DON'T LET HEALTH CARE BANKRUPT AMERICA

STRATEGIES FOR FINANCIAL SURVIVAL

George C. Halvorson

INTRODUCTION

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We should not let health care costs undermine, weaken, and badly damage our economy. That would be a wrong, sad, and collectively incompetent thing for us to do. We are actually on that path today -- but we really do not need to allow significant levels of financial damage to happen to us.

We can do a lot better relative to health care costs. We can also do a lot better relative to the quality, safety, and effectiveness of health care. We are making some very bad and very expensive choices today that we should stop making. Health care costs are damaging both state and federal budgets and health care costs are making both care and coverage unaffordable for too many American families.

We spend three times as much money per capita on care as the rest of the world and we spend twice as much money on care as the other industrialized nations.[1] We need to understand why that is true. We need to be very honest with ourselves. Those other industrialized countries are not spending half as much money as we spend on care because those other countries are rationing care.

Many of those other countries get more care, faster care, better care and have better care outcomes than we do and they all spend a lot less money on care in the process.[2] This book shows both comparative care results and comparative care costs for us and several other countries. It is time for us to recognize the realities we face relative to health care costs.

We need to face those realities, and then we need to decide what we want to do about health care costs in this country.

It is time for us to use several of the very real opportunities we have to bring down the costs of care and to make both the quality of care and the outcomes of care in this country better in the process.

We are spending too much money today on care. We are incurring massive levels of unnecessary health care costs. That's bad enough. What is even more problematic and troubling is that instead of paying for all of those excessive costs today with our own current cash flow and today's

money, we are using our federal debt as a key source for much of the cash we use to pay for today's costs of care.

Our Children Will Use Their Money To Pay For Our Care

That is not a good thing to do.

We should not be using a strategy of time-deferred financial accountability and debt-financed spending to deal with today's very high costs of care when we have alternative ways of actually reducing those spending levels so that we don't need to pay for government-financed care with debt.

That decision to use debt to pay for our current care is not good for our children and our grandchildren. They will live in a world where they will pay their taxes out of their hard earned paychecks and then the very first use of their tax dollars will be to pay for our long past, long gone, and long forgotten, currently incidental pieces of care.

By using debt financing to pay for today's care costs, we are using their money to buy our care and -- to add injury to injury -- we are using their money today to purchase the care we use now relatively badly. That is not a good situation. We are spending more money than we should be spending on care, and we aren't even spending our own money.

We Are Spending Badly Today

The truth is, if we made care more affordable now, we could fund today's care using today's dollars and we would not need to borrow money to buy that care.

Reducing the cost of care is a major premise of this book. We can get better care today and we can pay less money for that care if we are willing to take an honest, practical, results-focused, functionally adept and depoliticized look at the health care world we live in today and then make a few changes in the way we buy and deliver care that will make our care delivery world today both better and less expensive.

Rationing Is The Wrong Answer

Rationing absolutely is not the answer. Rationing is wrong. We do not need to ration care to afford care. Debt financing and economic deferral of today's excessive care costs into the future is one wrong answer to today's huge care costs. Rationing is another very wrong answer. We do not need to ration care. The food industry used to consume 40 percent of the total income of every American family and more than 30 percent of American workers were used and needed to produce food.[3]

Today, food costs take up less than 13 percent of the family budget, and food production uses less than two percent of our workforce. [4]

We did not deal with the cost problems for food by rationing food. Rationing was absolutely not the answer to American food costs. We have very simply reengineered both the production of food and the distribution of food -- and we have ended up with safer, more accessible, and much less expensive food. We need to reengineer -- not ration -- care.

We Need To Reengineer The Production And Distribution of Care

We need to apply that same thinking and functional strategy to health care. We need to reengineer both the production and the distribution of health care. We need patient-focused caregivers to deliver better care, safer care, more affordable care and more dependable care to American patients. We need to make a series of process improvement changes relatively quickly that can make care better and more affordable. We can do that work using tools that we already know how to use.

There are some obvious next steps we can take to make care better. We need to deliver better care to the people who use the most care dollars, for example. That can be done. We need to expand the tool kit we use to deliver care to create more flexible, more patient-focused and more affordable care. That also can be done. And we need to do

some practical key interventions that will keep people healthy longer so we don't need as much care as we need today.

Those interventions in the progression of several major and very expensive diseases are entirely possible. We know now more than we have ever known about how to prevent disease. We actually now know how to trigger a couple of key behavior changes that can have a massive reduction impact on the burden of several of our most expensive debilitating diseases. We need to use that information in practical ways to reduce the disease burden for this country.

We Need Workable and Practical Solutions

This book is intended to help with that entire care improvement and care affordability agenda. This is very basically a book about the costs of care. This book is focused on the actual costs of care and on the practical and functional strategies that are needed to keep care costs both from bankrupting America and from transferring the excessive expenses that result from today's care to our future generations without their approval or their consent.

We Need To Expand The Care Support Tool Kit

We very much need to expand the tool kit we use to deliver care in ways that were not even dreamed of just a few years ago. We are building lovely new tools to support and enhance the delivery of care. If we use these tools well, we can make care better and we can bring down the costs of care. That should be our goal. We should pay for today's care costs with today's money and we should get better care in the process.

We Need To Focus On The People Who Create Most Care Costs

The book explains how we can design and refocus the business model we use to buy care to achieve those goals. Care delivery will change when the business model we use to buy care changes. Cash flow sculpts care delivery. This book makes that point repeatedly -- offering

dozens of very real examples to prove that belief to be true. We clearly need to make a few well designed and strategically skillful changes in the way we buy care to get the care we want to buy.

To figure out what care we what to buy, we need to start by understanding several very real numbers that relate to health care costs.

Let's start with who is incurring care costs now.

Anyone who looks in practical and actionable ways at the real opportunities that exist to have a positive impact on the costs of care needs to begin by taking a very hard and clear look at which patients actually create most care costs in this country. We need to understand who these patients are and we need to clearly understand what those high cost patients need for optimal care.

The numbers are very clear. Chronic conditions win. Most care costs in this country come from patients with chronic conditions. Acute care problems like cancer, births, broken bones, infectious diseases, and accidents get a lot of media and public attention, but those very visible acute care problems actually do not drive most care costs in this country. Those acute care expenses represent about 25 percent of the care costs in this country.[5] Seventy-five percent of the health care dollars in this country are actually spent on patients with chronic conditions.[6] Diabetes, hypertension, heart failure and the other key chronic diseases create most care costs. Diabetes alone consumes over 40 percent of the total moneys that are spent by Medicare.[7] Eighty percent of those chronic care costs are spent on patients who have co-morbidities -- patients who have multiple health conditions.[8]

So we need to follow the dollars.

We clearly need to focus our thinking on how to deliver affordable and effective care to our chronic care patients and on how we can actually prevent chronic conditions if we want to bring down the costs of care in this country.

We generally do a poor job in delivering and coordinating care today for far too many of those chronically ill patients. We do an even worse job providing care to the patients who have multiple health problems. We actually get care right -- according to current care

protocols -- for many of our chronic care patients less than half of the time.[9]

As this book points out in multiple places, we are extremely inconsistent in providing those very high cost patients with the right levels, the right pieces and the right packages of care. This book addresses many of those care delivery inconsistencies and quality related problems and discusses the huge opportunities that those shortcomings create in some detail. That focus on those conditions exists for this book because the opportunities to make care better for all patients really are huge. The savings that can result from fixing the current care delivery dysfunctionality for many of those patients are massive.

Our most expensive patients -- the patients who have with chronic conditions and co-morbidities -- are at the top of the opportunity list for both better care and lower cost care.

We clearly need to deliver much better care for all of the very expensive patients who have multiple health conditions. Co-morbidities offer a lot of care improvement opportunities. We clearly need much better strategies to treat chronic care patients much more effectively and to make patent-focused team care an expectation rather than an anomaly for those patients.

The final point made in the last chapter of this book goes beyond simply improving care. If we really want to bring health care costs down in this country, we also need to put in place very practical and achievable strategies that can prevent those high levels of chronic diseases from occurring in the first place.

Prevention needs to be a key strategy and a major component of our cost reduction agenda. We need to keep people from becoming victims of those diseases so that we don't have the high costs that inherently result from people having those diseases.

Chronic Diseases Create Over 75 Percent of Our Health Care Costs

That can be done. That isn't magical thinking or a pure economic wish list.

The good news is -- the chronic diseases that create over 75 percent[10] of our health care costs today actually can be prevented for most people. We already know how to do exactly that for most people. We are getting smarter every day on these topics. The medical science of prevention is becoming increasingly clear. We actually do know now how to significantly reduce the incidence of most common chronic conditions. We generally do that basic prevention work today both inconsistently and ineffectively, but we actually now do know what needs to be done to prevent those diseases.

Chronic Conditions Are Caused by Behaviors

We need to start that process with one powerful truth.

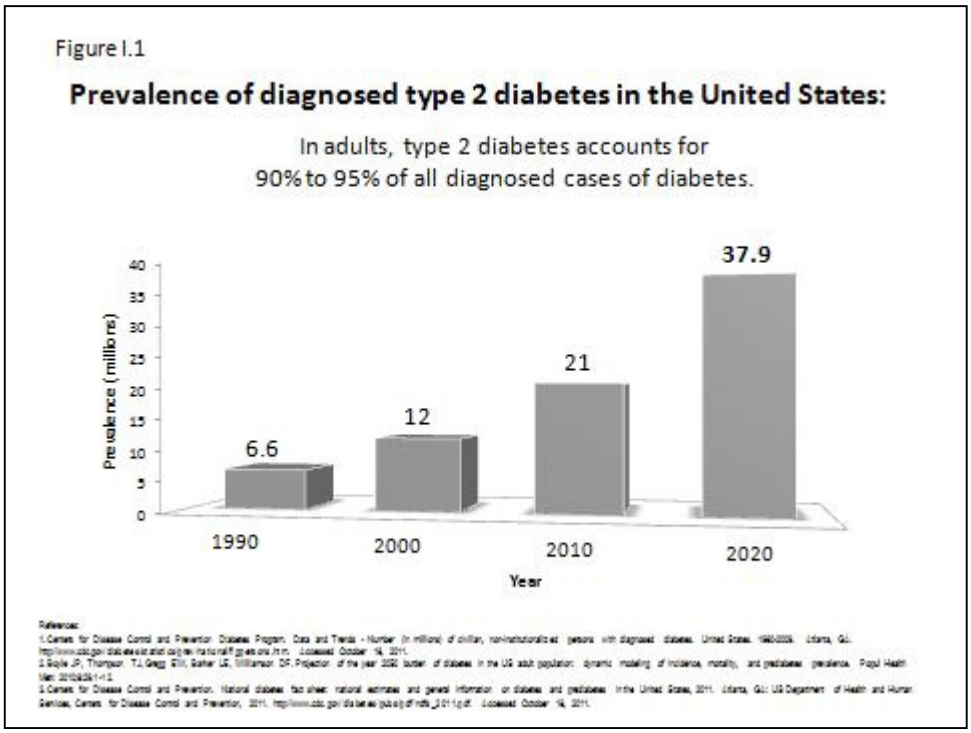
Behaviors cause most chronic conditions.

The useful piece of information and the lovely piece of medical wisdom that will allow us to do the needed work of reducing the growth of expensive chronic diseases in this country is that simple fact -- most chronic conditions are caused by a small set of human behaviors.

Type-two diabetes, for example, is now the fastest growing disease in America.[11] Over forty percent of all money spent by Medicare is now spent on patients with diabetes.[12] That is a lot of money. Diabetes creates a massive cost burden for Medicare. So the logic is clear. As is the math. Medicare expenses would go down by a lot if more people did not become diabetic.

That clearly, should be a major goal. We could save Medicare and we could bring Medicare costs down a lot if significantly fewer people became diabetic. We now know that type-two diabetes is caused by behaviors. We know that a couple of clearly defined behaviors hugely increase the risk of getting diabetes. That is the cold scientific, medical, physiological, and biological truth. We know that two basic behaviors create the diabetes explosion we are facing as a country and we know what those two behaviors are.

The chart below shows the explosion in the number of diabetics in this country.



There isn't a diabetes virus or a diabetes bacterium or any kind of biological diabetes-triggering contagious diabetes infection factor that has caused roughly 40 percent of all care dollars spent by Medicare[13] to be spent on the Medicare patients who have diabetes.

Inactivity and Obesity Are the Two Triggers for Diabetes

To be very specific about those triggering behaviors -- Diabetes is caused by inactivity and diabetes is caused by obesity.[14] Inactivity and obesity are actually the twin terrors and twin towers of deteriorating chronic health status for America. Those twin terrors actually trigger multiple chronic conditions. The same exact two behaviors -- unhealthy eating and functional inactivity -- create a wide range of health problems and trigger multiple adverse health conditions. Heart disease, hypertension and a number of other very expensive chronic diseases and even a couple of key cancers are all very much increased by, caused by, aggregated by, exacerbated by, and triggered by the exact same two behaviors.[15]

Two Behaviors Cause Multiple Diseases

That is an amazingly useful piece of information. If you think in practical and functional ways about how we can actually have a major impact on multiple diseases, it is incredibly convenient to have multiple very expensive diseases all literally triggered by the same two behaviors.

That science about the full impact of those two behaviors wasn't well understood until relatively recently. It is now very well known. Those same two behavioral issues -- inactivity and obesity -- are the twin triggers for several very expensive conditions. The key chronic medical conditions that drive 75 percent of our health care costs in America -- along with some of the key cancer-related acute conditions and even some issues of mental health and neurological functioning -- are all activated, driven, supported, aggravated, and triggered very directly by the same two human behaviors -- obesity and inactivity.[16]

Activity -- by Itself -- Can Cut Diabetes by Half

That last chapter of this book explains how that intervention and behavior change processes can be done. Important work can be done and it can be done relatively quickly. Improving activity levels for people, all by itself, can have a huge impact on chronic disease growth. Activity actually has real and almost immediate impact. Most people do not appreciate the incredible medical and biological value of activity. Activity is -- all by itself -- a high leverage, very practical solution tool. Medical science only recently has learned the major value and positive impact that improved activity levels can have on people's health. Walking, alone, can transform health. If we can get people to walk 30 minutes a day, five days a week, we can cut the rate of new diabetics by half.[17] That same level of walking can cut the number of new senior citizen diabetics by nearly two-thirds.[18] Reducing the single most expensive current cost factor for Medicare by two thirds has obvious financial implications that we would be both stupid and inept not to utilize.

The human body is clearly made to walk -- and the human body is healthier when walking happens.

Walking that same amount of time -- 30 minutes a day -- also very significantly reduces hypertension, heart disease, and stroke.[19] Walking that same half an hour a day can alleviate the rate of Alzheimer's damage for patients at high genetic risk of Alzheimer's.[20] Walking that same half hour can directly impact depression.[21] Men who walk thirty minutes or more every day have a 60 percent lower risk of colon cancer.[22] Women with breast cancer who walk have a 50 percent reduction in the reoccurrence rate.[23] The new science of walking is both amazing and clear. The human body needs to walk. We need to recognize that reality. Chapter nine explains in practical ways what we can do to gain the benefits of walking for our communities, schools, and work sites. We need to focus on issues of obesity and healthy eating as well. Those issues are also included in chapter nine.

We Need to Make Care Better, More Efficient, More Effective -- More Affordable

The rest of the book deals with reducing the costs of care by making care better, more efficient and more effective and by changing the business model we use to buy care to reward caregivers for making care better and more affordable.

Costs are the focus of this book. Costs are the target of every chapter of this book. Using the business model of care to improve care by reengineering major aspects of care is the primary strategy embedded in this book relative to making care more affordable.

So this particular book is very much intended to have a positive impact on health care costs. I have written other books about health care reform, health care improvement, health care quality, and health care redesign. I have written articles, papers, essays, and books about the culture of health care and about the values that are and should be inherent in care delivery. Those elements are not excluded from this book -- but the overwhelming focus of this particular health care book is on cost. We obviously cannot afford the cost trajectory we are on now. We need to change that trajectory. We need to spend less money on care. We

all know the numbers. Those costs of care for us as a country are unaffordable. It is time now to focus our attention on costs.

Health Care Costs Can Destroy Our Economic Future

Health care costs can badly damage our economic future. Health care costs can suck all of the resources out of our other essential governmental programs and leave too many important programs badly underfunded. We need to reduce the resources we are now wasting relative to excessive health care costs so we can use that health care money for our infrastructure, our public safety and for our entire array of education programs and services. Health care is stealing and spending the resources that those other key programs need.

Health care saves lives. That is true. That is wonderful. Health care can literally do wonders in restoring physical functionality. That is also wonderful. At the same time, health care costs can impair the financial functioning for the very lives that are saved. That is clearly not wonderful. It isn't right for care costs and health care expenses to financially destroy the lives that have been personally saved by the care.

This book points out in very specific ways how we can use the business model that we use to buy care to achieve a very wide range of safety, quality, and affordability goals. It is pretty basic stuff. As you will see when you read the book -- changing the business model approach works. It is actually the only thing that can work to make care more affordable.

Each Chapter Deals With a Major Point of the Solution Agenda

Each of the chapters of this book looks at a separate major piece of the health care cost situation, problem, and opportunity. The chapters are not brief, because the topics are both important and complex.

Far too many health care debates focus on just one piece of the total problem. Too many health care discussions look a lot like the classic fable of the blind men and the elephant. In that fable, several blind men are each touching a separate part of the elephant. The men who touches

the side of the elephant believes the elephant is a wall. The man who touches the trunk believes the elephant is a snake. Far too many health care improvement discussions follow a similar pattern of partial, narrow, and incomplete focus -- with some people focused on the tail, some focused on the trunk, and some focused on various other parts that are equally misleading when we are trying to figure out what an elephant is in its entirety. This book is intended to put the entire elephant on the page -- in all of its charm and complexity. So the book has chapters that explain several of the elephant pieces with the intent of explaining how they all connect in the end to create what we have in this country for care delivery and care financing.

We Need to Fix the Mess We Are In

The first chapter of the book describes the mess we are in. That chapter talks about the massive costs of care. It also outlines and discusses some key flaws in care delivery -- including examples of sometimes highly unsafe care and the use of very weak and often inadequate tool kits and data flows to support the delivery of care. Chapter one also deals directly with some of the perverse consequences of the business model we use now to buy care. Chapter one looks at some key challenges and describes and addresses some of the key problems we currently face in care delivery. Chapter one is intended to help us understand why we need to change the business model we use to buy care to reduce many of those undesirable consequences.

We Need Optimal Care

Chapter Two looks at care from the other end of the performance continuum. Chapter Two describes what should be the “right way” to deliver care. Chapter Two is focused on the future of care delivery and outlines some real and very important opportunities we have to make care better. Chapter Two is intended to describe what the ideal care system could and should do for us. This book believes that we need to restructure the business model we use to buy care in order to get better

care. To do the needed reengineering of the purchasing model we use to buy care well, we need to first understand very clearly exactly what we want to buy. That is a very practical approach. Before changing the specific ways we buy care, we really need to understand clearly what we want the business model we use to buy care to actually purchase.

Chapter Two looks into the future and describes some of the key elements of care delivery and care functionality that should be included in the future core products of care. Chapter Two outlines and explains some of the basic care delivery capabilities that the new business model should incent and pay for. The chapter tees up what we should want to buy with our new business model for care. Having care delivery and care data flow both focused on the patient and not on the business units of care is, for example, one of the proposed end points for the way we buy care.

Having all doctors with real time access to current medical science that is directly relevant to their patients is another desired end point. Each of those goals is much more likely to happen if we set them up as clear goals and then build the cash flow of care and the business model of care to help make those approaches functional realities for actual care delivery.

We should not build our new business model and change our cash flow approach for buying care until we both define and understand the care we want to buy and until we are equally clear about the care we do not want to continue buying.

Prices Drive Costs in Too Many Settings

Chapter Three is about prices.

Chapter Three has been an unexpectedly painful chapter to read for many of the people who have read earlier drafts of this book.

Chapter Three outlines the prices that we pay for care in this country today. Prices obviously have a huge impact on both the cost and the production of care. Most health care books completely ignore prices as an area of focus -- either because the authors of those books don't understand the role that prices play in overall health care costs or because the authors want to avoid the political quicksand and the intense

and often highly energized policy backlash that any focus on health care prices too often generates.

The primary public forum political debates on health care reform have consistently followed a deliberate path of pretending that prices do not exist as a relevant factor for American care costs.

Because almost everyone who writes or gives speeches about care costs has been ducking that politically volatile issue, this book offers an almost unique opportunity to look directly and clearly at prices as being part of the potential solution set for care costs in this country. I suspect chapter Three will shock quite a few readers of this book. It is by far the longest chapter of the book because the issue is so often ignored.

Health Care Is A Business

Chapter Four points out at a very basic and fundamental level that health care is a business. That chapter explains how the model and the approach we use to buy care influences the functional delivery of care.

The fourth chapter also gives several examples of how real changes in the business model of care can and do create significant changes in actual care delivery. Chapter Four explains how business model changes that have actually been made for some aspects of care have already made care significantly better and more affordable in some settings. Chapter four then describes additional ways that business model changes can make care better, safer and more affordable.

Someone Needs to Change the Business Model We Use to Buy Care

Chapter Five makes the equally basic and fundamental point that the business model we use to buy care cannot and will not change until someone changes it. It will not change on its own accord. People who talk about the need to change the business model of care usually do not include in their thinking the actual names of the real parties who can and should actually make those changes in the way we buy care.

Cash flow is obviously the key issue. We need to change the flow of cash. Only the buyers of care who are the actual sources of cash can

make real changes in the flow of cash. That is an important point to understand. Neither wishful thinking or intellectual eloquence or well-intended but non-specific political rhetoric will actually change the flow of cash to American caregivers. Someone really needs to deliberately make any change that happens in the flow of cash happen.

Chapter Five outlines how each of the four key current sources of cash now used to buy care can and should be used to change the business model and cash flow for care. The four key sources of cash are known to us all. Chapter Five looks at each of those four sources -- consumers, employers, health insurers and the government -- in their role as current sources of cash and then explains the role each can play in improving the business model for care in the future.

Health Plan Premiums Need to be Affordable

Chapter Six addresses the need for health plan premiums to be affordable. That is another key point that too often isn't clearly discussed in policy circles. Using health plans to be a primary element for achieving universal coverage in this country will fail as a strategy if health plan premiums are unaffordable or if health plans, themselves, fail as businesses. Chapter six outlines some key risks and concerns that exist today relative to both premium affordability and health plan stability. The consequences of possible risk pool deterioration issues that can result if only sick people buy health insurance are discussed in chapter six. We need the relevant risk pools of health insurers to contain a sufficient number of healthy people so that the average cost of care for insured people is low enough to make premiums affordable. Those issues are described in chapter six.

We Need to Improve Medicare and Medicaid

Chapters Seven and Eight are extremely important chapters. Those chapters deal with the government as a purchaser, and they focus on the huge financial challenges we now face as a country for both our Medicare and our Medicaid programs. Chapters seven and eight identify both

problems and possible solution sets for both Medicare and Medicaid. Those chapters offer proposals explaining how we can and should cap the cost increases for both programs while improving care delivery for both programs at the same time.

The money we borrow from our kids to buy care today is basically spent on those programs. We owe it to our children to fix those problems. Fixing the cost problems for those two huge programs is at the top of the list of the cash flow issues we will need to resolve in order to keep care costs from bankrupting America and from continuing to defer payment for care to our children and grandchildren.

We need the courage, the skill, and the political dexterity to put a functional cap on Medicare and Medicaid costs -- without rationing care for the patients in either program.

We Need to Improve Health

Chapter nine focuses on how we can actually improve both individual and population health. Chapter nine explains how we can achieve that goal of better health by doing proactive things that have been proven to work in multiple settings. Chapter nine suggests real things we can do to keep people from getting the chronic diseases that create most costs of care in this country. Achieving all of the functional care delivery improvements and putting in place all of the care reengineering strategies that are described in the other chapters of this book but then not taking some key and important steps to improve actual health for large numbers of people would be a major mistake. We need to make care better and more affordable, and we also very much need to create a situation where fewer people actually need care.

That can be done. This book explains how to do it.

We Need to See The Entire Elephant

Enjoy the book. I do apologize for the fact that it is a complex, multilayered, and very long book that addresses a wide range of topics. I do believe the topics are all relevant and that they are all relevant in a

shared context. Everything is -- as a world leader once said -- connected to everything else.

As noted above, we need to avoid the splintered thought processes that have resembled and echoed the inadequately narrow understanding levels that were experienced by the blind men with their elephant.

This book is an attempt to put a lot more of the elephant on display. At one point, this book was actually up to 700 pages. This is still a very long book -- but the goal is to help offer an overall context to the discussion that is more complete than the usual context of our health policy discussion. We have failed fairly badly as a country in trying to address and fix individual, out-of-context pieces of the health care cost and quality problems as separate solution agendas.

We really do need to address more of the big picture in order to fix the big problem. Things could improve a lot for health care if we make the right set of choices and then have the courage to do the things that need to be done to achieve the goals we need to achieve.

This book is intended to help with that process and to help create a dialogue about care that can get us to where we need to be and deserve to be. Enjoy the book. It is based on a long-time care system and care financing practitioner's front row perspective about how all of those pieces fit together and how they can all be fixed.

We have used political and politicized approaches to make care affordable and we have basically failed. Now we need an approach from the inside of care delivery, based on real strategies and approaches that have been field tested and proven to have value in the world.

This is not an academic exercise. It is a user's guide to health care.

Enjoy the book. I hope that at least parts of it are useful to you.