

# Health Care Crisis

## Where is it going from here?

By Jack E. Lohman

Our health care system is broken, and it will get worse before it gets better. We can fix the system overnight or we can make it a 10-year project, which the for-profit health care interests would like to drag it out to. They want to increment it because they know incrementing will fail. They also want to starve Medicare so it fails too, and then the Pols can seek privatization. If we do nothing and let the market forces play out, there can be only one outcome: Medicare for those over 65, managed care for those employed, and Medicaid for the rest. Classic coverage will no longer exist. Also follow the money. There are many moneyed interests who would benefit from continuing the free-market system: hospitals, doctors, insurance companies and salesmen, drug manufacturers, collection agencies, bankruptcy lawyers, and mainly, the private investors in for-profit medicine. But worse are the politicians who should be fixing the system yet reap \$100 million per year in campaign contributions from those who want the system left exactly as it is. It is not a pretty picture.

Let's start with political campaign contributions, because that will shed light on the present health care mess. Ask this very telling question: If campaign cash was not changing hands between those who want the system left broken and those who should be fixing it – i.e., the politicians -- what would today's health care system really look like?

We'd likely have socialized medicine, like the VA and armed forces hospitals, where physicians are salaried and the hospitals are operated by the government. Today's VA system enjoys the lowest costs and highest patient satisfaction than the entire private system, but "socialized" anything will simply not fly in "free market" America. That is, unless we removed the political money and gave the politicians the latitude to do what's right for the country -- and they were gutsy enough to expand our already existing socialized VA medical system.

Otherwise the next best approach is a Medicare-for-all system. It's not perfect but is better than the private system, and especially where today's private system is heading. Under Medicare, doctors and hospitals are private contractors and patients have a full range of choices. While the health care community has lambasted the Medicare system for its strict oversight, it also lambastes managed care systems run by the for-profit entities; and that's where health care is headed.

## Breaking it down

There are really two major issues that must be addressed:

- Why is health care so costly in the first place, and
- What is the best way to deliver it?

First, it is overly costly because it is abused. Our bought-and-paid-for congress changed many of the rules at the behest of major contributors of campaign cash. Over \$100 million per year from health care interests – which include hospitals, medical associations, HMOs, pharmaceutical and insurance giants – go into the pockets of US congressmen and another \$1.4M per year is reaped by Wisconsin state legislators. They were all paid very well to look the other way, and that they did.

Why else would they allow hospitals to convert from non-profit to profit status? Or for hospitals to buy up physician practices and control their referral base? Or for physicians to build their own hospitals and drive up unnecessary testing to make them profitable, and to cherry-pick the most profitable patients? Or to allow physicians to purchase expensive diagnostic systems for their offices and then use them as highly profitable cash cows?

And the most recent boondoggle, the creation of a whole new privatized and moneyed industry called Medicare Part D drug plan that will shell out over \$780 billion to the pharmaceutical industry and over 500 drug insurance companies and their 50,000 brokers over the next decade!

We already had a drug plan in place; it was called "drug stores" and they were already set up to bill Medicare after a co-pay or deductible was applied. It worked well, and we did not need this new industry of expensive insurance carriers with their salesmen, marketing costs and profits taking an additional bite out of the patient and taxpayer. But, again, follow the money.

## Where we stand

Comparing the US to other industrialized countries, we are the only country without universal health care; the only one that expects its corporations to pay for health care; and the only one where 50% of its bankruptcies are tied to exorbitant health care costs. We spend \$2.2 trillion per year on health care, or \$7,333 for every man, woman and child, not including the costs of bankruptcies resulting from medical debt.

That's 15% of our gross domestic product compared to Canada's 10%, and they cover 100% of their people versus our 85%, have a two year longer life expectancy and 35% lower infant mortality, and have longer per capita hospital stays and more per capita doctor visits than do Americans. It is not surprising that 90% of Canadians prefer their system to ours.

Who in their right mind would oppose a universal health care system that works so well – not just in Canada but in one form or another in every other industrialized country in the world? And who instead would favor a fragmented, inefficient free-market system that costs twice as much and delivers so poorly in comparison?

The answer: only the for-profit health care interests that live off the system. They are making gigantic returns because in this case health care inefficiency translates to industry profits. Easily 30% -- some say 50% -- of our dollars are spent on other than needed and direct health care:

- Insurance company administrative, marketing and sales commissions for 50,000 brokers
- Excessive and unnecessary diagnostic testing
- Original rather than generic drugs
- Excessively priced drugs
- Collection costs for bad debt

So it behooves for-profit interests to divert attention and spread as much anti-universal propaganda as they can. They spend tons of money complaining about Canada's long wait times, rationing of care, patients going to other countries for care, you name it. And that would all be pretty terrible if those claims were not true here in the US.

What better form of rationing is there than 45 million people without any health insurance at all and who must seek care sparingly, or when delay has caused disease to worsen? Or when 18,000 people die annually because they have no insurance? Or for those who face bankruptcy once care has been received at an expensive emergency room?

Or the other 50 million Americans who are underinsured, and the millions more whose employers are reducing coverage or transferring the risk to their unsuspecting employees through health savings accounts? This is called rationing.

Malcolm Gladwell, an early critic of the Canadian system and author of *The Tipping Point*, explains why he ultimately reversed his position: "I woke up one day and realized what smarter people than me realized a long time ago, which is that the idea of employer-based health care is just plain stupid, and only our familiarity with it and sheer inertia prevent us from rising up in rebellion. [My best analogy] is if we had employer-based subways in New York. You could ride the subways if you had a job. But if you lost your job you would either have to walk or pay a prohibitively expensive subway surcharge. Of course if you lost your job you would need the subway even more than ever because you couldn't afford taxis, and you would need to travel around to look for work."

Gladwell said that he had earlier confused a **funding** problem with a **systemic** problem. On a per-capita basis Canadians spend 60% of what Americans spend on health care. If they increased their spending by 10%, many of their rationing and wait time problems would be alleviated. "The problem with American health care, by contrast, is **systemic**. No simple increase in funding fixes the problem." (Washington Monthly 12/06)

But that will not stop the for-profit detractors in both countries. They are trying to undermine the Canadian system by lobbying for reduced funding, which will starve the system and prolong the wait times, hopefully swinging public opinion toward a free-market system. It is obviously not working because 90% of Canadians still prefer their system to ours.

The for-profit interests in the US are egging them on, ready to pounce with a copy of NAFTA in hand should they succeed. They'd like to starve Medicare here too. Heavy resources are spent trying to convince us how good we have it and how bad they have it, even when the exact opposite is true.

## Why are our costs so high?

Because of the free-market system that has developed over the last two decades. Business executives have successfully converted our system from a social service to a market commodity, one where higher profits have priority over spending for patient care.

As a result of heavy lobbying by the various interest groups, many of the rules that checked overuse and abuses were lifted and our costs sky-rocked. But contrary to popular belief, abuses grew much faster on the private side because of the heavier risk of, and penalties related to, Medicare fraud charges. Add to that the higher reimbursements and you see why the private system is preferred by health care executives.

The most costly act of political mismanagement was when lawmakers eliminated the **Certificate of Need** program that required all major hospital expansions and purchases of high-tech equipment to be approved by a CON board of review. That program must be reinstated, and fast.

Hospitals are being closed down in urban areas that attract poorly insured patients and opening up in areas that attract more profitable patients (even when they are not needed, thus increasing overall spending in the process). Under a universal health care system all hospitals and patients would be treated fairly and all neighborhoods would be appropriately served. Since hospitals would be operating under a negotiated budget with 100% of its services being reimbursed, they'd no longer worry about payment shortages and bad debt write-offs.

## Physician self-referrals and overuse

Over time, the rules that prohibited conflicts of interest were lifted. Physician practices that were once considered Medicare fraud are now allowed. Physicians are now permitted to have ownership in hospitals they refer patients to, and hospitals are permitted to employ physicians who refer patients to the hospital. They can even pay them a "production bonus," that is, a sales commission.

This so-called free-market, for-profit health care system is a hoax. Be assured of one thing: **there is no competition in the health care industry! Never has been and never will be! Period!** Those in the industry know it; so do the politicians; and now you know it too.

People who are or have a loved one that is sick will follow the advice of their physician, the professional that spent 8 years in medical school. "Competition" is pure folly perpetuated by an industry to win over the business community that believes in a free-market system. But as the business community foolishly continues to support this highly funded hoax the system will continue driving non health care corporate profits down, jobs out of the country and the middle class into the poor house.

The only "competition" that ever resulted is between physician clinics and hospitals. Importantly, physicians control patient referrals; hospitals do not. Hospitals that once used a mobile MRI service and then bought their own MRI -- when volumes reached justifiable levels -- are now faced with their local clinics using the mobile MRI service instead and draining the volumes that helped justify the hospital's purchase.

Not to be lost in this is that MRI reimbursements are quite profitable, and the physicians referring patients to their in-house service ultimately share in those profits. This has the perverse affect of driving up test volumes and system cost. Physicians will not send an MRI, CT scan or echocardiogram patient to a hospital when they can log the profits themselves. Echocardiograms which are very reasonably reimbursed by Medicare at \$400 are often billed to private insurers at \$1800, thus providing a \$1400 profit margin for a 30 minute test.

Make no mistake about it: Physicians should be paid well -- very well -- but not on the basis of how many tests they order or don't order. This should not be a piecework industry.

We should prohibit payment to clinics for tests using their own high-tech equipment ordered by physician staff members. Referring patient testing to well-equipped hospitals or independent labs has always worked well, and we should return to that process exclusively.

## The system

There are many areas that can and must be fixed, but simplicity is the key. Simple is less expensive and simple doesn't break. The strategy of opponents will be to make it complicated so it doesn't work well and is too costly, or at the very least takes years to get right. Time is money, so it behooves us to sideline those interests and take a fresh look at it.

The simplest system already exists; it's a single-payer system called Medicare-for-all. Actually, a simpler system is the VA and armed forces socialized systems, but they are not politically possible at the moment so we'll pass on them.

We don't need complicated anything; we need a simple system to provide health care and eliminate as many non health care costs as possible. Medicare has done that; it can do it for all.

The (relative) simplicity of a Medicare-for-all system can provide health care to 100 percent of our population for the same money we are paying for 85 percent coverage today. Means-tested co-pays could help keep costs to a minimum, though they can unfortunately deter patients from needed care that will be more costly to treat later. All Medicaid and state-run health care would be folded into this system.

## Who should pay for our health care?

The taxpayers rather than employers, though some phase-in will likely be necessary. The taxpayers are paying for it anyway when employers add their costs to the price of their products and we reimburse them at the cash register. So let's pay them up front. By eliminating the middlemen, we can cut our costs by an easy 30 percent. We also pay in higher auto insurance rates, which would decrease under a single-payer plan.

*It makes absolutely zero sense to burden US businesses with health care costs their foreign competitors are not saddled with. It just encourages executives to outsource their products to those other countries. An example is the Big Three; more automobiles are now made in Ontario than in Detroit. Over 60,000 jobs later, GM cites the \$6500 per employee they pay in the US versus the \$800 they pay in Canada. Health care costs should be added as part of our payroll taxes. The end result is the same; but single-payer is more cost-effective.*

## Medical Education

We must increase the availability of doctors and nurses by providing free college education to high school students who both rank in the top 10 percent of SAT scores and maintain college grades of A or B. In the meantime we must increase visas for the medical and engineering trades to attract people from other countries.

## Universal Patient Database

We must maintain all patient, doctor and hospital information in a highly secure universal health database, tied to the patient only with an optional, local, secure and unique ID number. Start with the patient answering a lengthy on-screen health questionnaire, then add the physician's diagnosis and treatment. The system can provide the physician with a list of treatments provided by other physicians around the country under similar circumstances, and alert him/her when medications are toxic or not compatible with other meds the patient is on. This will reduce practice variations, medical and prescription errors, and provide the patient with cost and quality of treatment transparency of the physician and hospital history.

Whether patients want their ID linked to the national data is their option. If they want their history available for out-of-town emergencies it would be a wise thing to opt into.

## Medical Malpractice

It may be offensive but it is not the monster driving the system. Its costs have remained at less than 1/2 of 1% of the total for the past five years. However, we should replace the 12-person jury system on malpractice cases with a special medical court consisting of a three-person panel staffed by retired (or at least non-conflicted) physicians and nurses. If guilt is determined, all awards should be set by this panel. Economic damages should consist of the patient's out-of-pocket expenses, reasonable pain and suffering, and reasonable legal costs.

If punitive damages apply, they should **not** go to the patient who has already received economic damages, but instead be paid into the universal health care fund.

## Myths Perpetuated

Why do these myths continue? Because the last thing in the world the for-profit interests want is a Canadian-style system that eliminates the inefficiencies -- because in this case inefficiency translates to industry profits (and they are willing to share those profits with the politicians that make it all happen).

*America's health care system is the best in the world.* It could be, but it currently isn't. The World Health Organization has the US ranked at 27<sup>th</sup> in overall effectiveness compared to other industrialized countries. While we have some of the best doctors, scientists and technology in the world, our delivery system is tainted and reaches only 85% of our population. But we do beat out all other countries in terms of health care costs, which are the highest of all countries.

*Single-payer is socialized medicine.* The VA and armed forces are socialized medicine; a Medicare-for-all system is a single-risk pool that is taxpayer funded but privately run. However, we'd all do pretty well under the VA system which has a higher patient satisfaction level than does our privatized systems, and its costs are about \$4000 per patient per year compared to the estimated \$6500 corporations pay for a single employee.

*This will result in long wait times and rationing, like they have in Canada.* We don't have that now with Medicare, and we won't have it with Medicare-for-all if it remains properly funded and the waste is removed. Canada could eliminate their wait times by increasing spending by just 10%, to about 11% of GDP, and still be 30% less costly than in the US.

*But Canadians are flocking to the US for care.* In a survey of hospitals along the border, the hospital serving the most Canadians reported 60 annual admissions. Some were likely already in the states and others impatient and could afford the extra expense. Contrast that with the Americans going to India for heart and other expensive surgeries (and sharing in the savings), and radiology services already being outsourced via the Internet, and the handwriting on the wall is not in our favor.

*Physicians are also leaving Canada for the US.* With all of the profit in our "market-driven, for-profit system," why wouldn't Canadian physicians flock to America? They certainly can't become multimillionaires under their own system with its \$400K salary cap. But even still, that trend has reversed and more Canadian physicians are now going back home than are coming to the states.

**Who would pay for a single-payer system?** A single-payer system would be financed by eliminating private insurers and recapturing their administrative waste. Modest new taxes would replace premiums and out-of-pocket payments currently paid by individuals and business. Costs would be controlled through negotiated fees, global budgeting and bulk purchasing.<sup>1</sup>

**So taxes would go up?** If they did, they'd be offset by employers not adding their health care costs to the price of their products at the cash register and reduced household costs should more than offset a modest tax. Auto insurance rates would also decrease. As well, the reduced employer costs and their increased competitive position would encourage more CEOs to keep jobs in the US and our own economy will benefit. This is the most business-friendly approach available, and a win-win for the public.

**The government can't run anything right!** First, the Medicare-for-all approach leaves the running of our medical services in the hands of the same independent hospitals and physicians we have today, with some limits to control abuses. Secondly, the Medicare Advantage system, which is Medicare outsourced to private companies. They cherry-pick the young and healthy patients, provide a managed care system, and are paid 12.5% more than the government's own Medicare program. The plans in place will increase those payments even further and will amount to a \$60 billion windfall to these private providers over the next decade. This is money taken from public health care to pass on to private corporate interests.

So the argument that private suppliers are more efficient than Medicare just doesn't wash. That does not mean that Medicare is free of problems. They could and should add more oversight to reduce the abuses inherent in the fee-for-service system, and perhaps that's one role for the displaced insurance administrators. Or train them in nursing and medical technologies.

But let's look at that 12.5% premium the politicians are willing to pay the private insurers that run the Medicare Advantage program. What if we just gave that 12.5% to the physicians directly to offset real Medicare patient care? Can you imagine how things for doctors accepting Medicare would improve? Why are we overpaying private companies to keep them interested when the Medicare program runs just fine without them? Answer: Follow the money.

**We have a whole insurance industry segment dependent on the current system. What will they do if we went to single payer?** Well, they'd find other jobs, just as everybody else does when efficiency and productivity replaces them. But in this case it's not an issue of replacing the people, its replacing the profits of a very politically generous industry that takes precedence over the taxpayers and patients. But these people would be better utilized (and better paid) as nurses or medical technicians. They'd even return more taxpayer cash providing Medicare fraud oversight than they would cost to employ.

**Why can't we just experiment with various options?** Because that just delays the inevitable and allows the profits to continue until the system is finally fixed, maybe a decade from now. It also creates a half-way measure that won't work and adds weight to the claim that the free market is better. But okay then, if we must experiment let's start with a Medicare-for-all system and tweak it as we learn how to make it better.

**Medical Research will suffer.** Much of our medical research is already funded by the taxpayers through the NIH, and then licensed out to qualified manufacturers. That will not change, though it should. These manufacturers are allowed to patent ideas funded by taxpayers and then price their now-exclusive

products at whatever the market will bear. These government-funded monopolies have driven drug prices through the roof, thus the run across the Canadian border for cheaper drugs. Why don't these manufacturers just sell at a lower price through US pharmacies? Because the number of Americans going to Canada has not yet drained enough profits to offset the losses they would incur if they reduced prices here.

**So how do we transition to a Medicare-for-all system?** First, by allowing all unemployed, low wage and Medicaid patients into the Medicare system. Then allow the employed people without insurance into the system, and charge the employer a tax as a percentage of that employee's payroll (which would be prorated if part time) at an amount sufficient to cover Medicare costs – but phase out that employer contribution by 20% per year for each of the following five years. Even allow employers to drop their current for-profit insurance and move employees into the system under those same terms. The government would in essence be participating in the free-market system business leaders always tout. If its costs are really higher than the private sector they will have no takers.

**What happens if we do nothing and just let the free market play out?** If you follow the dominoes there will be no more expensive insurance plans. Businesses will no longer sit still for the double-digit increases. They are well poised to force their employees into managed care systems that they themselves manage. Instead of the profits going to insurance companies they will be cut along with cuts in patient care. Business leaders are bottom-line oriented, and the bottom line often comes before patient services.

**But why do business leaders even want to be in the business of providing health care to their employees at all,** when it would be far more cost-effective to have a single payer plan that allows them to better direct their profits?

Our free-market health care system is killing our free-market business profitability and forcing jobs abroad, and it is trashing our economy. Our \$2 billion per day trade deficit translates to money not spent here on education and security but is instead spent on strengthening potentially unfriendly regimes. Our national security is also threatened by this inefficient use of health care resources. **If U.S. businesses are not willing to provide health care at least on the level of Medicare, they should get out of the way: Quit providing health care and let the government do it right!**

### So we have some choices.

- Health care can be either a social service or a market commodity.
- It can either be Medicare-for-all or managed-care-for-all (which will be ultimately demanded by corporate consumers.)
- We can have physicians running their own medical practices, or have them run by corporations and their managed care systems.

Jack E. Lohman is a former health care executive and author of "Politicians – Owned and Operated by Corporate America." He can be reached at [jlohman@execpc.com](mailto:jlohman@execpc.com) or [www.MoneyedPoliticians.com](http://www.MoneyedPoliticians.com), [www.ThrowTheRascalsOut.org](http://www.ThrowTheRascalsOut.org) and [www.WiCleanElections.org](http://www.WiCleanElections.org) -- Sign up for newsletter at any of the three websites.

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