

A Healthcare Reform Forecast— and What to Do About It.

True healthcare reform must begin at home with concerted efforts to increase quality and reduce inefficiency and costs.

On the one hand, health reform pundits and politicians are positioning healthcare costs as one of the biggest threats to economic recovery. On the other, they have set their sights on providing health insurance to all Americans so that costs will not get in the way of anyone's access to medical services.

The possibility that these competing forces might cancel each other out hasn't diminished a widespread belief that something will be done this year because something must be done this year—an argument last heard 16 years ago when the Clintons tried so unsuccessfully to reengineer delivery and payment. The Obama team includes many seasoned politicians who are working hard to avoid the fatal flaws of the Clintons' approach. But 2009 is not 1993. Having learned the lessons of history won't automatically keep us from repeating it under today's very different circumstances.

Today's Reform Forecast

As an economist and futurist, I am in the business of helping leaders decide what to do when the past is a poor predictor—that is, in uncertain times. Ironically, it is not my 40 years in the health industry that explains my ability to describe changes in health care before they happen; it is my earlier training and experience as a meteorologist.

I believe health care is experiencing the equivalent of global climate change. The economy has not been this bad for 60 years, and the old models do not seem to work in a global marketplace. The cases for reforming education and energy are at least as strong as the case for healthcare reform in the context of long-term national recovery, and the Democratic Congress is seriously divided on key philosophical issues.

Consequently, in spite of conventional wisdom, I believe the probability of healthcare reform in 2009 is 30 percent. (I'm not the only contrarian. Sen. Tom Daschle, the politician originally predicted to lead healthcare reform, recently stated the chances as 50-50 at best.) My 30 percent forecast for reform also leaves a 70 percent chance that Congress will not legislate changes in health care this year, but it does not mean that reform will not happen. Note that many weather forecasters carry an umbrella on days when they issue a 30 percent chance for rain; they just spend more time preparing for something else.

How to Prepare for the Weather Ahead

We forecasters get a bum rap from the general public because many events that could happen do not. We are also sensitive to complaints that everybody talks about the weather but nobody does anything about it. However, given current circumstances and prevailing trends, I believe healthcare's leaders must do something in response to my 30 percent forecast for three reasons.

First, even if Congress makes moves toward universal coverage this year, it will not pump more dollars into the medical economy. Government, employers, and consumers who pay the bills for health care have less money now than they did last year, and nobody will have more money to pay for health care for the next few years. Any increase in the number of Americans with health insurance means corresponding reductions in coverage for everyone. The "dirty little secret" of health reform is this unmentioned trade-off. Financial leaders should not assume that reform this year will improve their organizations' revenue.

Second, in the unlikely event that Congress acts on reform in 2009, the resulting law will be a bureaucratic nightmare for providers. It will be passed with the same haste that produced TARP, ARRA, and HITECH. Reallocated funds will flow at a snail's pace because the government does not have infrastructure to distribute money in a timely manner. The law also will create unfunded mandates and unintended consequences, none of them pleasant.

Above all, waiting for the new law diverts providers from the only reform that will really improve health care in the United States—reallocating massive wasted resources through performance improvement, supported by modern information and communications technology.

Learning the Lesson of SUVs

Progressive demise of the American automobile industry, not early political errors of the Clinton administration, provides the lesson we must understand if health care is to be saved from a similar fate. An automaker that was the world's largest corporation only a few years ago has just gone through bankruptcy because it relied on easier financing to sell its cars. The company systematically avoided improving the efficiency and value of its cars until it was too late to do anything but give the keys to the government.

Reforming health care by providing more insurance makes about as much sense as trying to save the auto industry by subsidizing SUVs. Real reform begins at home, with strategic financial planners who reallocate their organization's resources to meet purchasers' increasing demands for value and quality. Several progressive health systems around the country have proven that it can be done, without help from Washington. ☞

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