

Current Healthcare Debate Fundamentally Flawed

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The current debate about healthcare reform in America is fundamentally flawed. A new government sponsored health plan or a new tax to pay for reform will do little to make high quality healthcare more affordable for more people. Unless we get serious about changing the way we deliver healthcare and the way we pay for care in this country, costs will only continue to escalate exponentially.

The way we deliver care today is inefficient and wasteful. The Institute for Health Care Improvement estimates that 30-50 percent of the healthcare services do nothing to improve patient care. The Dartmouth Atlas of Healthcare has consistently documented wide variations from community to community in quality and costs. The Dartmouth data has also revealed that the communities with the highest healthcare spending do not have better quality than communities that spend half as much.

The way we now pay for care, whether through government programs or private insurance, rewards hospitals and physicians for providing more and more expensive procedures, with little attention to the quality and outcomes. In fact, the current payment system actually penalizes providers who improve quality, lower costs, and keep people healthy.

A Lack of Information

In a free market organizations with the best quality at the lowest cost are rewarded with more customers. Customers have access to the quality and cost data necessary to buy everything from refrigerators to

automobiles. But that's not how it works in health care. If patients knew how many medication errors were occurring each day in hospitals it would probably change where they chose to get care. If they also had to pay a percentage of that hospital bill they probably would care about how much it costs and might do a little shopping. If we had consumer reports of health care, which reported the problems driving excessive cost such as medical errors, fragmentation of care, over utilization, and overcapacity informed consumers would remove the trillion dollars of estimated excess cost.

Transparency has been shown to drive quality improvement too. The Wisconsin Collaborative for Healthcare Quality (WCHQ) has publicly reported physician quality measures for years. The physician groups that have been reporting have dramatically improved; this is one of the reasons the government Agency for Health Care Research and Quality now ranks Wisconsin as #1 in the nation for quality.

What is on the Table Now?

On the table now is frankly more of the same. A public option designed like Medicare (which is going bankrupt in less than 10 years) will lead to increasing costs, more cost shifting and eventually government wage and price controls. Any plan, whether public or private which is not focused on paying hospitals and doctors radically different, will lead to escalating costs and no improvement in quality.

Do we really need it anyway? In Wisconsin greater than 95% of the residents who want health insurance have access to it. In many other states the same is true. Why add a trillion dollars or more in cost when many of us are a long way down the road of solving the problem.

Realistic Alternative to Massive Tax Increases

The alternative to massive tax increases and further provider reimbursement cuts is a concerted effort to take waste and inefficiency out of the existing care delivery system. Examples of waste include

medication errors, post-operative infections, over utilization and over capacity. The good news is that breakthrough cost and quality improvement is happening in several markets across the country.

There are examples of organizations who are taking the excess out, which include the University of Michigan's \$23 Million in savings documented in the Center for Medicare and Medicaid's Physician Group Demonstration project. Or Group Health of Puget Sound who documented a 29% reduction in ER visits with their primary care medical home, reducing cost by \$54 per enrollee, per year. Or ThedaCare's documented 25% reduction in the cost of inpatient care with zero medication reconciliation errors for 2 years. Gunderson Lutheran has redesigned end-of-life care and Medicare enrollee costs are half of the national average. All these organizations use a continuous improvement methodology called Lean, and it's working! They also all belong to the Health Care Value Leaders Network.

www.healthcarevalueleaders.org is focused on facilitating radical improvement in the industry.

Trillions of Dollars of Improvement

These real life examples can add to real dollars saved. If all hospitals in American could redesign care and achieve results similar to ThedaCare, close to \$400 billion could be saved on Medicare inpatient care alone in the next ten years. A 25 percent cost reduction on the non-Medicare side could lead to an additional \$1.3 trillion over ten years. If all Medicare patients were treated at Gunderson in La Crosse, it could generate annual savings of \$200 billion or nearly \$2 trillion in savings over 10 years. The magnitude of the opportunity to remove waste and eliminate errors in the current healthcare delivery system is staggering.

Essential Ingredients of Reform

1. Mandate that each state establish consumer reports for health care cost and quality. It must report measures that are meaningful for patients such as medication errors and infection rates. Allow existing

regional public reporting collaboratives to publicly report the data such as the Wisconsin Collaborative for Health Care Quality and WHA.

2. Change government payment processes to reward better quality and lower cost. Medicare and any other public plans should be in the business of stimulating competition among providers to achieve what The Health Care Value Leaders Network members have achieved using the lean methodology. That competition needs to be based on who treats the patient condition best in terms of cost and quality.

3. Any new insurance plan should be paid for by taking cost out of the existing health system and it should be administered at the state level. The federal role is to assure all state residents are covered and quality performance is met.

An expert advisory panel should be established by the Institute of Medicine or another non-partisan entity to act in guiding the government in the above policies.

Now is the Time

One thing I think we can agree on is that we do need to reform health care. Insurers, doctors, hospitals, employers and the government all need to change. If we stay focused on the core principles of transparency, more efficient higher quality delivery of care to patients and paying for the right things, we may have a chance.