

## **A sensible health care solution**

By Jack E. Lohman

Nobody questions that our health care system is totally broken. But they ask: how do we fix it?

Some will say "let the free market decide," when in fact it is the free market that took over in 1994 that has gotten us to where we are today. While health care costs have risen at just 5% per year, insurance "premiums" have risen by 87% since 2000. Stock prices of the major insurance companies have also sky-rocketed, greatly rewarding those at the top. (See last link)

Americans currently spend \$2.1 trillion per year, or more accurately, that's what the healthcare industry is charging us. It's now 16% of gross domestic product and projected to reach 20% in the next decade, thus taking an even larger portion of household expenses than it does today.

Compared to other industrialized countries, whose health costs are 10% of GDP or below, ours are higher and our overall rating by the World Health Organization is lower. France ranks in 1st place, Canada is 5th and the US is ranked 37th in overall efficiency and effectiveness. That's how inexpensive it is and how good it is -- and we rank 37th by world standards.

That's not something we should accept. We have some of the best physicians and best technology in the world, yet we cannot provide health care efficiently because of the heavy cost of the middleman, the insurance bureaucracy. They are struggling to stay in the loop because they know they can be easily eliminated, and that struggle includes campaign cash to the politicians who will ultimately decide their fate.

Our per-capita costs are higher than every other country in the world -- as much as quadruple -- yet our quality outcomes lag terribly. We have lower life expectancy, higher infant mortality, higher maternal mortality, and 18,000 premature deaths yearly due to 47 million Americans being insured.

It doesn't have to be that way. We have options, if only our politicians would get off the insurance industry dole. Our health care problems are systemic, and they are the result of a bigger systemic problem: our moneyed political system.

### **The Political Blockade**

We must start with the politics of medicine because without overcoming this barrier we may never fix the system. Change it, yes. Fix it, no. Instead of making systemic changes, it will be done piecemeal to protect as many campaign contributors as possible. It is very clear (and sad) that our politicians do not work for their constituents.

Like every other issue, there are special interests that want to keep the system just as it is -- broken and expensive and profitable -- and they are willing to share their profits with the politicians that make it all happen. That's what you call a free-market political system, and in this case you can buy any politician you want.

Those politicians who are offended at this inference of payola know better. If not themselves, certainly a large percentage of their colleagues take campaign contributions and then support their contributors. They feign disbelief and deny the charge, when they could and should just quit taking the money and fix the system. Democracy is just as important to their family as to ours, but they are still selling it to the highest bidder.

The ultimate solution to health care reform is a system of full public funding of elections, which at \$5 per taxpayer per year would be a terrific bargain for taxpayers. With that in place we would have fixed health care years ago -- plus reduced government spending, balanced budgets and lowered taxes in the process. But thanks to politicians we've done none of that.

Even under the current moneyed system politicians know they must finally do something, but they will try to do as little as possible. And they'll give way to the political contributors and spin it as a "fix," when it is a stall for more time and profits.

### **The "Free Market" approach**

Unfortunately, we've been there and done that, and the free market in health care that started in 1994 is what has gotten us to today's critical point. Sensible health care rules were lifted and special interest wallets fattened. Overutilization, excess capacity, and health care fraud now consumes 30% of our costs. It's bad in Medicare but worse in the private sector.

And the for-profit medical industry has spiraled costs from 11% of GDP in 1994 to 16% today -- and it's rising to 20% in the next decade. In 1970 our costs were the same as Canada's, but now they are 50% higher because Canada implemented single-payer and we didn't.

Notably, there is no such thing as competition in the health care industry. Never has been and never will be. For true competition to exist there must be price and quality transparency, rational and informed consumers and perfect information. In health care we have none of these. We are left with a free-for-all system that has transformed health care into a money-making commodity where executives are siphoning off \$100 million per year in pay and in one case \$1.5 billion in stock benefits. That's health care dollars that are not spent on health care but instead going into some executive's pocket.

Even if we magically introduced price competition tomorrow, few people would search for the lowest bidder when they or a family member needed quality health care. "Competition" is an insurance industry ruse, designed to delay the real fix.

### **Where to start?**

First, let's talk about where we'll end up if we don't do something today. Giant hospital chains are buying up as many of the independent physician clinics as they can, specifically for their patient referrals. Physicians will soon become employed by a corporation and most assuredly with lower salaries, competing more with foreign doctors, and facing higher demands for production-line efficiency. Get used to the two-minute office visit, because there's more to come.

Business leaders are now demanding change, and they own the gold. Those not forcing employees into high-deductible health savings accounts (HSAs) will be moving to managed care systems, which are essentially a makeover of the earlier failed HMO model. Or they'll become members of a business consortium that contracts its health care to the lowest bidder. These are too often just a hair above being uninsured and most certainly fall into the category of underinsured.

## **Why are business associations not embracing a single-payer system?**

Despite the fact that single-payer would be a windfall for their members, these associations often have two inherent conflicts: (a) a percentage of their members represent the health care and insurance industry and, (b) they often sell employee insurance to their members.

One association has as their health care expert, an executive from the insurance industry itself. The fox is guarding the henhouse, but at the risk of great expense to its non-healthcare business members. Over 60% of small business CEOs support a single-payer plan but cannot convince their association leaders to support it. Is there any wonder why?

Single-payer is a nasty word to the insurance industry because Medicare is already the most efficient single payer system we have. It is also the most patient-friendly, and the insurance executives can see the handwriting on the wall.

If Medicare patients get sick, they get care and the caregiver gets paid. Simple as that. The provider is guaranteed payment, has no bad debt and does not have to battle with an insurance company clerk for approvals. Thus hospital and clinic billing staff are halved. What the industry calls "utilization review" the rest of us call gatekeepers, another of the unnecessary costs in the system that are totally dispensable.

So where to start? The simplest approach is to combine all Medicaid and BadgerCare patients and the unemployed into one system. It could and should be the Medicare system administrated by WPS, or lacking federal approval, expand BadgerCare to the equivalent of Medicare.

The system must provide services at least equal to Medicare, and preferably all of the services outlined in the John Conyers HR646 and Miller-Benedict SB51-AB94 (which adds limited pharmaceuticals, vision, dental, and long term care). At the same dollars we are spending today, that's a terrific bargain.

Then allow businesses to opt into the system and pay using the formula established by these plans. That's 3.3% of wages (which is far less than the 15% of wages they currently pay), and 3.3% for employees, and that would be offset by the elimination of co-pays, deductibles, drug costs and the addition of limited vision, dental and long term care.

This is a windfall for everybody except the insurance industry that is now consuming 20% of the costs and not lifting a finger to provide direct, hands-on patient care. They will be out.

But life is not perfect and other changes must also be made.

We must get the system out of the hands of the conflicted politicians and establish a non-partisan Health Commission made up of retired medical professors and health care administrators, each serving 14 year staggered terms and appointed by the new non-partisan ethics commission. This commission would establish all rules, reimbursement fees and regulations, but the payments and administration would be contracted to a private non-profit corporation under competitive bid (like Medicare has contracted with WPS.)

## **Restore the Certificate of Need**

Require that all hospitals, physicians and clinics receive CON approval before adding beds or purchasing expensive medical equipment that is covered by a reimbursement code. These devices have turned into cash cows that are driving costs through the roof, as well as having contributed to excess capacity that has decreased utilization efficiency.

Instead, hospitals should provide all of the expensive testing (like CT scans, MRIs, stress testing, and etc), rather than the clinics. These systems are very profitable, and economies of scale are sacrificed when too many devices are purchased by too many scanning centers and they sit idle. Or worse, are overused to increase income.

A recent McKinsey study demonstrates that physicians who have ownership in the testing equipment or lab are up to eight times more likely to order tests, many of which are unneeded but very profitable. Physicians should be paid very well, but not on the basis of how many tests they do or surgeries they perform. We should also have a system of pay-for-performance for those who have better results than others.

## **The single-payer system**

Insurance companies have outlived their usefulness as this bureaucracy consumes 31% of health care costs without providing any direct patient care. Insurers consume excessive health care dollars to offset their marketing costs, broker commissions, huge executive salaries, utilization review (gatekeepers that deny care by interposing the insurer between the doctor and patient), actuarial costs (the cherry-pickers), administrators that determine when a patient policy should be charged more, high shareholder profits and the costs of administering scores of different plans and coverages in the 1500 U.S. insurance companies. And let's not forget their high costs for lobbying and campaign contributions that are added to the rates and reimbursed by unsuspecting consumers.

All of that when only one plan is necessary: you get sick, you get care, and the single payer writes the check. Simplicity at its finest. Call it Medicare-for-all, but there are no wait times or rationing, and they don't cancel patients because they cost more than they collect. Everybody is covered, even when catastrophic illness strikes.

The one legitimate function that insurers have served -- that of handling claims and making payments to hospitals and physicians -- will be transferred to the new single-payer entity. And because this has been modernized in the Medicare system

with more efficient electronic billing, fewer personnel will be needed overall. What won't be transferred are the unnecessary middleman costs.

Clearly we will need to retrain the displaced insurance company employees, perhaps in medical technologies, the short-staffed nursing field, in oversight of utilization in the new system, and in administering a new national database. The work is there to be done, and at higher wages.

## **Health care board**

The extent of coverage would be determined by the newly formed independent healthcare commission and all citizens would be covered. Obviously, reasonable end-of-life limits must be established. I favor an automatic no-code on patients over 90, unless the family is able to and contracts to pay for medical costs going forward. And I would argue against a liver transplant for a patient not in good health otherwise. But if we eliminate other senseless spending we will be able to do a lot for a greater number of our population than we are today.

Co-pays and deductibles have been shown to deter care in the early stages and lead to higher costs later, so they ultimately cost more than they save. Low-income mothers with hypertension have gone without blood pressure medicines to put food on the table, and then had a costly stroke or heart attack, or died. We can eliminate co-pays for the same costs we are paying today, and we must.

## **Keep it Private**

Hospitals and clinics would remain private, just as they are today, and have a guaranteed reimbursement under the current fee-for-service and hospital DRG system. Or we can do as Canada and other countries have and negotiate a yearly hospital budget. Medical bad debt and related bankruptcies would be eliminated. Under the new system patients would have a full choice of physicians, something they do not have under today's system of HMOs and managed care, or tomorrow's free-market system if we allow it to get that far.

## **Establish health courts**

Medical malpractice lawsuits are not the monster driving the system, but they must be reined in. While total compensation has remained at less than one-half-of-one percent of total costs, they have gone up the same 87% that health care has risen since 2000. Defensive medicine to avoid lawsuits easily adds 5% to our total costs.

Therefore, medical courts should replace our 12 man jury system (except in criminal trials). Physicians should be tried in front of their peers, a three-person court of retired physicians and nurses, rather than 12 uninformed citizens. Awards should be established by this panel and should include economic damages, reasonable pain and suffering, and reasonable legal expenses. Any punitive damages that are awarded should go to the health care fund, rather than to patients and lawyers that have already been compensated.

## **Establish a national disease database**

This system should of course not include patient names, unless the patient is travelling and wants their data shared with remote physicians. The process would start by sitting patients at a computer screen to answer a lengthy health questionnaire. That data is then merged with the national database which compares the patient history, drugs and symptoms with what other patients around the country have experienced. Physicians can then review the various treatments other physicians have tried and succeeded or failed, plus the drug regimens that worked or didn't. It would also flag physicians if the patient's current meds could be the problem, and alert them when they are prescribing a conflicting or dangerous drug.

Such a database could rank physicians by success in the various specialties, and hospitals on their infection rates, thus ultimately giving patients some knowledge of the medical quality of their local providers. Thus competition would be on the basis of quality rather than price, and the data could lead to increasing levels of pay for higher physician performance. The increased accuracy will also greatly reduce medical malpractice claims -- and people unnecessarily ending up in a wheelchair -- plus the costs of returning to the hospital to correct the problems they caused. Such a system would also track overutilization by physicians or patients.

## **How to pay for it**

One option is with an additional 3.3% tax on the wages employers pay, which is lower than the 15% it often costs them now, plus a 3.3% tax on employees. In both cases the net to both employer and employee would be less than what they are paying in premiums, co pays, and deductibles.

Since employers simply add their costs to the price of the product and consumers repay them at the cash register, we should consider moving all costs to the taxpayers and fund it with the progressive tax system we have today. That would make corporations more competitive with foreign companies that do not have health care built into their product prices.

But that solution is fraught with political difficulty. To paraphrase a famous quote, "America will always do the right thing, but only after failing at everything else." Thus we will ultimately get there; after an uphill battle.

## **The Canadian Myths**

Over 80% of Canadians prefer their system to ours, and for good reason. In a survey of 18,000 Canadians, only 20 came to the US for care. Canadians have two years longer life expectancy, 35% lower infant mortality, lower maternal mortality, and twice the kidney transplants, all at half the cost of the U.S. system. What's not to like about that?

On a per-capita basis they have more doctor visits and longer hospital stays. They do run a tighter ship and thus have longer wait times for elective procedures, but their urgent care is as fast as ours. Their wait times on elective procedures result from a system that is underfunded, because they spend only 10% of GDP compared to our 16%. By increasing funding to

11% of GDP they could resolve that problem, but the for-profit interests in Canada have lobbied parliament to reduce funding in the hopes of gaining public support for a free market US style system. They have failed.

## Where are business leaders on this?

Clearly, the "health care" business leaders would like to leave the system where it is, broken and inefficient and very profitable. But the balance of business leaders (80% of them) seem stuck in freeze-frame. If some are ideologically opposed to a quasi-government entity and are willing to relinquish some of their own profits to keep the systems as is -- 31% more costly than it needs to be -- then let them opt out.

But others want change in the best interest of their company and employees. Both should take a serious look at the business advantages, and then demand a comprehensive fix that is less complicated than what we have.

Simplicity is beautiful and simplicity doesn't break. That's why single-payer health care makes absolute financial sense, as a look at the benefits will demonstrate:

- It reduces business labor costs by 10-12% (a 3.3% additional tax on wages versus today's 15% of wages for medical insurance).
- It reduces liability and auto insurance costs, and reduces workers compensation costs, because all medical is now covered under the new system.
- It eliminates health benefits management costs and yearly insurance company and labor contract negotiations for health care.
- It creates healthier personnel, reduces absenteeism, and eliminates employer health system complaints.
- It reduces the need for part-timers, and provides easier recruiting (no pre-existing disease issues).
- It eliminates employee health-related debt and personal bankruptcies.
- It will expand the U.S. economy and business climate by freeing up family income to purchase needed products and services.
- It is not socialized medicine, as are the VA, Bethesda Naval Hospital and other armed forces health care systems; it is a single payer system like Medicare.
- Hospitals and physicians remain private and are paid under today's guaranteed, fee-for-service and DRG programs (eliminates bad debt and cost shifting).
- Medicare has no wait times or rationing of care -- and won't with proper funding.

- 100% of the population will be covered for the same costs we are spending today (no more Medicaid or BadgerCare costs, no more needless ER visits).
- Any of the current non-profit insurance companies can competitively bid on the management of the system (WPS now administers Wisconsin's Medicare).
- The current insurance bureaucracy consumes 31% of health care dollars to cover non-healthcare administration costs (marketing, broker commissions, high executive salaries, gatekeepers that deny care, actuarial costs, lobbying costs, and shareholder profits).
- The equivalent single-payer administrative costs will be about 9-10% and will save money by eliminating the gigantic waste and duplications of the current system. The savings will offset the coverage of the currently uninsured and new benefits.

What's not to like about this?

The United States is the only country in the industrialized world that does not have universal health care, and we pay a hefty price for it. We are also the least competitive and lose massive numbers of jobs to other countries, and that ultimately will destroy our economy and democracy.

We can do better, and it is time for business leaders to sideline their associations (who are conflicted with members who are health care providers), and do what's right for their company, the public, and the economy as a whole.

We cannot go another year with our antiquated health care delivery system. It is time to act.

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"It never ceases to amaze me, the amount of energy that can go into a project just to avoid doing the right thing. The best, simplest, least costly, most effective thing we could do is expand what has been working so well for years, Medicare. You get sick, you get care, and the caregiver gets paid. Nothing could be simpler. But follow the money and you'll find why the politicians don't like it." Jack Lohman

Resources at: [www.BusinessCoalition.net](http://www.BusinessCoalition.net)  
Business Coalition for Single Payer Health Care

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