Health Reform Issues: History, Comparisons and Where are We Now?

Greg Poulsen
A Brief History of Medicine

Had a fit while shaving in 1685

**Medical Treatment:**

- Bleeding him one kwart
- Repeated forced vomiting
- A strong laxative
- Shaving his scalp and applying a blistering agent
- Application of pigeon-droppings to the soles of his feet
- Feeding him stones from the bladder of a goat

Charles II, The Merry Monarch

“The father of his people”
“From 1960 through 2000, the life expectancy for newborns increased by 6.97 years, lifetime medical spending adjusted for inflation increased by approximately $69,000... The national focus on the rise in medical spending should be balanced by attention to the health benefits of this increased spending.”

Source: NEJM 355:920-927
August 31, 2006
Total Annual US Health Spending *Per Capita* in Constant (1998) Dollars

Source: CMS
Healthcare Costs vs. National Wealth

Source: OECD Health Data, 2006
Kaiser Family Foundation, 2007
Government Policy

Healthcare is an enormous part of the US economy, and has profound impacts on government and other policy.

GDP 2007, $Billions

- United States: $13,881
- Japan: $4,376
- Germany: $3,297
- China: $3,280
- Britain: $2,727
- France: $2,562
- US Health System: $2,343

“A billion is a thousand million? Why wasn’t I informed of this?”
Health Status - Illustrative Metrics

**Life Expectancy at Birth**

- **1960**: 68
- **1970**: 70
- **1980**: 72
- **1990**: 74
- **2000**: 76

- Sweden
- Germany
- United Kingdom
- United States

**Infant Mortality**

- **1960**: 40
- **1970**: 35
- **1980**: 30
- **1990**: 25
- **2000**: 20

- United States
- United Kingdom
- Canada
- Germany
- Sweden

**DPT Immunization Rate**

- **1995**: 60
- **1997**: 65
- **1999**: 70
- **2001**: 75
- **2003**: 80

- Sweden
- United Kingdom
- Canada
- Germany
- United States

Source: OECD, 2006
Mortality Amenable to Healthcare

Deaths per 100,000 Population

Dave Barry on International Healthcare

- “We Americans live in a nation where the medical-care system is second to none in the world…

- unless you count maybe 25 or 30 little scuzzball countries that we could vaporize in seconds if we felt like it.”
Performance on Additional Metrics

Level 1 ER Intensity Adjusted Mortality

- U.S.
- Germany
- France
- U.K.

- Major Trauma
- M.I.

Mortality for Extremely Premature Infants

- U.S.
- Canada
- Germany
- Sweden
- U.K.

Wait Times for Elective Surgery

- U.K.
- Canada
- New Zealand
- Australia
- U.S.
- Germany

“Fifteen years ago, we in Europe smugly believed that American health policy was bankrupt. Healthcare [in America] cost more, delivered less, and was inequitably applied.

Today, we are not so sure. We see demands on our system that are unsustainable. Our costs are rising, our services are aging, the wealthy are leaving our systems, and our populace is increasingly dissatisfied with what we provide. We have much we can learn from you … Innovation is something that government tends to do badly.”
Lack of Insurance is Increasing – Even in Good Economic Times

- 47 Million Americans lack health insurance
- 300,000 to 350,000 Utahans are among them
- Lack of insurance has a clear correlation to health and social problems
- The cost of caring for the uninsured falls predominantly on those purchasing commercial insurance
While lack of coverage is a major challenge, most people agree that rapidly escalating health expenditures are the most pressing problem.

Can we identify the key drivers of this increase?

And are there any “obvious” causes that turn out not to be the culprits?
Wells Fargo Inflation Summary
1988-2006

December 2006

COST OF LIVING INDEX

<table>
<thead>
<tr>
<th>Wasatch Front</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Categories</td>
<td><strong>154.6</strong></td>
</tr>
<tr>
<td>Housing</td>
<td>182.8</td>
</tr>
<tr>
<td>Transportation</td>
<td>120.2</td>
</tr>
<tr>
<td>Health Care</td>
<td><strong>157.4</strong></td>
</tr>
<tr>
<td>Food at Home</td>
<td>201.2</td>
</tr>
<tr>
<td>Clothing</td>
<td>113.2</td>
</tr>
<tr>
<td>Food Away</td>
<td>162.2</td>
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<tr>
<td>Utilities</td>
<td>128.7</td>
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<tr>
<td>Recreation</td>
<td>139.1**</td>
</tr>
<tr>
<td>Education &amp; Comm.</td>
<td>124.6**</td>
</tr>
<tr>
<td>Other Goods &amp; Svs.</td>
<td>104.3**</td>
</tr>
</tbody>
</table>

*Last six-month percentage change compared with same period one year ago.

**Feb. 1995=100 basis


†Dec. 1997=100 basis
## Inflation at Intermountain Hospitals

### Specific procedure examples, 1992-2007

<table>
<thead>
<tr>
<th>Procedure</th>
<th>1992</th>
<th>2007</th>
<th>Compound Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chest X-ray - 2 views</td>
<td>$88.00</td>
<td>$125.29</td>
<td>2.4%</td>
</tr>
<tr>
<td>CBC without diff</td>
<td>25.55</td>
<td>24.10</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Blood glucose</td>
<td>24.55</td>
<td>14.60</td>
<td>-3.4%</td>
</tr>
<tr>
<td>12-lead EKG tracing</td>
<td>83.30</td>
<td>61.80</td>
<td>-3%</td>
</tr>
<tr>
<td>Venipuncture</td>
<td>16.85</td>
<td>41.59</td>
<td>6.2%</td>
</tr>
<tr>
<td>PFT-spirometry screening</td>
<td>58.25</td>
<td>45.00</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

**Compound annual price change (all services): 2.8%**
Total Health Cost per Capita - Hospital Rate Control States (1992) in Red

Source: Kaiser Family Foundation
If the cost of system inputs are not the problem... What is?

- Cost shifting from those not paying the cost of the care they receive
- Significantly increasing utilization of medical services
The effect of the “hidden tax” on insured individuals and employers that offer coverage is rising.

We have “universal healthcare” in the US today, but for those without insurance, we don’t have healthcare that is efficient, either medically or financially.
The Insurance Doom Cycle

Commercial insurance becomes less affordable for business and individuals

Cost shortfalls are passed on to commercial insurers, increasing insurance costs

More people become uninsured; most receive care without covering the cost

Uninsured payments to providers fall further behind costs
Much care for the uninsured is mandated by Federal law (e.g. EMTALA) and State expectations.

So, apart from increasing coverage of the uninsured, is there a way to reduce the impact of the cost shift?
<table>
<thead>
<tr>
<th>Hospital Information</th>
<th>Safety Net Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver Health (Independent NFP)</td>
<td>$230 mm</td>
</tr>
<tr>
<td>Texas (4 Hospitals in Metro Areas)</td>
<td>$1.3 B</td>
</tr>
<tr>
<td>LA County (3 Hospitals)</td>
<td>$1.1 B</td>
</tr>
<tr>
<td>Chicago, Cook County (1 Hospital)</td>
<td>$1.0 B</td>
</tr>
<tr>
<td>New York City (11 Hospitals)</td>
<td>$1.4 B</td>
</tr>
</tbody>
</table>
If the cost of system inputs are not the problem... What is?

- Cost shifting from those not paying the cost of the care they receive
- Significantly increasing utilization of medical services
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“Major” Medical Advances Per Year
1600 to 2000

Source: Harvard Medical School, 2001
Ventricular Assist Devices Will Become Much More Important in Next Decade

- VADs are now accepted for permanent placement rather than simply as bridges to transplant
- Nearly 80,000 people could benefit from this technology – but at a significant cost (currently over $200,000 per person)
Health Expenses Are Highly Impacted by Lifestyle and Societal Behavior

Source: ACMHA, 1990; DHHS, 1991; HIAA, 1992)
% of Population Considered Obese: 1990

- No Data
- <10%
- 10%-14%
- 15%-19%
- 20%-24%
- 25%-29%
- ≥30%
If present trends continue, Hispanic children born today will have a 50% chance of becoming diabetic.
Current Incentives Push Providers to Increase Healthcare Use

Market Forces

OPM (Other People’s Money)

Utilization

Increased Certainty  Malpractice  Professional Fee  Other Payment  Patient Expectations
“Autocare?”
What if a third party payer bought you a new car - whenever your car dealer recommended it?

• What kind of car would you drive?

• What kind of car would your dealer recommend?
“On a recent morning, Jacqueline Surmont and her husband headed for their daily mud wrap [at the Aix-Les-Bains Baths at the foot of the Alps]. The spa’s rheumatism cures, thermal baths and deep-tissue massage are all covered by France’s national health insurance system. Transportation and lodging are too.”
So, given the challenges, how well is Utah positioned to make significant innovations in healthcare reform?
“The best performance in the nation was in Rochester, Minnesota and Salt Lake City, Utah.”

“The Salt Lake City benchmark results in the greatest estimated reduction in acute care hospital spending. If, over the four years of our study, hospital utilization rates had been at the level of Salt Lake City, Medicare spending for inpatient care would have been reduced by 32.4%.”

Healthcare Costs vs. National Wealth

Source: OECD Health Data, 2006
Kaiser Family Foundation, 2007
Mortality Amenable to Healthcare

Deaths per 100,000 Population

Source: World Health Organization, Nolte and McKee,
Rutgers Center for State Health Policy Standardized for age (1998)
Utah from 2003, normalized for general US change from 1998
State Rankings of Healthiness

Compared to Total Health Cost Per Capita Rank

“Perhaps it is time to stop talking about the French Model, or the Canadian Model or the German Model, and start talking about the Utah Model.”

Dennis Cortese, MD
CEO, Mayo Clinic
Summary

- The health system requires modification. However, Utah begins from a position of strength that the nation envies, both in terms of current position and cooperation of key participants!
- Successful value enhancement requires:
  - Alignment of incentives around value
  - Finding a way to reduce the growing cost shift to the uninsured
- The future is bright!