CF - Health

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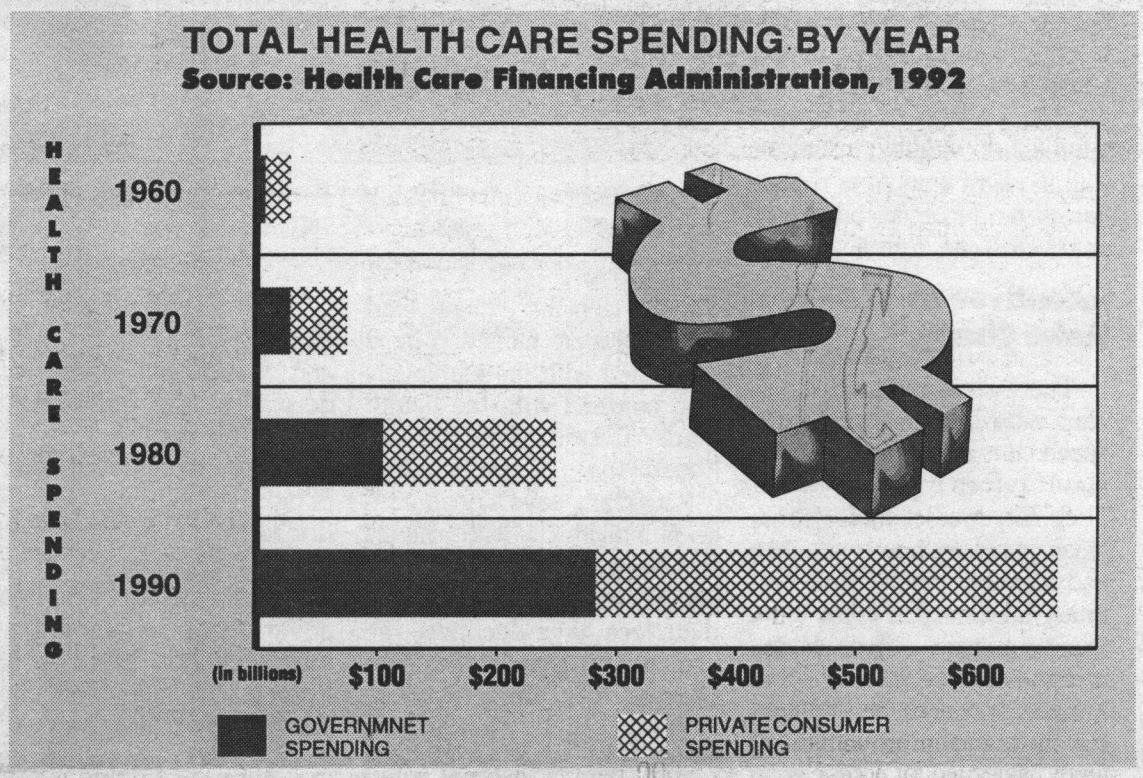
Stretching the Health Care Dollar, Part 1

Local Providers Plan to Save You Money and Move Ahead of Politicians in a Race to Reform Health Care Delivery

But Are you Prepared for the Changes?

by Mary Bryant



Feel the crushing pain. It's like someone took a hammer to your chest. Pick- up the phone. A man stands over you sticking needles into your arm. Hear the siren. The bright lights of the emergency department blur the shapes of the doctors hovering near your bed monitoring your condition. Touch the button. A nurse trained in the latest advanced medical techniques answers your call. Smell the antiseptic. You are recovering in one of the most highly regulated facilities in the world equipped with millions of dollars in technology.

See the bill. You know how much your life cost to save.

Before hospitals were big, before doctors specialized in medical practices, before federal and state programs funded health care for senior citizens and the poor, before workers expected insurance benefits or medicine was ranked the nation's most abundant commodity, before unsatisfied patients took their complaints to court and pharmaceutical companies churned out new drug therapies by the thousands, there were sick people and there was health care reform.

In the early and mid- 1900s, while European countries were adopting nationalized or socialized health care programs, United States lawmakers decided to leave their future to free market forces. It was a concept that for decades appeared to work.

Americans had more leading-edge technology, highly trained practitioners in modern state- of-the- art institutions than ever amassed in history to deliver a wide range of services from trauma care to cosmetic surgery. Physicians come from around the globe to attend acclaimed medical institutions where scientific breakthroughs occur almost as often as someone catches a cold.

However, there is still no cure for the common cold and the bills for free- traded government-subsidized medicine have become a price most are afraid they may have to pay.

A poll sponsored recently by the University of Cincinnati reported that while most people surveyed were satisfied with their doctor, hospital and insurance, about 77 percent of the men and women questioned listed financial ruin from large medical bills as a major fear.

In Santa Cruz County, while only about 5 percent of the patients receiving care at area hospitals are considered self-pay, it is very likely that a much larger percentage of the local population does not qualify for state or federal programs and are not covered by a private insurance program, and regularly go without treatment. Of the 5 percent of hospital patients considered self- pay, only half of these patients ever pay their bills, according to a financial administrator at one area hospital.

But, even when bills for the 95 percent of patients who are covered are paid, the bills are not paid at the same rate, a phenomenon called cost shifting.

The state's MediCal program that pays for medical care for the poor does not reimburse providers at a level sufficient in most cases to even cover the actual costs of providing care. The federal MediCare program for people over 65 years of age has also fallen dramatically behind the average inflationary trends during the past five years leaving hospitals and physicians with little or no margin over the costs of providing care. Even the provision under MediCare's reimbursement structure that once subsidized the capital costs

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multi- specialty group, Santa Cruz Medical Clinic, opted to affiliate in part with Sutter Health of Sacramento with the promise that Sutter Health would build its own local small, limited- service acute- care facility.

In 1994, the top executives of the area's two non- profit acute care hospitals joined with nearly 150 physicians in the community to develop their individual strategies to restructure the local health care delivery system.

``It's almost like what goes around comes around... I don't want to say [we are] going back because substantially we're going full circle," said John Friel, president of Watsonville Community Hospital about the changes ahead in physician practice. ``What we're doing at this point [at the hospital] is trying to educate ourselves about... these opportunities, what are the risks, before we would go as far as to say we need to reach out."

Testing the ``waters" of models of aligned contracting has included being a sponsor and member of a non- profit organization, Physicians Services Inc., according to Friel.

Physicians Services Inc. was a company formed last year to explore ways to allow the county's independent practitioners to join in an alliance with hospitals to contract for volume medical contracts with insurance corporations and larger area employers, and remain mostly in independent practice, according to Joe Wierzba, the agency's director.

``We have studied the complexities of ``right- sizing" our delivery system for several years... We have been working with doctors in independent practice to try to figure out how we can collectively deliver quality health care in more efficient and cost effective ways," said Sister Julie Hyer, president of Dominican Santa Cruz Hospital. ``I know this may sound like something I'm supposed to say, but I sincerely believe this community is blessed with a wealth of physician resources... I have admired as I have watched these physicians create a very unique approach to working in unison with the least amount of disruption to the provider community or to health care consumers."

Incentives to Make Change

There are a number of reasons why national and state health care leaders are worrying about reforming the system. They can predict that with so many people not receiving care and so many people paying so much for care that soon there may be a revolt, with or without governmental regulation. There are also a wealth of untapped customers if industry leaders can figure out a way to cut the costs of providing care.

But, there are a number of reasons why local physicians want to consider making changes in the way they are paid for delivering care which may be quite different from the motivations driving the bigger markets.

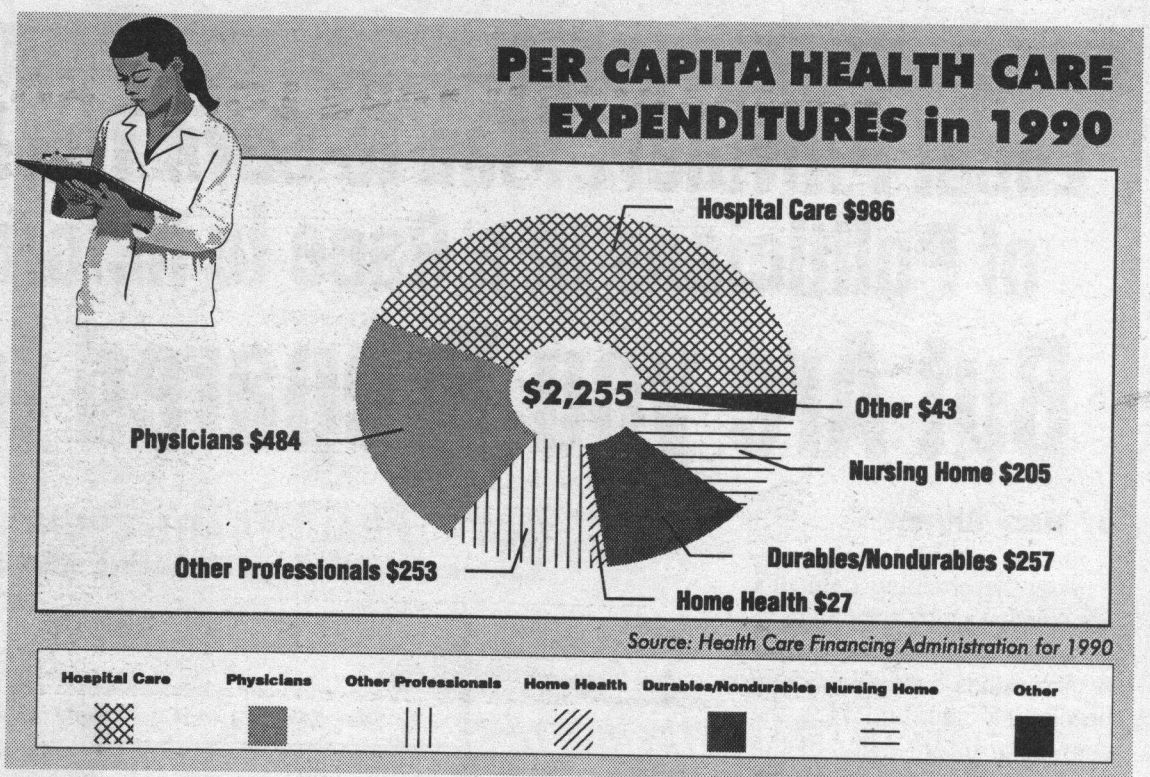
``They need to somehow connect with the patients, and the patients are more and more connected with the employers who contract with the health plans," said Wierzba of Physicians Services Inc. ``Physicians have signed contracts individually with insurers that have caused their fees to decline through the years. As their fees have declined, the amount of paperwork they must process to collect fees has increased. That's been a lethal combination to a doctor's office."

What Wierzba is referring as a lethal combination is the cost containment efforts by insurance carriers and government regulators.

Insurance companies, in concert with federal and state bureaucrats, have watched the costs of medicine spiral upwards for years, these are bills many private and public leaders believe consumers and taxpayers are no longer willing to pay.

They are attempting to do their part to reduce spending by requiring providers provide more documentation for claims and by restricting the payments made to providers for services, and in some cases limiting the types of services provided.

But insurance company chiefs aren't the only ones concerned about costs. Add to this grim picture the reality that employers are also far more reluctant to provide health care coverage and are asking for employees to pay a larger share, and you have a combustible combination of demands on a system where there are fewer payers to pay the bills. Systems are beginning to show the strain of the pressure.



This might suggest that employers, insurance executives and government leaders would do well to look elsewhere for savings. Or, not.

Despite the growing number of providers forced to close their doors or merge with larger organizations more able to maximize resources and limit losses, government bureaucrats and insurance executives are still looking to hospital and physician networks to provide more care for less money, for the understandable reason that there may be few other places to turn (see chart: Per Capita Health Care Expenditures). Together, hospitals and doctors nationally consume more than half the health care dollar.

Or more simply, there are a lot of changes on the horizon for everyone.

If more people are to have access to care without total spending dramatically increasing or services being further rationed, providers are going to have to radically rethink how they will deliver care, and how they will share expensive technologies and services.

If providers are going to radically restructure the way they deliver care, consumers are going to have to accept a narrower focus of available resources and defined benefits, and fewer choices about how they get care.

In the next edition, The Post will examine the issues facing local doctors and report on a few of the changes consumers can expect in the near future. ❐

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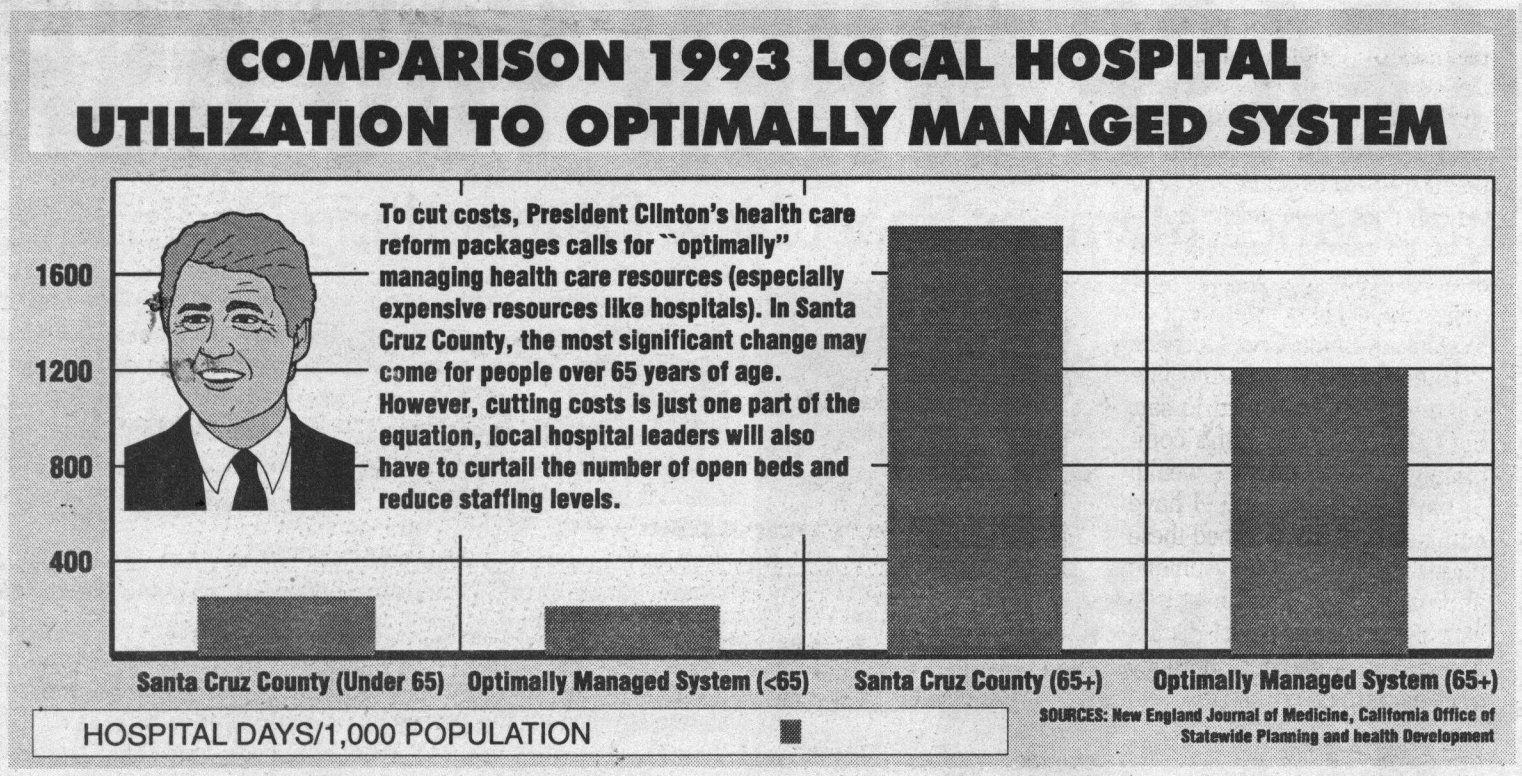

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of purchasing equipment is being phased out over the next few years.

And, private insurance carriers are much more critical when providers attempt to shift losses they absorb delivering services to MediCal and MediCare patients onto the bills of the insured patient, especially if that patient is insured by a large carrier that can produce volume contracts, demand steep discounts and place restrictions on the amount of care provided its members.

Nonetheless, despite the efforts by many to contain health care spending, the bottom line continues to climb.

In 1960, Americans spent $27.1 billion to get well, live longer and feel better. By 1990, that number had increased to $666.2 billion. This year, health care spending will top $1 trillion, equaling about 15 percent of the country's Gross National Product.

Changes Ahead & Stretching the Health Care Dollar

President Clinton campaigned on the promise to reform the national health care delivery system. It's been almost two years, and he's still trying.

The chief executives of some of the most sizeable corporations in the United States are also on the job. They have heard the message. They have plans to stretch your health care dollar. The question is: Are you ready for changes?

``It just defies common sense to say that we can't maintain the world's finest health care system, stop all the cost shifting, bring our costs back at some competitive level, cover everybody and create jobs... No matter what happens, we'll be spending a lot more than any other country on health at the end of the decade,'' said President Bill Clinton about his reform plan in an address to the August 1993 National Governors Association Conference in Oklahoma.

The premises of Clinton's plan are fairly simple. Here's how they work.

Too many people get too much care, and too many people get too little care. If the people who get too much care were to stop getting too much care, then the 37 million people who do not have reliable or regular access to care would get care. There are a few hitches.

The troublesome points with President Clinton's plan seem to be who will pay for care, and how should the nation's largest industry made up of millions of solo and aligned providers working in a diversity of markets delivering services to a variety of populations be regulated in a uniform manner. No doubt, these are the same questions that will keep members of congress busy for most of the summer.

``My feeling about the whole thing is that Bill and Hilary are politicians. They're not really truly that interested in health care. I think the agenda is more a political one for them. That what they want is increasing and larger government and control of the populace by the government,'' said Dr. Marcus Kwan, a local surgeon. ``I think [consumers] have to become more educated and they have to ask their doctors to educate them, ask appropriate questions, and I think they should hold onto their money. Just like investing and anything else in life. Take some personal responsibility.''

However, even though the American public as a whole has yet to strap on seat belts, stop smoking and pay attention to the messages about their personal health, America's health care executives are very busy planning their own future.

America's health care executives want to find their own solutions to the concerns about access, cost and quality. There are a lot of plans in the works. Many of these plans work on the premise that bigger will be better when it comes to stretching the health care dollar.

The craze of mergers, buy-outs and take- overs among health care concerns is astonishing in a market where company labels of predator or prey are now replacing the corporate names.

In 1987, Columbia Healthcare Corporation didn't exist. After the recent merger between for- profit health care giants Columbia, which was founded in 1988, and Hospital Corporation of America, Columbia is now the largest hospital company in the nation. In August 1993, Columbia owned 22 hospitals, after two mergers it now controls 195 hospitals in the United States. Not that hospitals are the only kind of health care company on the market.

At the beginning of this month, representatives of FHP International Corporation announced that the large insurance company had bought TakeCare Inc. for $1.1 billion. The combined companies will be the fifth largest health maintenance organization in the United States, with more than 1.6 million members in eight states and Guam. TakeCare is currently the largest managed care insurance carrier in Santa Cruz County.

In 1993, the doctors who control the county's largest

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