

# The Real Reason Why You Need to Act Fast

The priority challenge is not responding to insurance overhaul—but preparing for financially strapped patients with continually rising payment responsibilities.

To no one's surprise, the predominant theme at healthcare conferences these days is preparing for insurance overhaul (commonly mislabeled "health reform"). Presenters generally conclude their remarks with an exhortation to begin planning right away for the changes that are legislated to occur between now and 2018.

I agree with other conference speakers that we must radically restructure the delivery of and payment for medical care, starting right now. However, I do not believe the recent legislation is the reason. Further, I do not believe that the reform legislation will be implemented as enacted for a variety of political reasons.

Having personally observed every health reform from the creation of Medicare and Medicaid (1965) to the Medicare Modernization Act (2003), which created drug benefits for seniors, I think that the prospects for fully implementing the latest laws are considerably less than 50 percent. Consequently, planning responses to them carries a relatively large risk of being a waste of time and money that could be better spent in other ways. The real challenge—of which I am nearly 100 percent certain—is that patients' responsibility for payment will increase substantially while their ability to pay will continue to decline, independent of the insurance overhaul.

The legislated reduction of \$500 billion in Medicare spending over the next 10 years is not why providers must immediately begin to change the way they do business. (After all, Congress almost never follows budget guidelines that were used to pass previous legislation, and politically powerful baby boomers will not willingly accept reduced benefits.) Providers should be motivated instead by the likelihood of inadequate disposable personal income for the foreseeable future; patients will simply not have the means to pay their rising share of medical bills.

Providers that do not respond strategically to stagnant personal income and consumer spending in 2010 will be lucky to be in business to deal with insurance mandates in 2014. Today's economic circumstances and forecasts offer almost no hope that wage-earners will have additional resources to spend on health care over the next four years, contrary to basic assumptions of the insurance overhaul laws. Thus, the immediate challenge facing hospitals is to make operational changes necessary to produce acceptable medical services at an affordable price, starting with the use of IT performance improvement programs to capture and reallocate existing resources that are being wasted.

No single entity within the medical marketplace, with the possible exception of a few well-established HMOs, controls all the resources necessary to provide top-quality services as inexpensively as possible. Thus, providers need to create new relationships. Strategic financial planners need to begin working directly with public and private payers, employers, health professionals, patients, pharmacies, Web-based medical services, social service agencies, and any other entities that can play a role in getting the best possible value out of the resources we are already spending on health care.

Admittedly, providers cannot ignore insurance overhaul; third-party reimbursement is not going to disappear. However, it is going to decline in relative importance as economically challenged patients are asked to pay more. Planning for insurance overhaul may appear to be today's top priority, but providers' survival depends on Plan B—becoming efficient and effective so that care becomes more affordable for patients with or without good insurance. ☞

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## Reform Strategies Online

*Strategic Financial Planning* subscribers can access these two case studies.

*Winona's Lone Wolf Strategy.* CFO/Treasurer Mike Allen and his fellow leaders at Winona Health have created a grid that outlines the potential impact of 21 key provisions in the health reform bill—along with specific countermeasures that Winona will use. "This is a living document that we will continue to update as we learn more," says Allen, FHFMA, CPA.

In the case study, Allen outlines four specific reform tactics:

- > Value proposition
- > Physician alignment
- > Local solutions with employers
- > IT and capital plans

*Sharp Strategies for Reform.* Finance leaders need to help ensure that clinicians, administrators, and all users have access to better data for decision making, says Kari Cornicelli, FHFMA, CPA, vice president, CFO, Sharp Grossmont Hospital, La Mesa, Calif. "Our organization is very focused on getting our decision-support system fine-tuned so it can easily provide data to any end user."

Also key: Helping users understand the data. "We have to step out of our normal 'I-prepare-data-and-give-it-to-you role' and really be able to help people act on what the data is saying," she says.

In the case study, Cornicelli details seven specific reform strategies that SharpHealthCare is taking:

- > Physician alignment
- > Focus on value
- > New payment approaches
- > Meaningful use
- > Closer relationships with employers
- > Partner with community health clinics
- > Conservative capital spending

Access both these case studies at [www.hfma.org/sfp](http://www.hfma.org/sfp) in the Summer 2010 issue.