

Boise Weekly, Wednesday, July 29, 2009 – Guest Opinion by Gary Krouth, M.D. (2 pages)

Health Care RX

A doctor's take on a broken system

Our nation has reached the point where all of us, including hospital and physician organizations, believe that significant reform of our health-care system is needed. Most appreciate there is no silver bullet solution, but rather a need for both compromise and change across the spectrum, from government and private payers to providers, suppliers, pharmaceutical manufacturers and individuals.

Numerous reform ideas are being proposed. There are aspects of these proposals with merit: coverage for the uninsured, liability reform, physician self-referral limitations, payment for outcomes, payment bundling to address the fractured payment system, attention to primary care services, insurance simplification and regulatory reform. Most of these proposals have not yet been fully developed. Without further, detailed study of the components, implementation could well lead to unintended consequences.

All of the proposals being considered, however, do have a common theme: reduced payments to providers. This is a tool employed by government (and private) payers for the last 30 years, with history showing that it has exacerbated many of the current issues we face:

- 1) *Per service underpayment has led to increased utilization of health services.*
- 2) *Underpayment from government payers has caused providers to shift costs to the private sector.*
- 3) *Underpayment for non-procedural work has contributed to the shortage of vital primary care providers.*

The research on utilization is startling. Areas of the country with more doctors, more hospitals, more free-standing facilities like imaging centers and limited service, physician-owned surgery centers and hospitals, places like Florida and Texas, have dramatically higher utilization rates and health-care costs per person than states like Utah and Idaho.

What does this mean? Does higher utilization, or in other words, "more" healthcare services, mean "better" health care? Researchers at Dartmouth say "No."

The problem isn't that lower utilization means lower quality care; it is that higher utilization means more costly care for the same quality.

For Idaho, this is critical given that current reform proposals would cut reimbursement rates, or the per service amount paid for care, by the same percentage for every area of the country.

The net effect for Idaho, a low utilization and low per-capita-cost state (a 2007 Kaiser Family Foundation study ranked Idaho third lowest in the nation), would be dramatically reduced dollars coupled with the same demand

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for high quality care. Compare this to states like Florida, where utilization and costs are high and thus there is more opportunity for expense reduction. To address this underlying inequality, Congress needs to account for the impact of utilization. In other words, don't penalize Idaho for having some of the lowest costs per capita and utilization in the country.

Two other areas that must be addressed in order to achieve significant reform are administrative costs and our tremendous regulatory burden.

The U.S. Congressional Research Service estimated administrative costs of private insurance and government programs in 2004 at about \$154 billion. The American Hospital Association estimates another \$400 billion is spent by hospitals and medical practices in complying with the thousands of rules and regulations that apply to health-care providers. Simplifying administration and the resulting exorbitant cost of compliance and reporting will reduce health-care costs.

Administrative costs include the cost of "defensive medicine." The threat of lawsuits causes health-care providers to order more tests and procedures than are medically necessary. Reforming the way our society adjudicates injuries from medical malpractice will result in cost savings by reducing this practice of "defensive medicine."

Everyone agrees we must stop our health-care system from devouring our economic future. To achieve real reform--the kind that reduces cost *and* increases the quality of care--Congress needs to do better than the current legislation.

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