

Five Unspoken Economic Trends of Healthcare

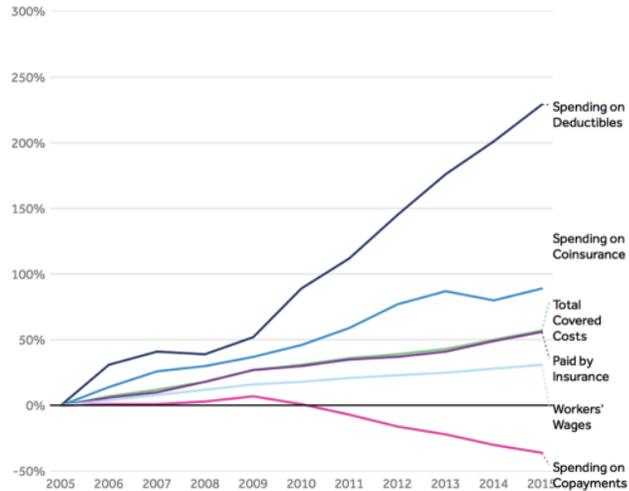
by

Alan W. Sterling & John Wagner

On March 23, 2010 Obamacare was signed into law. Some eight years later we are still witnessing the national failure and fallout of Obamacare. Besides the obvious lack of functional testing before implementing sweeping regulation upon 18 percent the GNP, socialist inspired, heavy-handed regulations upon the American Healthcare System. Without the benefit of managed care plans (HMOs) to shoulder the burden and correctly steer patients to needed care, most Fee-for-Service (FFS) states saw triple digit premium increases combined with declining membership, (known as the death-spiral). This continued with-drawl and reduction on benefit options in state health exchanges resulted in overwhelming erosion of public confidence in our health system. Obamacare failed, but what is not being discussed are the major economic trends spurred by Obamacare that hinder the free market system's ability to foster healthcare benefit and financing innovation to fix this national problem.

- 1. Bureaucratic Dictated Benefits.** Instead of letting the free market establish solutions in health care by letting individual consumers decide what health benefits each individual needs or wants to purchase, Bureaucrats, most of them federal and state insurance regulators, dictate unnecessary benefits that increased costs to the individual healthcare consumer. Don't believe it, take a look at the Rosetta project in Florida. In short, self-insured employers are actually looking at the utilization patterns and needs of their unique employee populations and creating customized benefit packages for them that significantly lowers premiums and out-of-pocket costs. Buying what is actually needed is stifled by regulatory mandate, completely stopping *Mass Customization of Benefits* which is a hallmark of a free market system
- 2. Stopping Good Government Intervention.** We learned thirty years ago, that introducing risk and capitation to primary care providers provided an effective triage system that positively impacted health care outcomes. HMOs are a very good vehicle for managing the elements of appropriate risk. If the government wanted to reduce the costs of health care premiums, *introduce stop-loss reinsurance for catastrophic cases* to provide an economic pathway for more providers to accept appropriate risk and lower health plan costs. Reducing the variability of claims costs greatly reduces cost shifting and provides a way for the government to directly support the neglected and uninsurable.
- 3. High Deductible Health Plans.** While it's true that Obamacare did provide a mandated level of benefits to those that could not find insurance due to a pre-

Cumulative increases in health costs, amounts paid by insurance, amounts paid for cost sharing and workers wages, 2005-2015



existing condition, it also, through the emerging threat of a Cadillac plan tax, represented the largest generational benefit theft for close to 150 million people. Obamacare forced almost all of these Cadillac plans from the marketplace because employers did not want to pay additional taxes to retain a reasonable benefit for their employees. Insurers were complicit in the theft because they reduced their risk

profiles by cost shifting to their enrollees while raising premiums at the same time. Bottom line, families saw and paid for the first dollar of **any** and all medical treatment through unjustifiable deductible and out of pocket increases. When queried, payers ran for cover and pointed to Obamacare imposed benefit levels and out of pocket scenarios knowing full well that Obamacare was going to be a safety net program, ergo the increases in Medicaid enrollment in many states. The result, families have stopped, mostly children, seeking annual primary care physician encounters tied to preventive medicine. Don't believe this, take a close look at the analysis of consumer out of pocket costs and the timing in the chart above published by Money Magazine. Note the spike in Deductibles and coinsurance expenditures starting in 2009 and the lowered spending on encounter oriented copayments. Paraphrasing the words of our former president, Obamacare did that to consumers, and many carriers were complicit in the act. *Take the economic disincentive away from seeking preventive medicine.* This only increases high cost claims in the future and prevents the use of lower cost preventative care today.

- 4. Provider Cost Shifting.** With the swelling of Medicaid plans, Government forced Hospitals to accept underpayment to cover costs, allowing the Hospitals to overcharge Commercial plans up to over 500% of what the government pays, thus accentuating the death-spiral. There are other implications to this government induced pricing anomaly. Without a cost and charge corridor of (Government vs Commercial Plan Rates) this inequality and cost shifting will force certain providers to stop accepting government patients and only accept Commercial patients, thus disrupting and bifurcating the entire network of providers. We are starting to see this with skinny network options combined with high deductible plans. We have seen the growth of physicians who now only accept cash payments.

5. Hiding and Concealment of Market Information. Ever try to get information on what it costs to have a procedure done? Try to compare what the government pays for a procedure versus what your Health Plan has to pay, and then ask what if I pay cash? Did you know having a procedure in an Ambulatory Surgery Center is 45% less than having it in a Hospital? (Place of Service matters.) When will Americans ask for standardized pricing for the top 200 procedures? When will people realize that paying 33% of Charges, is like getting a 5% refund on a 25% interest charge on a credit card, pure economic suicide. Only when providers are at risk will they seek optimization of services and finally reduce annual cost trends.

There are many more Economic Trends that need to be discussed and analyzed, such as Prescription drug costs, (Such as the overuse of Oxycontin, and the legislation stopping the benefit of CBD oil and seizures), as well as the perceived benefit of utilizing other type of health care providers such as Chiropractors and Chinese Acupuncture to deliver care. The truth is we must innovate not beyond simple administration and value based population incentives to change the certain course of Economic Destruction of our Healthcare System. It can only be hoped that our leaders are listening, but is the American healthcare consumer or employer payers informed enough to ask for meaningful changes that will enable the free market to prevail. Ask anyone trying to get service from the single payer VA system if they think it's better than the free market. We all know what the answer to that question.