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Incremental Healthcare Reform Can Work

By Olakunle Olaniyan and Kayode Williams

The U.S. healthcare system is currently in the process of being transformed, and across the country, people are debating what the new system should look like. Our current healthcare system has been described as broken, in need of an overhaul, and unsustainable. From all the discussion, one would think we had one of the worst healthcare systems in the world.

Contrary to popular opinion, we have one of the best healthcare systems in the world. We develop by far more breakthrough technologies and drugs than any other country in the world. Our physicians are some of the best trained in the world, and many people from all over the world come to the United States seeking great health care.

Given the many positives of our current system, plus the fact that we are currently in a recession, a major overhaul of the system will be too costly and is not necessary to fix a system that works fairly well. Change should be urgent but incremental. Health care is very complex, with multiple layers of interdependencies. No one really knows what the ripple effect will be of any given action on the rest of the system. An overhaul changes many variables at the same time, and it would be impossible to predict the effect of these changes on the system or how affected stakeholders would respond to the changes. As a result, the likelihood that things will not work out as intended is high.

In health care, when things go wrong, people get hurt. Incremental changes to our healthcare system would allow our government to identify the root cause of any unforeseen problems and adjust quickly.

From a political standpoint, it is easier to push incremental change through Congress than to attempt drastic overhauls. Had the Clinton administration started with incremental changes, we would likely be ahead of the game today. In addition, the power of major stakeholders to block reform was clearly demonstrated during the Clinton administration's attempt at reform. These powerful stakeholders are less likely to feel threatened and more likely to come onboard if change to our healthcare system is incremental.

This is not to say our current system has no problems; there are significant problems that must be addressed, and the two main problems are:

- The high number of uninsured Americans. This is a national disgrace. The richest country in the world should not have

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15 percent of its population uninsured.
- The cost of care in our country. The current cost trend is simply not sustainable and needs to be addressed.

Covering the Uninsured

Ensuring coverage for all Americans should be a goal of healthcare reform; however, this can be done in phases over time to minimize the cost to taxpayers. Most of the uninsured are poor (54.6 percent are below 200 percent of the federal poverty level, according to State Health Access Data Assistance Center (SHADAC) estimates (Current Population Survey Annual Social and Economic Supplement, 2008), young (63 percent are below age 35, and 21 percent are below age 18, according to Office for the Assistant Secretary for Planning and Evaluation [ASPE] tabulations of the 2005 Current Population Survey), and working (66.7% are in a family where the family head works full time, according to the SHADAC). Mandating that all employers cover healthcare for their full-time employees and ensuring all children below age 18 are covered either through the Children's Health Insurance Program (CHIP) or other means depending on family income will reduce the uninsured rolls by more than 50 percent. This is a feasible goal that can be implemented quickly with the necessary assistance and incentives for small businesses.

A target future date can then be set to cover almost everyone else by expanding the current Medicaid program to include everyone below a certain federal poverty level (FPL) and ensuring the remaining uninsured individuals above the target FPL are able to buy affordable health insurance with appropriate government assistance, where necessary, and possible tax disincentives to encourage compliance. Insurance companies will have to be made a part of the solution; they could be mandated to form large risk pools to cover small businesses and individuals regardless of prior existing conditions, government has the power to do this.

Given the above, the need for an expensive public plan run side by side with existing insurance plans becomes questionable. The attraction of a public plan is that it would cover all the business the insurance companies refuse to cover, it would play fair and would not indulge in unfair practices, and it would be cost efficient. However, these are mutually exclusive scenarios. Insurance companies refuse to cover individuals and groups they deem too risky (costly) and to avoid high costs. Therefore, if a public plan covered these high-risk individuals and groups, it would be impossible for the public plan to be less costly than private insurance plans. Ultimately a public plan would either have to be subsidized by government or allowed to go bankrupt. Rather, government, thru regulations, should mandate insurance companies to play fair and accept all applicants for coverage regardless of preexisting conditions; ultimately this approach would be less costly and less likely to fail than a public plan option.

All Americans can be covered in a reasonable period of time within our existing structure without incurring the likely high cost, uncertain results and possible unexpected effects from a public plan option.

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Addressing the cost of care is a much more difficult problem. Lest we forget, managing healthcare costs was the primary reason Health Maintenance Organizations (HMOs) came into existence. The premise was to manage cost by building integrated care systems (small closed networks/staff-model HMOs), changing the way doctors were reimbursed (capitation/diagnosis-related groups/case rates/ per diem) and monitoring the use of care (utilization management). Sound familiar? These same approaches are being touted as panaceas today, but with new buzz words. It is important to note that the HMOs were successful at controlling cost for a time (medical trend was relatively flat in the mid-1990s). However, most of the cost-saving initiatives were unpopular and were slowly dismantled with the help of government.

The point is this, many of the large, national managed care companies have been trying to manage cost of care for decades and have acquired a considerable amount of experience and talent in managing healthcare cost, but they have been limited by what consumers and their representatives in Congress were unwilling to accept. However, the current debate on healthcare reform has brought about a paradigm shift in the healthcare discussion, as the topic of cost is now front and center in the debate. In the past, this was not the case--it was extremely unpopular to talk about managing the cost of care. Now that everyone realizes cost is the issue, government can openly look for the best ideas and leverage them to manage cost.

Unfortunately, much of the rhetoric on healthcare reform has labeled managed care as the bad guys, yet many of the best ideas on cost savings have been developed by the managed care industry. Many large insurance companies have extensive experience with many cost saving initiatives such as:

- Innovative reimbursement methodologies, including episode treatment groups
- Risk-adjusted physician care profiles and practice patterns
- Predictive modeling and case management
- New technology assessment

We cannot think of any other industry that has this type of expertise. Many of these ideas did not catch on because no single managed care company had the market strength to deploy them against considerable resistance from providers who were concerned about diminishing reimbursement as a result of these initiatives. We are certainly not suggesting that managed care companies are blameless or should be left to their own devices. What we are suggesting is this: bring managed care companies to the table as part of the solution and tap into their considerable expertise. Look for the best ideas, test them and validate their efficacy, and legitimize them by taking them out of the managed care arena to reduce the appearance of conflict of interest. Deploy them first through Medicare and then all other government programs. If they work, private insurers will adopt them quickly. In this way, we will be using existing infrastructure as well as already developed initiatives and ideas to leverage government's considerable power to deploy the best available cost-saving initiatives and bring them to a broad section of the healthcare landscape relatively quickly and inexpensively.

Healthcare reform is necessary, but a major overhaul of the entire system would be too costly and risky. The same improvements can be accomplished over a period of time taking an incremental approach that would ultimately be less costly, less risky, and more politically expedient. Many of the necessary components of a successful reform package have been worked on for many years, but the efforts were fragmented, uncoordinated, underfunded, and often without any government support. Government focusing, coordinating, and funding some of the more promising initiatives will go a long way to improving our healthcare system.

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