

# WHY HEALTH CARE COSTS SO MUCH: THE SOLUTION - CONSUMERS

Healthcare Reform: What Is It? How Does It Affect Me?

October 8, 2009

Grand Sierra Resort

Dave Racer, MLitt

[www.freemarkethealthcare.com](http://www.freemarkethealthcare.com)



# The health care “crisis”



◆ “... a health care crisis of unprecedented magnitude.”

◆ Dr. Harry Simmons, National Coalition on Health Care, 4/19/2006

# The 1960s Crisis



Great emergency

Access to care

Emotional debate

Dying needlessly

Mandate

Government-Run

# We the People



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# What is this crisis?

- 💧 Quality of care
- 💧 Uninsured “crisis”
- 💧 Access to health care
- 💧 Administration expense
- 💧 Spending: \$2.56 trillion
- 💧 Cost of care

**Employers wary of federal health care - Primary concern is cost**  
Volume 1, No. 7; August 3, 2009

Employers most critical concern about health reform - Reducing the cost of health care - Improving health care quality - Reducing the uninsured rate - 5 percent - Other concerns

**What really ails the U.S. health care system**

**FACTS NOT FICTION**

Question	Response
Access to full time employees?	90% YES
Assigned health plan?	95% NO
Choice of health plans?	95% YES
Choice of insurance exchange?	91% NO
Competition to compete with private ins.?	88% NO
Cost insurance?	75% NO
Tax increase to pay for health reform?	65% NO
Retain and expand HSA?	60% YES
Report enrollment statistics to federal gov't?	75% NO
Government sets monthly premium rates?	86% NO
Withhold premiums for mandatory health plan?	71% NO
Government should enforce a mandate?	30% YES

**EMPLOYERS' PRIMARY CONCERN IS COST**

Approximately 76 percent of respondents believe the most important health reform need is to reduce the cost of health care. Only 12 percent believe quality is the most important, while seven percent saw reducing the uninsured rate as a priority. The remaining five percent of respondents expressed other concerns as most critical.

**EMPLOYER-PROVIDED HEALTH BENEFITS**

More than 90 percent of respondents offer health insurance to full-time employees. Fifteen percent offer health benefits to part-time employees. Six respondents mentioned that when they provide a cash payment to employees in the hope that employees will use it to purchase health insurance, the

# How people bought health care pre-1966

Paid the first dollars for their own health care

**Patients as consumers: Insured and “uninsured”**

Decided what to buy and from whom – Options for low-income

**Doctors & hospitals**

Provided care

**Payers**

Paid catastrophic claims: They were insurance companies

1965  
43%  
Out of  
Pocket

# Evolution of the Insurance Company

- ◆ Insurance Company
  - ◆ Paid catastrophic claims
- ◆ Health Care Company
  - ◆ Showing doctors how to manage patient care
- ◆ Health Company
  - ◆ Managing individual health care

# How people have bought health care since-1966



**U.S. Health  
Care Model  
2009**

**12%  
Out of  
Pocket**

**Patients**

Subsidies for "poor"

Medicaid coverages

Reimbursement for physicians  
to keep their practice

May or may not  
comply

# Pre- vs. Post 1966: The difference?

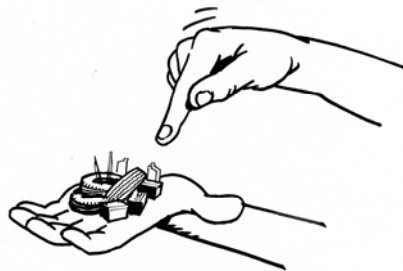
- ◆ Research-driven advances in medical science
- ◆ Non-health related infrastructure
- ◆ Wealthy Nation Syndrome
- ◆ Medicare, Medicaid, HMOs
- ◆ Government micromanagement of health care

# Health Care 2009

- 💧 Patients do not know the cost
- 💧 They do not pay the bills
- 💧 Health care considered a civil right



**We adopted the entitlement mentality**



# 2009: The Fork in the Road

How to Heal the Health Care "Crisis"

## Government Health Care Model

Government directed

Monopoly: Disallow competition

Focused on the cost of care and global budget



## Americanized Health Care

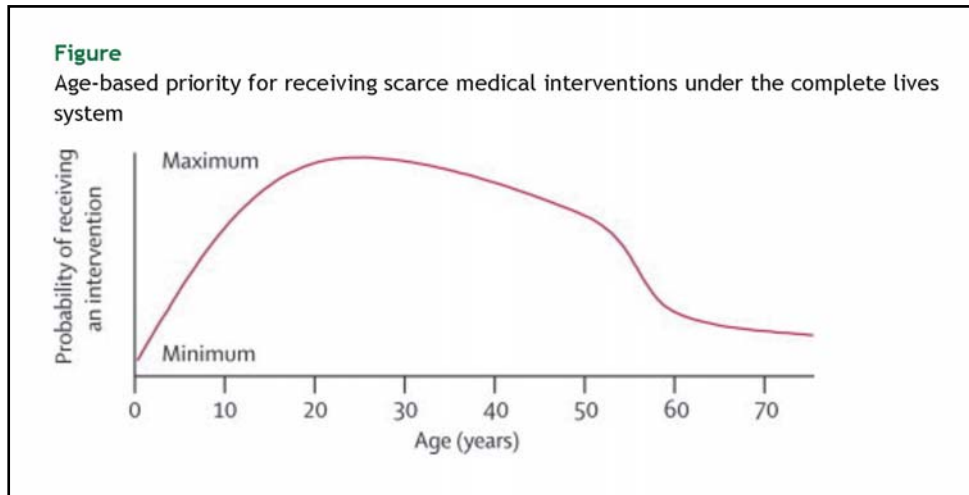
Consumer directed

Competition

Focused on quality care and consumer demand

# The ultimate question

- How much is human life worth, and what should we be willing to spend to:
  - Reduce pain and suffering?



\* Emmanuel, E. et al. "Principles for allocation of scarce medical interventions" Lancet, January 2009



# Where we should head

- Two strategies that actually will work to reduce cost, increase quality of care, and improve patient satisfaction, while

- Be



ted



# Changing our norms



# How about real *preventive* health care?

- ◆ What if there was a real way to reduce catastrophic illnesses?
  - ◆ To reduce new breast cancers by 83 %
  - ◆ To reduce colon cancer by 60%
  - ◆ To reduce childhood diabetes by 66%
  - ◆ To reduce Multiple Sclerosis by 50%
  - ◆ To reduce flu rate by 90%
- ◆ For \$3 per month



[www.vitamindcouncil.com](http://www.vitamindcouncil.com)

[www.grassrootshealth.org](http://www.grassrootshealth.org)

Grassroots Health - [http://www.grassrootshealth.org/\\_download/disease\\_incidence\\_prev\\_chart\\_101608.pdf](http://www.grassrootshealth.org/_download/disease_incidence_prev_chart_101608.pdf)

# Where we should head

- ◆ Two strategies that actually will work to reduce cost, increase access, and reduce the uninsured rate, while improving quality
  - ◆ Become healthier
    - ◆ 70% of health spending lifestyle related
  - ◆ Become consumers
    - ◆ Ask, "How much does this cost?"

# How we ought to buy health care

## How much does this cost?



# “How much does this cost?”

💧 “Why? Don’t you have insurance?”



💧 “Yes, but I want to know how much does this cost? I don’t want to tap into my HSA Pot of Gold unless this is necessary.”

# “How much does this cost?”



# “How much does this cost?”

## Changing Behaviors

- ◆ Emergency room
- ◆ Primary care doctor
- ◆ Name brand medicine
- ◆ Hospital-based scanning clinic
- ◆ Preventive health care
- ◆ Urgent care center
- ◆ When necessary/Walk in clinics
- ◆ Generic medicine
- ◆ Independent scanning clinic
- ◆ Necessary screenings

**Direct negotiations between patient & physician**

# But does it work?

## American Academy of Actuaries

- ◆ First year cost savings of as much as 20 percent
- ◆ After the first year, 3-5 percent
- ◆ “Significant increase in preventive services”
- ◆ No indication that most employers are shifting cost to employees – On the contrary

# But more needs to be done

- ◆ New types of catastrophic health insurance plans
- ◆ Equalizing tax preferences (or eliminating them)
- ◆ Creating real competition
  - ◆ Insurance companies
  - ◆ Other voluntary funding sources
  - ◆ Among physicians
- ◆ Getting government out of private health care

# How do we get real reform?

- ◆ Starts with individual wellness
  - ◆ Reward health among employees
- ◆ Consumerism: How much does this cost?
  - ◆ Health Savings Accounts
  - ◆ Consumer Driven Health Plans

# Keep showing up!

## Four branches of government



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