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Ideas, Information, and Perspectives In
the New Health Care World

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Get Ready, Get Set, Go!

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"It's time the participants in today's health care system start looking beyond individual needs and self-interest and start to look collectively at what is good for the health care system overall"

Next month the first wave of changes resulting from the Patient Protection and Affordable Care Act (health care reform) kick in. For the foreseeable future, we will be experiencing a restructuring of how health care works in this country. The roles of everyone involved will be changing.

With the elections coming in November, PPACA is a prime target for some to capitalize on the general population's confusion with the complexity of the legislation and the reality that health care costs are going to continue to increase over the near term. The talking points we've seen of the Democrats are designed to not "oversell" the cost savings, the benefits, or even the purpose and intent of the legislation. Nobody seems to be embracing PPACA so don't expect the rest of the population to embrace it either.

In his weekly "Health Care Reform Memo," Paul Keckley, Executive Director for the Deloitte Center for Health Solutions tried to address "Who are the winners and losers in the reform bill?" He stated, "There will be winners and losers in each sector. Organizations that are adaptive to change, innovative in strategy and execution, and willing to take risk will survive and thrive."¹ Those that don't, he contends, will fail. He feels there will be winners and losers with the health plans, hospitals, drug companies, medical device manufacturers, long-term care provider, and the provider/physician segments. Those organizations willing to adjust and look for the opportunities will win- and others will lose. Time will tell who the winners and losers will be.

He neglected to mention the winners and losers in the most important segment. He failed to mention anything about the winners and losers of the American consumer- the real reason we needed change in the first place. While consumers are certainly a necessary commodity for all of the segments- it seems each segment continues to look out for itself when determining whether it "wins or loses" in this new landscape.

It's time participants in today's health care system start looking beyond individual needs and self-interest and start to look collectively at what is good for the health care system overall. Whether we like PPACA or not, health care costs remain one of the biggest economic challenges facing our country today. Our success in reforming the mess we have today has implications for almost every citizen. They will be the biggest winners or losers of all.

Let's All Blast the PPACA

Let's ground ourselves again in reality.

Health care costs in this country are unsustainable. The United States spent over \$2.3 trillion on health care in 2008 reflecting over 17% of the gross domestic product of this country. That is a 300% increase over the \$714 billion spent in 1990 and over 8 times the \$253 billion spent in 1980.² Nearly 50 million Americans are estimated to be without some type of health insurance coverage in 2010 adding significantly to the cost of the system as a whole. For those with employer-sponsored plans, the average cost of family coverage is currently \$13,000 per year and is projected to increase to over \$24,000 by 2020 representing about ¼ of the median family income.³ This compares to \$6,000 for family coverage only 10 years ago. Health care costs have become a significant strategic issue for businesses.

Over 75% of individuals worry that health insurance expenses are increasing to where they can't afford them. Forty-percent have avoided or delayed treatment because of the cost of care. Twenty-four percent have gone into debt because of medical expenses.⁴ And, over 60% of the bankruptcies in the country are related to medical expenses. Health care has become a significant economic challenge for almost every individual in some way or another.

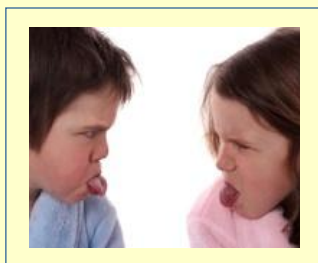
Our deficit is reaching levels that have never been seen before. Economists are scrambling to develop new ideas and projections in this new territory because no one really has a clue of the outcome. The Congressional Budget Office released a program brief in July, 2010 stating, "The aging of the population and rising health care costs will push federal spending, measured as a percentage of GDP, well above the levels experienced in recent decades."⁵ Unless something changes, "growing budget deficits will cause debt to rise to unsupportable levels." Keep in mind, Medicare, Medicaid, CHIP, and Social Security make up over 40% of the federal budget.

In March, 2009 President Obama held his Health Care Kumbaya Meeting at the White House and included all of the primary stakeholders to come together to discuss the crisis at hand. With much fanfare, all stakeholders (health plans, doctors, hospitals, pharmaceutical companies, medical device companies, and unions) signed a joint letter pledging their support for a unified solution to this critical issue facing our country. This collaboration didn't last long before the self-interests of the individual stakeholders once again became the priority. Very quickly, we lost the context of the broader goals of the country to protect the individual priorities of the many different segments that have been created in our health care system.

We then watched our legislative process in action. The Town Hall Meetings of 2009 highlighted the emotions and differences of opinion that become very real whenever health care is discussed. We learned new terms and phrases; "Death Panels", "Pulling the Plug on Grandma," primarily designed to frighten those who really didn't understand the full context of the reform efforts. We witnessed the partisan politics on both sides of the aisle as Congress (and the

Continued on the next page

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Talking about health care brings out the best in us

Trying to Change (continued from page 2)

White House) attempted to organize a system that didn't want to be organized. Everyone knew there was a problem but nobody stepped up to fix it. For better or for worse, The Patient Protection and Affordability Act became law and is the framework we are left with to fix the health care crisis we face today.

There is no doubt the PPACA could have been a better if the Kumbaya team could have kept its part of the bargain and worked together for a common purpose. The legislation certainly could have improved if partisanship could have been replaced by collaboration and teamwork between the parties. We are left with a government-heavy approach relying on a substantial amount of rule-making with input and execution provided by the private sector. Health care dollars are reallocated between the stakeholders through a combination of taxes, fee reallocation, subsidies, and credits. And, there is an emphasis (perhaps overemphasis) on improving the efficiency and transparency throughout the system as a whole.

“As the election campaigns unfold we will undoubtedly be blessed with a new array of information of all bad things about the PPACA”

No one can honestly tell you what this will all cost. The “best estimate” provided by the Congressional Budget Office was a cost of \$940 billion over 10 years while reducing the deficit by \$143 billion over the same time period.⁶ However, these estimates used some pretty optimistic assumptions and will likely change significantly over the next few years. At least it's a benchmark (and political fodder for some when they do change).

The sides are already lining up both for and against the law itself as the first phase begins. Some feel this is another intrusion of the government and one step closer to “socialized medicine” (by whatever definition of the term you want to use). Others believe the laws of supply-and-demand should dictate how the health care market performs (even though it hasn't worked so well to this point). Still others are concerned with the over-reliance on many government agencies for oversight and administration and question their ability to deliver their end of the bargain (we don't have a strong track record here). And, 20 states have joined in a lawsuit challenging the individual health insurance mandate on constitutional grounds. (Here's an idea; get the insurance companies to eliminate pre-existing conditions requirements without an individual mandate and the problem would be solved- but it will never happen).

As the election campaigns unfold we will undoubtedly be blessed with a new array of information of all of the bad things about the PPAC (both truthful and not so truthful). Stakeholders will complain as they attempt to comply with the new rules. Others will complain when they fail to win their way as the rule-making process unfolds. Consumers will likely grow even more confused about it all than they are today.

Will this approach work? No one knows. We do know that continuing to kick this can down the road is no longer an option. It's time to come together to see if we can make this work instead of continuing to fight the battle and encourage failure. As stated by Henry Ford, “Coming together is a beginning. Keeping together is progress. Working together is success.” We need to work together to fix the health care crisis we are in.

While individual segments may have their own winners and losers, the individual consumer should be the biggest winner of all if this works.

Patient Protection and Accountability Act- The Primary Segments

We're sure most people by now have read the full text of the Patient Protection and Affordable Care Act and are generally familiar with its content. In case you haven't, we're listing the primary sections included in the legislation. While the "Market Reforms" segment gets the most publicity- many other areas of the health care system are addressed as well.

- Quality Affordable Care For All Americans- (Market Reforms)
- Role of Public Programs
- Improving the Quality and Efficiency of Health Care
- Prevention of Chronic Disease and Improving Public Health
- Health Care Workforce
- Improving Access to Innovative Medical Therapies
- CLASS Act
- Revenue Provisions
- Strengthening Quality, Affordable Health Care For All Americans

Sources This Month

- ¹ Health Care Reform Memo; Deloitte Center for Health Solutions; August 23, 2010
- ² CMS, Office of Actuary, National Health Statistics Group; January, 2010
- ³ 2009 Employer Benefits Survey; Kaiser Family Foundations
- ⁴ Harris Interactive; Humana
- ⁵ Congressional Budget Office; Federal Debt and the Risk of a Fiscal Crisis; July 27, 2010
- ⁶ Congressional Budget Office; March 20, 2010



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Something to Think About

"No one can whistle a symphony. It takes an orchestra to play it."

H. E. Luccock

"It is literally true that you can succeed best and quickest by helping others to succeed."

Napolean Hill

Browse our Library of Information at www.collaborationhealthcare.com for resources to stay informed on many health care topics