›› Robert L. Barbieri, MD Editor in Chief

Health care, a Gordian knot of cost and access, faces reform

So much of the nation's resources are bound up in paying for health care. And 48 million people do not have health insurance.

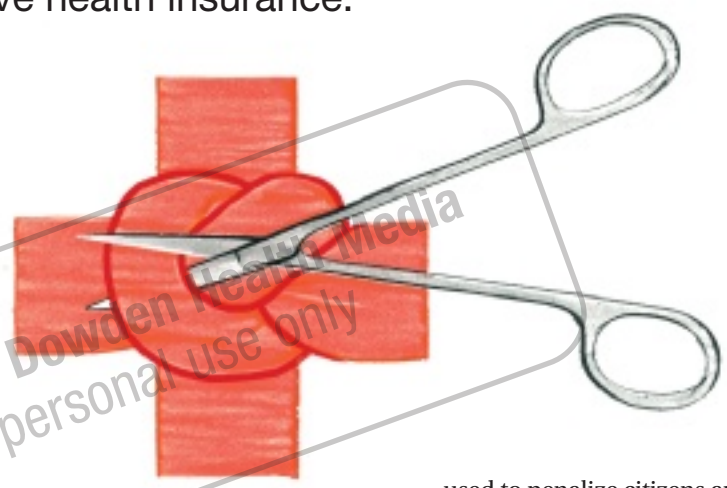
CASE

Heroic measure needed

Mythology relates that Alexander the Great, wintering in the Asia Minor city of Gordium in the 4th century BC, took up the challenge of loosening the legendary Gordian knot, which had resisted untying, by slicing it in half with a stroke of his sword.

CASE: OUTCOME

Alexander went on to conquer Egypt and Persia and become King of Asia.



We have a big problem. Compared with most developed nations, the United States is deeply tangled in a paradox of world-leading health-care costs and world-leading lack of access to health insurance for many of its residents. As discussion and action on health-care reform heat up in Washington, it's a good time to ask whether those intricately intertwined problems of health-care **cost** and **access** can be unknotted as deftly as Alexander sliced through the Gordian knot, and whether we can find a King or Queen of Health Care to do the work.

Choose your favorite flavor of health-care reform

Instant Poll

on page 8

ALEX NABAUM FOR OBG MANAGEMENT

Two models of reform to consider are Massachusetts health-care law and what policy experts in Washington are proposing.

From Massachusetts

Better access by way of universal coverage

Ninety-seven percent of the residents of Massachusetts have health insurance. That's the highest rate of any state.[1–3] Improved access in Massachusetts was the result of legislation supported by civic leaders, the health insurance industry, providers, a Republican governor, and a Democratic legislature.

The fundamental aspects of that legislation are:

- It is the responsibility of all residents of Massachusetts to have health insurance
- The state's taxation system is used to penalize citizens approximately $1,000 annually if they do not obtain health insurance
- All businesses need to contribute to the cost of their employees' health insurance
- A business that does not do so is assessed a penalty, payable to the state, of approximately $300 for every one of its employees
- The state created an agency to match residents with the appropriate health insurance plan
- The state contributes to the purchase of health insurance for persons who are ineligible for Medicaid but who cannot afford health insurance
- Health insurers have developed lower-cost policies for the working poor.

The Massachusetts plan has succeeded in reducing the percentage of the uninsured from approximately 12% to less than 3%. The cost of the program, however, has been some-

what higher than predicted. Looking ahead, state leaders warn that, unless the rate of increase in the cost of care is reduced, the current plan will be unsustainable.

Plans to stem rising costs

The Massachusetts legislature wants to reduce the rate of the rise in health-care costs, but it doesn't want to force new obligations on business, reduce access or the scope of services offered, or build barriers to physicians and hospitals.[1-3] Deftly avoiding a direct attempt to untie the Gordian knot, the current legislative plan is to try to cap the rate of rise of health-care costs across all expenditures in the state at about 7% or less per year. Statewide health-care costs are currently increasing at a rate of about 10% per year, with 5% attributed to medical inflation (including core inflation and the introduction of new, more expensive technology) and 5% to increases in volume utilization (more imaging studies, more surgery, etc.). Bending down the rate of rise of the growth curve will be exceedingly difficult.

Out of the nation's capital

Boosting access

To increase access to health coverage, the federal government is likely to adopt a framework that has features similar to those implemented in Massachusetts.[4-7] The ultimate reform proposal is likely to preserve core elements of the current Massachusetts system and add new measures, which may include:

- extension of Medicaid to all uninsured children
- a requirement that all adults have health insurance
- a federal insurance plan that mirrors plans offered by private insurers
- extension of Medicaid eligibility to the working poor, or vouchers to help them purchase private health insurance
- incentives for employers to contribute to the health insurance premiums of their employees
- penalties if they do not
- community rating of private insurance policies.

Providing insurance for all children is a slam dunk—it will cost little to implement because, in general, children are healthy.

Creating a federal government insurance plan that is similar to plans in the private insurance market, on the other hand, is likely to be highly contentious—because such a step threatens the long-term solvency of those private insurance companies.

Reducing costs, and the rate at which they rise

Every health-care provider and every legislator, and most patients, have good ideas about how to try to reduce the cost of health care and ease the rate of increase in these costs.

ObGyns, for example, would love to see professional liability reform because it would markedly reduce the cost of defensive medical practice. Many primary care physicians would love to be paid more and see specialists, such as orthopedic surgeons, paid less. And public health experts would like to see national efforts to reduce obesity and alcohol and tobacco use expanded.

Health policy experts have identified **five** reforms that will reduce the cost of health care. They have identified **three** others that will reduce the rate of rise in costs.[8]

To reduce **today's costs**, those experts recommend that we

- implement a national electronic health-care record with significant decision support software

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Instant Poll

Which strategy would be your top choice to reform health care in this country?

- Replace fee-for-service reimbursement with a capitation payment system
- Institute a national electronic health record for all citizens
- Reduce administrative costs by reforming insurance company practices
- Reduce the use of futile end-of-life medical interventions
- Develop a national effectiveness commission to slow implementation of costly new medicines and equipment that only marginally improve public health
- Reduce use of tobacco and alcohol
- Reduce capital investments in hospitals and the equipment they use

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- improve management of chronic diseases, such as diabetes (10% of people use 70% of health-care resources)
- reduce waste in clinical systems and processes
- reduce futile health care at end of life
- reduce administrative costs by reforming health insurance processes.

To reduce **the rate of rise in costs**, we should

- cease fee-for-service payments and institute **1)** bundled payments for an episode of care; **2)** full capitation; and **3)** patient-centered medical homes
- develop a national health effectiveness commission that controls introduction of new and costly medical innovations that only minimally improve public health
- reduce capital investments in hospitals and equipment through regulatory activity.

If these reforms do not reduce the rate of rise in the cost of health care, temporary price controls and indirect rationing of services are likely alternatives.

Are price controls and rationing unthinkable? Probably not: President Richard M. Nixon implemented price controls in the health-care industry in the early 1970s with only modest opposition.

Where is Alexander when he's needed?

To repeat my earlier call: Is there a King or Queen of Health Care in the house who can solve the knotty problems of cost and access? Let's watch and see who comes forward, and what they bring to the task. And tell us how you would prioritize health-care reform: Take the "Instant Poll" on page 8 and write to the Editors at obg@dowdenhealth.com.

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