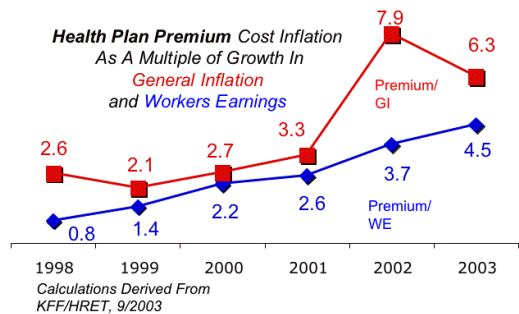


Reframing the National Health Care Discussion

Brian Klepper and Jeannette Corbett

What can we do to stabilize the vast American health care system? Every day, more purchasers – individuals, corporations, and government – are priced out of the market for health care, and the resulting turmoil threatens both the health care industry and the larger US economy. Despite a growing urgency, the nation cannot agree on the nature of the problem. Our lack of common understanding blocks our ability to develop workable solutions.

Health care is now a daily worry in households and boardrooms, as much a concern as terrorists or the economy, and more immediate. Premiums grew a breathtaking six times as fast as the economy this year, and eight times as fast last year. The health system's structure and processes remain unchanged, so its doubtful cost will abate anytime soon.



The cost explosion's ramifications are alarming. In some regions (like Florida, with its preponderance of small businesses), enrollment in job-based coverage appears to have dropped as much as six percent each of the last two years. Nearly all who still have coverage have discovered that the benefits are narrower, the premiums higher, and the out-of-pocket costs higher as well.

Example: Florida Health Insurance Enrollment

	2001	2002	Change (#)	Change (%)
Individual	700,764	727,275	26,511	3.8%
Small Group	1,178,338	1,040,157	-138,181	-11.7%
Large Group	3,265,037	3,066,889	-198,148	-6.1%
Total	5,148,015	4,834,321	-313,694	-6.1%

Florida Office of Insurance Regulation GAP Analysis, 12/03

The cost problem isn't limited to private insurance; all our mainstream coverage vehicles are eroding. Faced with budget cuts and skyrocketing drug bills, over the last three years legislators in all fifty states have cut Medicaid eligibility and services to the bone.

More than in recent memory, health care is the source of financial crisis for middle class Americans, contributing to half of all personal bankruptcies in 1999.

Aside from the obvious national health implications, the sudden decline in insurance represents two dramatic impacts. First, it threatens to overwhelm already underfunded safety-net hospitals and clinics, which serve people without insurance. A six percent drop in job-based coverage translates to a 24 percent increase in uninsurance in one year. Urban safety nets, like Atlanta's Grady Hospital, are financially drowning in the deluge of patients. Unless we financially fortify these institutions, we literally risk losing hundreds of billions of dollars invested over decades.

Equally frightening is the drain of funds from health business, where one seventh of GDP and one ninth of the nation's jobs reside. Private coverage constitutes half of health care funding, so a six percent enrollment drop becomes a three percent reduction in dollars to buy health care services and products, impacting margins, stock price, market capitalization, credit and jobs. Ultimately, these impacts could cascade through every industry, precipitating broader disruptions in an already shaky economy.

Nearly all health care experts acknowledge that the system's deepest problems are rooted in its high fragmentation – many groups advocating for their interests at the expense of the whole – and in its lack of

business infrastructure that can facilitate meaningful cost and quality management. Despite information technology advances in other business sectors, few health care organizations can easily exchange basic clinical or administrative information. As RAND recently reported, less than 55 percent of current care is based on scientific guidelines. The health industry has been resistant to performance monitoring, so few accountability standards exist and the system lacks transparency. Even though health care is heavily technology-based, independent technology assessment is all but absent from the landscape, and products go to market without any sense of their efficacy or financial impacts.

As health care becomes increasingly unstable, the pressure to avoid disruption will help us confront health care's most important characteristics. If we can address the problems structurally, rather than philosophically, we'll find it easier to collaborate on solutions.

There is a path away from instability. We can reframe the national health care discussion to emphasize the basics: fortifying the safety net, infusing the system with management capability and transparency, and rebalancing the health care liability system to protect both patients and the larger health system. A common vision that addresses these fundamentals will work to every group's interests, significantly mitigating cost, stabilizing the marketplace, making health care more accessible, and restoring it to a more sustainable role within our larger society.

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