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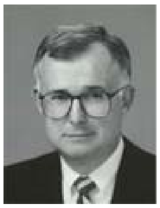
Our Pursuit of Mediocrity



By David J. Gibson, MD

Why does California want a Third World health care system?

Yogi Berra once said, "If you don't know where you're going, when you get there you'll be lost."

He could have been talking about California's health care system. We all know where it started - as one of the top health care systems in the country. Where it's headed is another matter.

- In a recent analysis of quality of care provided to Medicare beneficiaries,[1] Jencks and colleagues ranked California a dismal 41st out of 50 states as measured by 24 proven yardsticks of medical quality (thank God for Mississippi). Less than a decade ago, California ranked at the top nationally, based upon the same parameters.

- Reimbursement rates for California's primary care physicians (PCPs) are running between 20 and 40 percent lower than rates in other parts of the country. Thus, it is not surprising that the number of doctors actively practicing in Sacramento (the epicenter for managed care in California) and El Dorado counties dropped 13.4 percent between 1995 and 2000.

- Data from the California Healthcare Association show that in 2000, 60 of California hospitals were losing money on patient care. The median hospital operating margins in California run at 14 percent below the national norm.[2] The net debt load for California hospitals now runs approximately twice as high as national norms.

- California now ranks dead last among the 50 states in its proportion of registered nurses, averaging 500 per 100,000 people. Conservative estimates show that we face a shortage of 25,000 nurses in California.[3] Ninety percent of hospitals in California face a nursing shortage with the situation worsening considerably in the last six months.

- All across the state, employers' health benefits executives are operating in crisis mode because 100 California groups and IPAs had closed their doors or declared bankruptcy by the end of last year. Employers are struggling to ensure that the employees for whom they pay health care premiums will be able to obtain any health care at all.

Why would a state with an economy that stands at $1.3 trillion per year - the sixth-largest in the world and, until now, the most robust in the nation - deliberately choose to underfund its health care system and hobble that system's ability to provide medical services that at least meets the national norm?

There is abundant opportunity to ascribe blame but answering the question requires perspective. One must back up several diopters and look at California's health care system in the context of broader economic trends.

Investing in Infrastructure

Throughout its history, California has invested in its own future. This investment produced the water we drink, the schools in which we were educated, the highways we use, and the power plants that produce our power. Investment in public facilities during the 1950s and 1960s averaged $150 per capita annually. During the 1990s, that investment activity declined to an annual figure of $30.[4]

It is not for lack of taxes that our infrastructure investment has declined. We now pay a greater percentage of our income in taxes than at any time in America's history. Nevertheless, to sell a reduction in taxes, this year we removed another 6 million Americans from the federal income-tax rolls. Non-income-tax payers now outnumber those paying taxes. The 400 wealthiest taxpayers pay about as much in federal income taxes as more than 40 million individuals and families at the bottom of the income scale.[5]

In America today, the majority now depends and thrives on higher taxes and bigger government programs that redistribute wealth. Within this "me" context, infrastructure investment is a low priority when competing with income redistribution.

It is now estimated that California's accumulated shortfall in infrastructure investment for transportation, water resources, sewer systems, public schools and our universities stands at $90 billion.[6]

Assigning blame

It is not difficult to assign blame, starting with politicians. Our governor lacked the courage to modify a fundamentally flawed energy deregulation plan over the past two years.

Politics is supposed to be the art of the possible, but in California it is too often the art of the impossible. The shortsighted, blow-dried, poll-driven, political careerists in the Legislature are desperately striving to make it seem possible to get the benefit of abundant electricity without paying the costs.

We could blame California employers. The percentage of them offering insurance to their employees has declined to 48 percent, far below the national figure of 61 percent. This has occurred even though group health insurance premiums in California are now about 10 percent below the national average.[7]

In fact, much of the past decade's economic growth in California has been subsidized by its inadequately funded health care system. From 1990 to 1996, health care expenditures were $27 billion to $42 billion lower than they would have been elsewhere in the nation.[8]

It is always easy to blame the HMOs. Today, managed care is held in lower esteem by the public than the tobacco industry. California consumers are making increasingly strong demands upon managed care with no funding support. More than 20 managed care "reform" bills, each increasing the scope of benefit coverage, have been approved by the Legislature during the past two years alone.

Unfortunately, assigning blame may be emotionally satisfying but does not get to the heart of the accumulating problems facing the infrastructure and health care system.

The "me" Generation

The root problem lies at the feet of the people of California. We have never fully embraced the "no free lunch" maxim.

We are among the richest inhabitants of this planet, yet demand and feel entitled to inexpensive college tuition, low rents, broad health care benefits and cheap electricity. We want water without dams. We want fuel for our SUVs without oil wells.

We have consistently elected politicians who defy the economic laws of supply and demand with regulations that keep prices low, below market-clearing levels. Now we are paying the price for that defiance with the largest interstate transfer of wealth away from California in America's history. Our inadequate highway system is becoming a giant parking lot, we will soon run short of water and our health care system is about to implode.

The "me" generation has created a public policy structure in California that demands world class services but does not ask that we sacrifice and pay for these services. Prior generations invested in the infrastructure we have enjoyed, but our children will be forced to pay for our shortsightedness.

It is only with this perspective that one can answer the question posed above. As we baby boomers age, we feel we are entitled to the best of health care services. We certainly do not want to depend upon a third world health care system.

Yet our health professionals are moving on to more hospitable environments in other states. California's populace has shown that it is no longer willing to pay the price for excellence.

"If you don't know where you're going, when you get there you'll be lost."

davidjgibson@email.msn.com

1. Quality of Medical Care Delivered to Medicare Beneficiaries: A Profile at State and National Levels; Stephen F. Jencks, MD, MPH; et.al.; JAMA / volume:284 (page: 1670), October 4, 2000.
2. Moody Investor Service; December 2000.
3. California Nursing Association
4. Public Policy Institute of California
5. Internal Revenue Service data.
6. The Business Roundtable, 2001
7. Kaiser Family Foundation
8. Hospitals & Health Networks, February 5, 1998

Sierra Sacramento Valley Medical Society
5380 Elvas Avenue #100 • Sacramento, CA 95819
916.452.2671 PH • 916.452.2690 FX • Email: info@ssvms.org