Our Health Care Delivery System Must Be Rapidly Re-Engineered

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

The major problem with the US health care system is how care is delivered, not how we pay for it.[1] The alternative to our costly, fragmented system is a seamless "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] The widespread use of integrated delivery systems and best practices would avoid trillions of dollars of health care costs,[3] result in more people getting the best possible health outcomes, make our nation more competitive economically in world markets, and preserve our standard of living.[4] It would also avoid additional national debt because government now pays for half of all US health care costs.[5]

As explained below, more than 25% of current care costs can be squeezed out with no net loss in health outcomes.[6] Even greater savings can be realized if consumers change unhealthy lifestyles.[7] Additional, but smaller savings can be obtained by increasing transparency[8] in the pricing of health care and from malpractice reform.[9] However, the pace of health system reform has been so slow that 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) from the current 18% of GDP.[10]

US health care now costs total $2.8 trillion per year, or $9,200 per person.[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). Such excess health care spending diverts resources 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[12] – and precludes investments required for future productivity.[13]

The US is already at a competitive disadvantage in world markets because of health care costs. For example, General Motors incurs more than $1,500 of employer paid health care costs for each automobile it manufactures in the US, while auto manufacturers in many countries, such as Japan, do not provide employees' health insurance.[14] If US health insurance premiums and national wages continue to grow at recent rates, and there are no major changes to the US health system, the average cost of family health insurance premiums will equal 50% of median household income by the year 2021 and surpass the median household income by 2033. If out-of-pocket health care costs are added to the premium costs, total health care costs per family will exceed median household income by 2030.[15]

Defenders of our high cost health system argue that our health care is the worlds' best and exceptionally high expenditures are necessary.[16] However, America's infant mortality rate (i.e., percentage of infants born alive who die within the first year of birth) is 24th best in the world and our longevity is 20th best in the world.[17]

In fact, our nation's centers of excellence in medical practice, research, and education have documented for decades that better health outcomes often are possible through the consistent application of well designed clinical protocols, which are often less expensive than the traditional health care they replace.[18] 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." [19]

Recently, America's physician specialty societies, representing more than 500,000 physicians or substantially more than half of all US physicians, endorsed a large number of best practice protocols, the implementation of which would reduce total health care expenses by up to 30% while improving outcomes.[20] 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, advanced information systems, and other well coordinated technology.[21] Fortunately, there are dozens of integrated delivery systems, virtually all of which are privately owned, such as Cleveland Clinic, Geisinger Health, Intermountain Healthcare, Johns Hopkins, Kaiser Permanente, Mayo, Partners Healthcare, and Scripps.

Best practices are increasingly derived from impartial scientific evaluation of large numbers of treatment outcomes.[22] However, the most appropriate application of best practices requires consumers to understand their health care and be involved in treatment decisions.[23] Consumers must ask physicians and other health care providers the same questions they ask when they make other large purchases: costs; what should they expect; what the experiences have been of other patients with similar circumstances; possible complications; and, what the overall "cost/benefit ratio" will be before proceeding with major health care decisions.

Medicare, Medicaid, and other government programs now pay for approximately half of all health care costs and should be required to contract with capable integrated health delivery systems.[24] Private insurers should be required to provide substantial incentives for use of best practices.[25] Federal and state governments should support a rapid increase in the percentage of all health care provided by integrated delivery systems by granting anti-trust and other legal waivers to systems with credible plans to improve health outcomes and reduce health care costs long-term.[26]

By substantially increasing the percentage of US health care provided by integrated health care delivery systems, we can realize substantial care cost savings and improved outcomes relatively quickly. 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 will soon literally equal average household income.

John N. Simons, MD is a retired plastic surgeon and former head of Plastic Surgery at Mayo Clinic
Peter J. Adams is a health system engineer and former health insurance executive
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