THE BRAVE NEW WORLD OF HEALTH CARE

Book by Former Governor, Richard D. Lamm, Colorado
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Book Review and Commentary by:
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Introduction

The Brave New World of Health Care directly confronts the issue of rapidly rising health care costs. The book is both a call to action, and it is a call to start the debate on future health care issues and financing.

Lamm's central thesis is that the current rate of increases in health care costs is unsustainable, especially as we grow substantially older as a nation. Lamm calls on the nation and our government to begin now to make the hard fiscal and ethical choices needed to reign in the financial costs of this runaway sector of the economy. Citing the huge overall costs and limited extent of health insurance coverage, Lamm states that we can no longer afford to spend one out of every seven dollars of GDP on health care, especially when our system leaves so many chronically underinsured and underserved. We are spending too much public money treating chronic ailments of old age as if they were acute diseases. Every day, newspapers publish obituaries of people in their eighties or nineties who died of "complications after surgery." We are spending $250 billion per year on patients in the last few weeks of their lives. We cannot afford this. The book proposes universal health care coverage with limits on what, rather than who, is covered. Intensive care at $5,000 per day would not be covered when there is no reasonable prognosis of full recovery.

The book raises the question "Where do we draw the line, and who gets to draw it? Difficult decisions and uncertain outcomes are pervasive in the field of health care. Is rationing the answer? One can argue there may exist easier, less drastic solutions than flatly denying some forms of medical attention to some people, especially the elderly. However, Lamm is clear that society can not justify spending hundreds of thousands of dollars on health care in the last few days of a person's life, when we are all but certain that these will be the last days of the person's life.

There are many ideas that can be tested and implemented in dealing with the high cost of the last few days of a person's life. For example, we could ask for or even demand a living will from every Medicare and Medicaid recipient? Can we use public funds to educate persons about the role of living wills and develop programs to insure that medical institutions honor these living wills. Could private insurers offer discounts to policy holders who agree to forgo the so-called costly "heroic measures," now too common in our hospitals and emergency rooms. These are just a few examples of the difficult 'choices' that the book's thesis has us face.

Tradeoffs

Every dollar spent on health care is a dollar that society could have spent on some other public good or service, or some private good or service. While technologically advanced and capable of producing miraculous results, the U.S. health care system, as it is now structured, is leading the country in two terrible directions. First, it is leading us to become a society of medical have and have-nots; and secondly, it is leading us toward becoming a society that will in the future be able to afford less and less housing, transportation, education, environmental protection, defense, and other needed public goods and services due to the explosion of health care costs. This is due to the fact that health care is an increasing drain on our nation's scarce public resources which are becoming even scarcer. Lamm calls our current health care system a "fiscal black hole," and the future fiscal drain comes at a time when our baby boomers will be starting to retire and will themselves begin to become a significant additional drain on already tight public budgets. This double fiscal whammy will require the U.S. to limit severely the amount we spend in the future out of public funding on health and retirement. Yet, few politicians have had the courage to confront this fiscal reality upfront.

We must recognize that the older Americans live, the greater the elderly's subsidized health needs and costs become. In order to assess the real magnitude of the current and projected problems we face, we need to know the actual current financial situation as well as have excellent estimation systems to calculate future costs.

The Real Budget

Lamm debunks the notion that we put social security tax receipts into a trust fund. He states that the government's use of social security tax revenues for current expenditures via "borrowing" has allowed the government to spend huge sums without taxing anywhere near our current level of expenditures. Lamm states that the real federal debt is 20 trillion, not the 6.5 trillion acknowledged in Washington. This fact suggests only two possible solutions: raise taxes or significantly cut health programs and spending on social security.

The Medicare program follows the same pattern of a financial runaway freight train as the rest of the health care system. Seniors who turn 65 in 2004 will receive a $100,000 health care subsidy throughout the remainder of their lives. This estimate was calculated before the medicare drug prescription bill budget estimate of $541b became the accepted budget estimate for the ten year period, 2006-2015. (Previously the nation thought the drug prescription bill would cost only $395b because the Congressional Budget Office erroneously estimated this amount and Administration officials refused to allow Richard Foster, Chief Actuary for the Medicare program for 27 years and a US Department of Health and Human Services employee, to disclose to Congress his own budget estimate of $541b, despite repeated requests for his estimate from the relevant Congressional Committees to DHHS).

Also, the national commission charged with overseeing the Medicare financial situation stated in early 2004 that its review of 2003 expenditures showed that in one year, 2003, the Medicare program spent so much more money than it brought in, that the Commission now estimated that Medicare will run out of funds a full seven years earlier than it had estimated for the program at the end of 2002, just one year earlier. Now the Commission says that Medicare could run out of money by 2019, rather than 2026.

Budget "reality" (accurate, reliable budgets) is now becoming essential for the public and policy makers so that Americans can make rational choices regarding what health care services this nation can afford to subsidize out of public funds. With health care costs in the U.S. rising at twice the rate of inflation, no nation can afford for this trend to continue indefinitely. Lamm suggests that we begin to fix the situation "before soon." We have already saddled the next generation with unfathomable debt and to add significantly to that debt would be grossly irresponsible for us to do to succeeding generations.

The Role of Democracy

Democracy requires a well informed and accurately informed electorate. Democracy requires a respect for the future, because every generation could vote itself great financial windfalls and just let the next generation try to wiggle itself out of paying for them. By borrowing today, we saddle the next generation and generations to come with high interest payments and transfer wealth from the U.S. to the nations that buy our treasury notes (China, Japan, India, Saudi Arabia, and others). By funding our debt with readily available capital assets from other nations, we limit the wealth and productive capacity of future generations in the U.S.

Democracy requires organizations like the Congressional Budget Office, OMB and all agency budget officials to get the truth out to the American people regarding current spending levels and projected, future spending levels. Recently the failure to tell the American people the truth by government has cost this nation dearly.

The Current Health Care System and the Physician's Duty

Heath care costs now create more personal bankruptcies and labor disputes than any other sector of the economy. Americans spend more than twice as much per person per year on health care as any other country. Yet, the U.S. ranks 37th overall in the world in the delivery of health care. (Source: World Health Organization). The baby boomers (those who retire in 2011 and thereafter at age 65) will spend, on average, $25,000 per year in subsidized health care costs (in 1996 dollars) for each year they live.

Given expected inflation of 3%, this number will be $50,000 per year in 2020. Yet, with all of this spending on technology, (much of which combats lifestyle induced illnesses and diseases which only a few of us have), we have millions of people who do not have any health insurance. Today, those without some type of health insurance are often denied access to even the most basic health care.

In analyzing how to fix our health care system, we must begin by asking a series of questions. First, what do we want to accomplish with the publicly supported (pooled funds) health system? Society's health is important. So are solvency and progress. We are paying more per person than the British, yet we may not be getting their results in reduction of infant mortality. One can reasonably ask, "which system produces more innovation?" If we accounted for some heart-and-lung transplants as research outlays, perhaps our health care system would not appear so outrageously expensive. These questions just begin to dive into the difficult questions we must begin to address regarding how we want to shape and pay for our health care system in the future.

Second, as a nation, we value freedom, which ought to include freedom to opt out of any insurance coverage. The Washington Post recently reported that of the 800,000 people uninsured in Maryland, 450,000 live in households with income over $50,000 per year. 200,000 of them earn more than $70,000 per year. It seems reasonable to conclude that at least some of them choose not to carry health insurance. For them, insurance is a lower priority need than other needs. Lamm has a proposal to deal with people who wish to be "free riders" on publicly supported health care. His proposal is that everyone pay into a health care fund based on their income and assets in order to insure that there are no "free riders".

Third, Lamm diagnoses another cause of the American healthcare system's inefficiency and ineffectiveness. It is the physician's Hippocratic oath that makes may doctors and health care professionals adopt the attitude of "money is no object" when prescribing care. The basic operating philosophy of doctors today seems to be that once a patient is in the system, a doctor should spare no effort to provide him or her all of the health care services that might benefit the patient or extend the patient's life. Medical professionals do this for important reasons, not the least of which is they do not want to be sued due to taking costs into account when establishing and implementing treatment plans. However, giving everyone in the "system" so much medical care is one of the reasons why those who are not covered by any health insurance system can not get any health care at all.

This situation leads to a paradox: we are spending hundreds of thousands of dollars to "save" 500-gram babies, only to spend even more money to treat them when they become sick children and wheelchair-bound adults. Yet we will not, unlike many other countries, pay for prenatal care that has the potential of helping to avoid premature births.

A fourth point to debate is the use of the word "insurance" in our discussions of the health care system today. In all other areas, the word "insurance" means protection of the individual against a risk, and spreading that risk among a large pool of participants. This is why we buy auto insurance, which, incidentally, pays for a large portion of health care costs. Shouldn't we think about health similarly? Some ailments are not risks at all–they are certainties. We cannot buy insurance against chicken pox for our children. Since virtually every child will catch it, there is no risk to spread. Some diseases are genetic, so that the risk is borne by a subgroup of the insurance pool. We can only debate how to pay for the care, or, more precisely, who should subsidize whose expenses. To some, this is boring semantics, to others, a point necessary for clarity of the debate. As the author

points out, we are not insuring the elderly, we are subsidizing them. Some of the elderly population needs this health care subsidy less than many of the workers who see the Medicare deduction on every paycheck. This cannot last.

Lamm suggests that our health care system, in contrast to the duty of the individual doctors, has a duty to everyone who has a right to live and does live in the United States today. The individual doctor, on the other hand, only has a duty to do everything to extend his or her own patient's life, or in other words, to provide the best medical care possible to the individual patient. This doctor's duty, which includes providing very expensive health care when the expected marginal returns of that health care are very small, is simply incompatible with the needs of the nation to spread out its health care dollars in a way so that at least some health care dollars can reach every person in need.

The only way to provide health care to all in the United States in an affordable manner is to cut back on the subsidized health care services to those currently covered either by private insurance or government subsidy. This will not be popular, as shown by recent government attempts to reduce benefits for people in Europe. But we now understand that what may be good for the individual, and what may be consistent with the doctor's duty, is not good for the society as a whole and is not consistent with the ethics necessary to provide some health care for all persons who have a right to live and do live in the U.S.

In the aggregate today, health care's cost of 1.5 trillion dollars per year is as much of the nation's GDP spent on food and housing combined. Since 1995, health care spending has escalated, but also since 1995, the U.S. has fallen farther behind many other countries in life expectancy for men and women and in infant mortality rates. It is axiomatic that public policy must maximize the value of limited public funds. We must set new and rigorous priorities regarding what medical procedures and for what population groups will we spend our future limited resources.

By providing government supported health care only to those with a strong financial need, we will assure that those who can pay do actually pay for at least a portion of their medical bills. Then they can decide, based on their personal values, which services are worth the cost. Today, since most of the medical expenditures are made by third parties, no individual or family makes such cost-benefit decisions regarding their health care services and everyone, patients and doctors alike, all request health care services without thinking about their cost.

Social Security

The book makes a similar set of arguments regarding the social security program. Lamm notes that the average person receiving social security has more assets that the person who is paying into the social security system. Lamm says that our current social security system is "demographically obsolete." Below, he makes recommendations to shore up our social security system's fiscal situation

Right, Entitlement or Social Good

Lamm makes the point that health care is not a “right;” it is merely a social good. A right is something that we must protect and provide to all, at all costs. A social good is one that should be allocated based on a careful cost-benefit analysis, taking into consideration the law of diminishing returns and the need to spread out this social good very broadly. Taking on those who say health care is a right or an ‘entitlement,’ Lamm suggests that while we have an entitlement to vote, but we do not have an entitlement to a free ride to the polling place. (Of course, we should make accessibility for voting and accessibility of health care as least costly as feasible given limited budgetary resources).

Pooling Money and Resources

When people or families spend their own money, choices regarding how to spend that money are relatively straightforward. But when someone spends the pooled money and resources of a government or health insurance plan, the choices become very complicated. Some in the group will want the pooled money to be spent on “X,” some will want it spent on “Y,” while others will want it split between “X” and “Y.” Who chooses where to spend the money and how they decide is essentially a political decision. However, the decision should be based on a rational analysis of the costs and benefits to the entire group of people affected to guide the spending of each marginal dollar allocated. In the current budgetary climate, such analysis is often not made and the choices reflect the political power of the groups rather than a rational analysis of the benefits to be gained from the expenditures. Good politics, bad policy.

Today, Americans who are insured or who are subsidized by the government make a claim to all of X and Y they want. This process keeps health care costs escalating (demand exceeds supply) and keeps our society from being able to afford to expand the number of people covered by either health insurance or by government subsidy. We spend 27% of all health care dollars on the sickest, or most demanding, 1% of our population. The health care system’s duty is to build a solid floor upon which all persons in the U.S. can depend on in a time of need. Our current health system does not provide such a floor.

Fixing the System

Lamm recommends the following:

Raise retirement/eligibility age for full social security benefits to 70

Provide limited health and retirement benefits at ages 62 and 65

Reduce health and social security benefits for the non-poor elderly

Limit cost of living adjustments for the non-poor elderly

Create a system of private, personal investment plans as part of reforming the social security system

Restore the 50/50 individual/government balance to pay for Medicare Part B

Index premiums for Medicare Part B to costs

Add 20% co-payments for all clinical tests and at home tests in Medicare

Add extra premiums for non-poor elderly for Medicare part A

Create an incentive system for employers to retain workers after 65 years of age and for workers to continue to work after they turn 65

Reexamine the ethics of medical care and reject the view that it is right to give to each individual in the system all the health care that could benefit them or extend their lives. Replace this set of ethics with a system that values giving to all people the health care that our nation can afford to give to everyone

Allow a secondary health care system to provide at one's personal expense all the health care that one is willing to buy

Begin to accept limits on research and technology to save dollars and to foster greater benefits for the greater number

Stop ignoring costs and demand that every medical decision paid for by pooled funds withstand a careful cost-benefit analysis test. "Contributive justice" means that a person not make unreasonable demands on pooled or governmental funds

Foster the duty to maximize health, not health care

Promote collective ethics, rather than individual ethics in health care

Recognize that moral standards must coincide with economic reality

Be totally honest in budget estimates

Public policy must address the question: "Which funding strategy brings us the most health?"

Limit the number of specialists

Limit the access to specialists through the use of "gatekeepers"

Increase the number of family doctors

Limit medical malpractice suits

Reduce bureaucracy and administrative costs, including billing challenges. Example: A Bellingham, WA hospital with 300 beds has 42 billing clerks, while a comparable 300 bed hospital in Vancouver, BC, Canada has only 1 billing clerk!

Reduce reliance on technology (Colorado has more MRI's with 4m in population, than Canada has with 32m in population)

Consider reducing or eliminating the role of insurers in health care

Stop believing that the U.S. has the best medical system in the world when the facts do not support such a claim

Increase the use of ancillary personnel and have doctors delegate their activities more freely to less expensive personnel

Stop paying doctors and hospitals on a piecemeal basis and pay them on a per capita basis

Limit "long shot" medicine

Reduce unnecessary lab work

Promote better integration of health care services

Conclusion

All sectors must compete for scarce public and pooled dollars. Expansion of the number of people with health insurance and access to reasonable cost health care services must be our first priority. Lamm suggests requiring all employers to provide health care coverage to all those who work greater than 20 hours per week. He then suggests that we give employers tax credits to absorb these extra costs. Require all citizens, according to need, to pay into a health care system to avoid the "free rider" problem. Life is precious, but servicing it can not be priceless. Public policy must promote self-responsibility, since it is the most effective way to improve the health of a nation.

Governor Lamm offers his opinions and recommendations both for their own sake and even more importantly, as a way to stimulate a new national debate on the topic of health care. Recent history shows that health insurance reform cannot be imposed from above, even by brilliant and well-meaning thinkers. It cannot arise from grass roots, because the benefits of reform are spread among the silent many, while most of the costs are concentrated on the relatively few.

Governor Lamm's book provides a very worthwhile service at this time when federal, state, local and personal budgets are being pushed to the limit. Lamm clearly shows that we need to change our health care system significantly to ensure that we are getting the best possible value out of our health care system. And, Lamm not only makes a very strong case that we are not achieving that goal today. He makes an even stronger case that we are currently going exactly in the opposite direction. His call for a national debate on the future of health care is both timely and necessary and his book goes far in both informing that debate and getting it started on the right foot.

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