AP PHOTO/CHARLES DHARAPAK

THE PRESIDENT, Barack Obama, who promised to overhaul the nation's healthcare system during his campaign last year, addresses members of Congress in February. Federal attempts at healthcare reform promise to be much more civil and diplomatic than the last time the federal government tried to press for changes more than 10 years ago. Still, no one expects the issue to be fixed easily or even very quickly.

Healthcare Fixes and Fixations

The latest debate on reform is more reasoned, but with far more at stake.

BY JOEL BERG

IN-DEPTH RISK & INSURANCE

Second in a Three-Part Series

Long gone are the days when Bill and Hillary Clinton buttoned on their chin straps and lined up opposite healthcare providers and the insurance industry. Today's debate on healthcare reform, under the umbrella of a new administration, is far more nuanced, far more civil and has many more players. Some have likened it to a game of chess rather than a game of checkers. Complicating matters, though, is that the government's attempts at charging up a weakened economy have left many observers unimpressed. Why should the government also be trusted to be a fixer for the healthcare system, the reasoning goes.

One thing is certain. A full-blown recession has brought everyone to the table. Government and the private sector don't have room to play politics anymore. They need solutions and they need them yesterday.

Fear of the unknown was among the factors that sank healthcare reform in the 1990s and ushered in the era of managed care.

Fifteen years later, the motivating factor is fear of the known.

Companies, hit by falling sales and declining profits, are having more trouble than ever affording premiums, which continue to rise. Some have been dropping coverage altogether, eroding the employer-based system for providing health insurance.

In 2007, before the recession took hold, 18.4 percent of working adults lacked health insurance, compared to 16.1 percent in 1995, according to a report in March by the Princeton, N.J.-based Robert Wood Johnson Foundation.

"Things are bad enough that the status quo has become the scary proposition," says Judy Feder, a public policy professor at Georgetown University and a senior fellow at the Center for American Progress, a left-leaning think tank in Washington, D.C.

The recession, twinned with the high cost of healthcare, is making a powerful argument in favor of reform, she says. "It has become commonly understood that we need to fix healthcare to fix the economy," says Feder, who was a deputy secretary in the Department of Health and Human Services in the first Clinton Administration.

Still, some observers are skeptical the government can do both at the same time.

Public officials don't seem to have fixed the financial system despite costly efforts, says Mitch Stringer, managing partner of Select Benefits Communications Group, a voluntary benefits communications, enrollment and administration firm in Towson, Md.

"Why would we believe, then, that the government can do a better job at developing or managing a health system?" Stringer says. "There's only so much time and money and attention that can be focused on any one thing."

For now, however, players on all sides of the healthcare debate seem willing to focus. Business lobbies, insurer groups, labor unions and consumer advocates all have expressed a desire for reform.

WHAT GOVERNMENT WOULD DO

The White House and congressional offices have floated a variety of plans. Most would bolster the existing employer-based system by requiring companies, except for small businesses, to buy insurance. Some plans call for a mandate on

individuals to buy insurance, with subsidies for those who can't afford it.

Reform plans also include checks on the growth of healthcare spending, considered an essential step for any new effort to succeed. Along those lines, the government is funding programs to boost wellness, shift to electronic health records and study ways to pay doctors and hospitals for making people better, rather than reimburse them solely for the number of services they provide.

"It's been a long time that there's been such an environment … as conducive to change as what we have today," says Jay Starkman, chief executive officer of AlphaStaff Group, a professional employer organization based in Fort Lauderdale, Fla. "I think that may trump everything else."

The main challenge for reformers is to keep the consensus from fracturing as details are worked out.

Lawmakers, for example, will have to decide what constitutes an acceptable benefits package before mandating that insurers offer it and people buy it. They'll also be weighing the possibility of creating a new government-sponsored insurance plan that would compete with private carriers, a possibility that already has drawn heavy flak.

"There is a legitimate concern that if you start a public healthcare plan, everybody eventually falls in," says U.S. Rep. Joe Sestak, a Pennsylvania Democrat who sits on the House subcommittee on Health, Employment, Labor and Pensions.

Despite the potential minefields, Sestak is optimistic. "Everybody kind of seems to want this reform," he says.

But, he added, everybody must have a say in its design.

"Democrats particularly need to recognize this, because it isn't our day, it's the nation's day," he says. "And if we rupture this and say 'our way or the highway,' it's a repeat of the 1990s. And that's a shame."

Challenges remain even if the consensus holds form and President Obama delivers on his pledge of reforming the system this year. Some observers fear Congress will only reshuffle how people pay for healthcare rather than address the forces that drive up its cost, such as the increasing prevalence of diabetes, heart disease and other chronic ailments.

"The question becomes … are we going to fix it in a way that makes long-term sense or are we going to fix it in a way that makes short-term, political sense? Those, unfortunately, aren't always the same," says Bob Stone, executive vice president and founder of Healthways Inc., a wellness provider in Nashville, Tenn.

Stone is concerned lawmakers will end up creating a system that does no better than the existing one to keep Americans from getting sick in the first place.

"I'm eternally optimistic," Stone says.

"But the public has been conditioned to focus on 'Am I covered?' and 'When I get sick, does the bill get paid?' When the answers to those questions are 'no,' those become the hot-button political issues."

PAYMENT PLEASE

So far, it is the payment system that has drawn the most attention.

The centerpiece of President Obama's plan is a government-sponsored exchange, or connector, where carriers would offer affordable health plans with a minimum set of benefits. The plans would be available to buyers regardless of health status or pre-existing conditions.

Tax credits would help low-income people afford insurance and persuade small businesses to offer it to their employees. Large companies that don't offer their employees meaningful coverage or contribute meaningfully to its cost might have to pay a penalty, with the terms yet to be decided.

While most proposals aim to reinforce the existing system, specific features eventually might undermine it, says Mike Ferguson, chief operating officer of the Self-Insurance Institute of America, a South Carolina-based trade group representing self-insured employers and their vendors.

Employers, for instance, likely

"THERE IS A LEGITIMATE CONCERN THAT IF YOU START A PUBLIC HEALTHCARE PLAN, EVERYBODY EVENTUALLY FALLS IN."

—U.S. Rep. Joe Sestak, D-Pa.

"We need to fix this today, because unless we get the costs under control, we won't have money to treat the uninsured and underinsured."

— John Zubak, CEO, VIIAD Systems

Electric Medical

Defining "meaningful use" is just one challenge created by the stimulus package.

JOHN ZUBAK, CEO, VIIAD Systems

The billions in federal stimulus dollars slotted for electronic medical records will create jobs. No one doubts that.

But it's unclear whether the spending will launch a true digital revolution among doctors, hospitals and other providers, according to executives at healthcare technology companies.

The money, roughly $20 billion, is included in the federal economic stimulus package enacted in February. The biggest slice – $17 billion – is aimed at rewarding hospitals and doctors' offices that adopt electronic medical records by 2015. The remainder is earmarked for grants, training and state programs.

The goal is to create a healthcare system that is more efficient and effective.

Take someone showing up in an emergency room. A doctor can go online and check on any tests and treatments the patient has already had, avoiding redundancy, says Linda Matern, chief operating officer of Shared Health, a health information exchange in Chattanooga, Tenn., that manages data shared among insurers, providers and employers.

"Regardless of how complicated healthcare reform gets, there is a simple fact that the more automation and the more ability to exchange data outside the paper medium, the better the efficiency," she says.

To secure federal dollars under the stimulus bill, providers must prove they have become "meaningful users" of digital records, a term that has yet to be fully defined.

A watered-down definition, such as simply having electronic data, could end up rewarding waste, says Kent Gale, founder and chairman of KLAS Enterprises, a research and consulting firm in Orem, Utah.

Many hospitals already boast digitized files. But they have a mixed record when it comes to coaxing doctors to use them, Gale says. He worries hospitals and doctors' offices will continue to buy systems that sit idle.

"If 'meaningful use' means the same place we are today, then that's nothing," Gale says.

Government funding will go a long way toward advancing healthcare technology. But money isn't the only barrier, says Paul Viskovich, president of Orion Health, a company in Santa Monica, Calif., that helps providers exchange data.

Healthcare providers often are loath to share for competitive reasons, Viskovich says. Legislation could clarify standards for sharing and outline who ultimately owns the data.

"Certainly when I'm in discussions with people about information-sharing, these issues come up," he says.

John Zubak chief executive officer of VIIAD Systems, a healthcare IT firm in Langhorne, Pa., says the government should focus at least some of its spending on technologies that can deliver immediate results.

"We need to fix this today, because unless we get the costs under control, we won't have money to treat the uninsured and underinsured," Zubak says.

VIIAD develops programs that allow providers to find and review digital records, regardless of where and how they're stored.

"There's a lot of people like VIIAD out there that have solutions that can save money literally tomorrow versus hoping that you're going to find something down the road," Zubak says.

Another danger is that federal spending might lead doctors and hospitals to install systems that end up costing them in the long run, Zubak says.

"Just putting the equipment in there doesn't really do anything," he says.

— Joel Berg

would stop providing insurance if the penalties for doing so were set too low, he says. They would pay up, especially if employees had a government-sponsored plan to fall back on.

While the institute may not like every proposal it has seen so far, it has been approaching the debate with an open mind, Ferguson says.

"I think most organizations are holding some or all of their fire, potentially until some more of the details get fleshed out," Ferguson says.

But even if it becomes open season on a specific plan, critics may have a harder time figuring out where to aim than they did in 1994, when the last major attempt at healthcare reform failed.

The plan developed under former President Clinton presented a relatively stark choice between the existing system and a new government program, Ferguson says.

The complicated nature of the debate today could hamper efforts to voice effective opposition to individual pieces, Ferguson added.

"In the early 1990s, it was a game of checkers," he says. "We're sort of playing a game of chess now."

The debate may have a lot more moving parts. But reform is crucial for small businesses, who view healthcare as their most pressing financial concern, says Michelle Dimarob, legislative affairs manager for the National Federation of Independent Business. The Washington, D.C.-based group has 350,000 members.

"Inaction means the status quo and the status quo for small business just isn't an option," Dimarob says.

Midsize businesses are not far behind in hitting their limits, says Peter Ronza, compensation and benefits director at the University of St. Thomas in St. Paul, Minn. The college employs about 1,500 people. "No employers like this system," Ronza says. "But employers also dread the unknown."

JOEL BERG *is a college professor and freelance writer. He can be reached at riskletters@lrp.com.*

The Cost of Healing

A Three-Part Series

In the best of times, that is, until about two years ago, healthcare costs were a nagging, sometimes crushing burden for employers; and that was before massive losses in equity markets put even more pressure on large and small businesses alike. Now, more than ever, employers and their staffs are looking at a wider range of coverage options. This year will be one to watch in that sector as those efforts merge or possibly collide with a new administration's ideas of what universal coverage should look like.

April 15, 2009

Part 1: Multiple Options, Little Certainty

The cost of health insurance remains a leading concern for employers. The declining economy is compounding those concerns and, in some cases, creating new ones. Employers weigh cutting benefits against the risk of making their insurance coverage less attractive to younger workers, raising the odds of adverse selection and even higher costs. Employers are opting for cheaper high-deductible health plans paired with health savings accounts, but have less money to contribute to employee accounts while some self-insured companies are opting to go back to full coverage.

riskandinsurance.com

May 2009

Part 2: A New Administration Sets Sail

President Obama has proposed reforms to make healthcare more affordable and widely available. How are those reforms being received by employers and how could the economy affect the president's plans? A mandate that employers offer health insurance could lead to growth in the cheapest plans, typically high-deductible plans matched with health-savings accounts. Or it could lead employers to drop coverage and let workers buy it from a government plan.

riskandinsurance.com

June 2009

Part 3: The Massachusetts Way

Massachusetts already has introduced universal healthcare reforms. How have they affected employers? Are they happy with how the plan is shaking out? Has it allowed them to become more competitive by worrying less about health-insurance costs? Is it easier or harder for employers to buy health insurance?