best practices" to obtain better health care outcomes at lower cost than the current US health care system.[2] If this is not done, our nation will incur trillions of dollars of avoidable health care costs and many people will not get the best possible health outcomes.[3] This will make our nation economically uncompetitive in world markets, lower our standard of living at home, and contribute to an immense national debt that jeopardizes the very future of our nation[4] - because government now pays for half of all US health care costs.[5]

The good news is health care delivery in America is slowly being re-engineered so that over time more than 25% of current costs can be squeezed out with no net loss in terms of health outcomes.[6] Even greater savings can be realized if consumers can be persuaded or otherwise induced to change unhealthy lifestyles.[7] Additional, but smaller savings can be obtained by addressing the lack of transparency[8] in the pricing of health care and from malpractice reform.[9]

The bad news is these developments will take decades to reach fruition. As a result, total health care costs are projected by the President's Council of Economic Advisors to increase by 2030 to 28% of the Gross Domestic Product (GDP), the value of all goods and services produced by our nation, from the current 18% of GDP.[10] US health care now costs total $2.8 trillion per year or $9,200 on average for each man, woman and child.[11] Our nation's health care expenses, as a percentage of GDP, are two and a half times the average of the 34 countries in the Organization for Economic Co-operation and Development (OECD). Our per capita health care costs are more than 150% of costs in France, Germany, Japan, and Canada.[12] Such excess health care spending diverts resources that consumers would otherwise use for food, housing, education, leisure and the other goods and services that are part of a reasonably high standard of living.[13] It also precludes investments required for future productivity.[14] Even in the short-term, this puts the US at a competitive disadvantage in world markets. As an example, General Motors incurs an average of $1,500 to $2,000 of employer paid health care costs for each automobile it manufactures in the US, while auto manufacturers in countries in which employers do not provide health insurance and incur no direct health care costs, such as Japan.[15]

To put this into very concrete terms, consider the findings of Drs. Richard A. Young and Jennifer E. DeVoe published in the Annals of Family Medicine in March/April 2012.[16] They found that if health insurance premiums and national wages continue to grow at recent rates and the US health system makes no major structural changes, the average cost of a family health insurance premium will equal 50% of the household income by the year 2021 and surpass the average (i.e., median) household income by 2033. If out-of-pocket health care costs are added to the premium costs, the 50% threshold will be crossed by 2018 and will exceed household income by 2030.

Defenders of our high cost health system argue that our health care is the worlds' best and exceptionally high expenditures are necessary.[17] However, America's infant mortality rate (i.e., percentage of infants born alive who die within the first year of birth) is the 24th best in the world and our longevity is 20th best in the world.[18] Does this indicate that we are getting our money's worth?

Alternatively, we can reduce our health care costs without sacrificing health care outcomes or increased rationing of health care. Savings in the order of 25% of total care costs are obtainable through the consistent use of "best practices."[19] Many best practices are derived from impartial scientific evaluation of large numbers of treatment outcomes.[20] Our nation's centers of excellence in medical practice, research, and education have been documenting for decades that better health outcomes often are possible through the consistent application of well designed clinical protocols, which is often less expensive than the traditional health care they replace.[21] This overall approach has been articulated simply by Intermountain Health: "Intermountain is able to provide care at a lower cost by delivering the right care in the right facility at the right time, as well as by operating efficiently." [22]

However, substantial clinical outcome improvements often require a proactive approach that involves advanced information systems and non-physician care coaches reaching out to patients in coordination with the patients' physicians.[23] Most physicians in independent solo or small practices simply cannot implement such interventions.[24] Likewise, mere employment of large numbers of physicians by a hospital, insurer, or health system does not result in integrated delivery, consistent use of best practices, and reduced variation in clinical outcomes.

Recently, America's physician specialty societies, representing more than 500,000 physicians or substantially more than half of all US physicians,[25] endorsed a large number of best practice protocols. It has been estimated that implementation of these recommendations would reduce total health care expenses by up to 30% while improving outcomes.[26]

The rapid implementation of best practices protocols generally requires sophisticated health delivery systems that have the ability to implement and monitor the use of clinical protocols by large numbers of physicians and other clinicians. This requires effective internal governance processes and advanced information systems, including compatible electronic health record systems being used effectively. Generally, this can be done only by an integrated delivery system in which physicians, hospitals and other clinicians work in a coordinated manner, often

with an insurance component or with good working relationships with insurers. A true integrated delivery system has the capacity to accept both clinical and financial responsibility for a large population of patients by arranging for all of the patients' clinical care needs.[27] Physicians in solo practice or independent, small groups generally lack the management resources, technology, capital, and scale of operations required to do this – even if they happen to be employed by a single hospital.

The first wave of integrated delivery systems was established by non-profit organizations affiliated with well known centers of clinical, research and teaching excellence. These organizations found that providing the right care to each patient at the right time produced both consistently better clinical outcomes and lower average costs.[28] There are now dozens of integrated delivery systems, virtually all of which are privately owned. Well known integrated delivery systems include such renowned institutions as Cleveland Clinic, Geisinger Health, Intermountain Healthcare, Johns Hopkins, Kaiser Permanente, Mayo, Partners Healthcare, and Scripps.

Financial incentives for best practices-based integrated health care, to be provided in a coordinated manner, increased due to greater use of expensive technologies, the adoption of complex clinical protocols, and the end of cost reimbursement of health care providers' expenses and charges by private insurers, government programs and employer-sponsored health plans. These financial incentives, in conjunction with younger physicians' preference for a work-life balance, have resulted in an annual decline of physicians in solo practice of approximately 2% per year for the past 25 years.[29] The leading physician recruiting firm, Merritt Hawkins, reports "the recruitment of physicians into solo practice settings has almost entirely abated."[30]

It is clear that integrated delivery systems are necessary to provide superior health care at an affordable cost. As reported by Dr. Martin Gaynor, businesses, such as Wal-Mart, PepsiCo and Lowe's, are arranging for their employees and their dependents with a variety of serious health problems to have access to renowned integrated delivery systems, such as Cleveland Clinic, Johns Hopkins, and Mayo Clinic, often with bundled payment arrangements.[31] Government health programs, such as Medicare and Medicaid, which now pay for approximately half of all health care costs, should be required by federal law to contract in a similar manner with capable integrated health care delivery systems. Private insurers should be required by government regulators to provide substantial incentives for using best practices. However, the incentives for consistently using best practices must be substantial.[32] Only if integrated delivery systems take the financial responsibility for all or most of the health care of a large population can these systems afford to arrange for the appropriate and timely care at a favorable cost.[33]

Sooner than later, there will be a relatively small number of privately owned, regional or nationwide integrated health care delivery systems providing most of the care in the US. Most will be non-profit entities, as is the case with most US hospitals. Integrated delivery systems should be accredited and monitored by private, independent review organizations, as is now the well established practice. Federal and state governments should support the shift to integrated delivery systems by granting anti-trust and other legal waivers or safe harbor exceptions to integrated delivery systems with credible plans to improve health outcomes and reduce health

care costs long-term. This will result in a rapid increase in the percentage of all health care that is provided by integrated delivery systems.

It is also vitally important in terms of improving health outcomes and reducing health care costs that consumers improve their understanding of how to access quality health care and to obtain best value from health care providers. This is a responsibility of consumers and health care providers, insurers and other third party purchasers of health care.[34] Consumers must become educated to understand more about their health, proposed health care treatment plans, test results, and the anticipated outcomes of the services they will receive. Consumers, the ultimate payers, should be asking physicians, hospitals, other health care providers, and insurers the same kinds of questions they ask when they make other large purchases: costs, what should they expect; what the experience of other patients with similar circumstances has been; possible complications; and, what the overall "cost/benefit ratio" will be before proceeding with major health care decisions. This is more than full and frank "informed consent." We believe that social media can play a larger role in providing useful health information to consumers, including promotion of healthier lifestyles choices.

Substantial care cost savings and improved outcomes through the widespread use of best practices will only be realized if a substantially increased percentage of US health care is provided by integrated health care delivery systems. In turn, this will allow the preservation of our nation's economic competitiveness, maintain our high standard of living, and avoid trillions of dollars in avoidable government debt. The alternative is mediocre health care at a cost that exceeds average household income, which will consume so much of our nation's gross domestic product that we will have an unsustainable national debt and be unable to compete economically in world markets.

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