

Overhaul Is Not Reform

Insurance overhaul is only cosmetic. It does not address serious, systemwide problems that lie just below the surface.

When health reform negotiations began, Democrats and Republicans initially agreed on the imperative to halt rising expenditures and ensure top-quality care. As we all know, discussions quickly shifted from “health reform” to “insurance overhaul.”

Reform and *overhaul* are not synonyms. According to my Merriam-Webster’s 11th Collegiate Dictionary, *reform* is the act of improving something by changing its form. It’s a radical challenge to the established order.

On the other hand, overhaul restores an existing structure rather than creating a new one; it is nonthreatening. Overhaul is something done to a classic car, like a ’57 Chevy or a ’64 Mustang. These were great vehicles in their day. However, a restored old car is still an old car.

The new legislation simply overhauls parts of a 1950s-era delivery and reimbursement vehicle poorly attuned to the needs for health care and the capabilities of medical science in the 2010s.

A Tough Road Ahead

Hastily drafted laws contain internal inconsistencies that prolong promulgation of regulations, necessitate technical corrections in the law, and can even lead to substantial amendments or repeal. (For example, a major omission in provisions covering preexisting conditions for children was discovered the day after the president signed the reconciliation act.)

Authorized funds usually get disbursed months, if not years, after the legislated deadline. HITECH provides a glimpse into the likely future of insurance overhaul. If financial officers have enjoyed factoring “meaningful use” into their revenue and expense projections, they’ll love dealing with the forthcoming process for developing “affordable” health plans.

Congress also has a habit of changing a law’s financial terms years after passing it, as illustrated by the tortuous history of reimbursement based on sustainable growth rates. Requirements for documentation (at the

provider’s expense) also have a tendency to grow over time.

Unintended Consequences and Challenges

Even if the overhaul laws had passed without inconsistencies and ambiguities, implementation would still cause problems. The political price paid for making insurance “affordable” will be an overall reduction in the portion of total healthcare costs paid by individual policies purchased in the new markets. These mandated insurance plans have been estimate, on average, to cover 65 percent of medical expenses. Even then, for a family of four earning \$88,000 per year, the resulting out-of-pocket premium will be more than \$8,000 if the law is implemented as enacted. That’s affordable? The alternative is paying a fine to the IRS. How will that play in Peoria?

Even if most Americans purchase health insurance as mandated, they will have difficulty finding health care. The legislation increases demand without increasing supply. Economists of any political persuasion know the inevitable outcomes under these conditions: increasing prices, longer waits, rationing, even black markets.

Before retreating to overhaul mode, Congress studied several providers and payers that have successfully transformed their operations for the 21st century. Demonstration projects and pilot programs will allow a few more organizations to adopt the new and improved business models. However, the majority of healthcare enterprises will be struggling to cope with the old system’s flaws in an environment of significant uncertainty.

We still need health reform. The health of our country depends on it, in more ways than one.

Jeffrey C. Bauer, Ph.D., medical economist and health futurist, is Chicago-based vice president, healthcare forecasting and strategy, Affiliated Computer Services, Inc. (ACS), a Xerox Company (jeff.bauer@acs-inc.com)