



Sierra Sacramento Valley Medicine
Vol. 60 / No. 6 - Nov / Dec 2009

The Right Proposition for the Health Care Debate



By David J. Gibson, MD and



Jennifer Shaw Gibson

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THE FIRST LESSON LEARNED by any student matriculating into a debate class is the importance of the proposition. The proposition sets the parameters for the debate. The reason health care reform debate is faltering can be directly attributable to our not selecting the proposition more carefully.

The proposition under debate is: “Be it resolved, the United States should guarantee health insurance coverage for all of its citizens.” The resulting debate has become progressively non-productive while generating misplaced acrimony. As a result, the Schwarzenegger/Nunez health care plan’s demise in California two years ago has now become a harbinger of events unfolding in Washington.

In reality, we are trying to make a 20th century analogue financing system work on a 21st century digital world. Health insurance was designed to meet the needs of World War II era beneficiaries. Little has changed in the design of this product over the ensuing 70-years. This financing system has outlived its usefulness and no longer meets the needs of Americans today.

The fundamentals of this analogue system can be summarized as follows.

- The system drives health care inflation at a rate far beyond the rest of America’s economy and has done so throughout most of its existence. These trends are destabilizing government from the federal to the local level.
- The system is based upon opacity — today, no one, not even your doctor, knows how much goods and services cost. The table on the next page, taken from a recent Mercer Survey, illustrates the pre-ordained

arbitrary pricing that flourishes in an opaque contract based system.¹

- The system does not account for individual beneficiary needs. All enrollees in a health plan are restricted to a contracted panel of doctors, hospitals and pharmacies. Furthermore, the medications available are restricted by an insurance company-derived formulary. None of this accommodates the individual needs of the patient.
- The system drags productivity to unacceptable levels. Recent studies have shown that practicing physicians now spend up to a half-day per week or more of their office time filling out insurance company-generated forms. That represents approximately \$72,000 per year in non-productive time for primary care physicians — who are already in short supply.²
- The costly medical management infrastructure, which employs an army of middle managers at the insurance company and provider levels, has demonstrated no economic value. Rather, their involvement in mediating health care has resulted in an arms race between payers and providers; sophisticated software is now used to game the system for maximizing reimbursements.

With near universal agreement on the need to restructure the current health care financing system, how can we get the debate back on track?

The answer, change the proposition. The proposition we should be debating is as follows: “Be it resolved that the current system for financing health care in the United States should be replaced by a digital system that will meet the needs of society in the 21st century.”

By changing the proposition, America’s system for financing health care would join the rest of our economy in leveraging the benefits of currently deployed information technology. The following represents but a few of the characteristics such a system would incorporate.

- Real-time pricing and performance data will be available on every doctor, hospital, pharmacy, pharmaceutical product and durable goods in the market. Any individual selecting a good or service will have the same level of information available that is currently enjoyed throughout the rest of America’s economy.
- Individual service and product providers will have the ability to update their pricing information as frequently as they deem advisable. Thus, provider pricing will be based upon their estimate of worth in a hyper-competitive spot market rather than upon yearly renegotiated discount contracts with insurance companies.
- Health plans will enter the market by posting their maximal reimbursement schedules.
- Insurance centric decision-making will devolve back to the individual patient and his/her doctor.
- Individual beneficiaries can choose any doctor, any hospital, any drug store and any pharmaceutical product based upon what the prior record for effectiveness with full knowledge of the financial exposure they will incur when choosing a provider or product priced above the fee schedule.

- Mediation of health care transactions will likely migrate to financial services. The infrastructure for moving actionable information to individuals at the point of decision making does not exist within health care. Yet financial services routinely deliver decision supporting information over the internet or at your neighborhood ATM.
- Hundreds of thousands of non-productive insurance employees will no longer be needed. Product distribution and mediation will be internet based. Contract based provider panels will cease to exist. Pharmaceutical formularies will no longer serve any purpose.
- Doctors, armed with the same pricing and performance data that their patients have, will be able to return to their preferred role of assisting the patient to make cost and performance based decisions rather than spending time in combat with insurance companies.

This digital product is being introduced in Houston Texas. It will be priced 40 percent below similarly comprehensive existing product in the market.

The reality, thus far not appreciated in the current debate, is that an informed consumer is the only force in the market that can rationalize pricing and discipline runaway cost trends. Informed consumers have driven dislocating restructuring within every other industry within our economy over the past two decades. We have the technology to arm the consumer. It is now time to recruit these consumers and harness the market force they represent.

We need to stop using typewriters and incorporate digital management of data to finance health care going forward.

djgibson@winfirst.com

1. www.pugetsoundhealthalliance.org/resources/documents/Consumerism.032006.pdf2
2. www.ama-assn.org/amednews/2009/06/01/bil20601.htm