

The Conundrum of US Healthcare: What's Clear Amid the Complexity?

Dear CBGH Members, Colleagues, and Friends....

I likely won't have reason to email you again before retiring at the end of March. We've documented what we could about hospital prices and profits as well as healthcare costs, outcomes, and trends overall. And - with the help of any number of people - we've probably said and done all we could about the possibilities for and promise of *purchaser-led health reform*. [The Colorado Purchasing Alliance](#) is in place and poised to be increasingly effective at improving healthcare value - *with adequate participation from resolved plan sponsors*.

Nevertheless, with this email, I would like to share several excellent articles about the healthcare bazaar into which you all courageously venture each year or two (and over the entrance to which should be a sign with either the traditional free-market warning of "*Caveat Emptor*" - or perhaps more ironically (but appropriately), the admonishment Milton offered in *Paradise Lost*: "*Abandon all hope, ye who enter here*"). In either case, below you will find the articles.

One of my key career conclusions is that it's unlikely that ANY US marketplace functions as inefficiently and ineffectively as healthcare. Why? Well, partly because it's complex but mostly, due to that complexity, I think it's because *we purchase nothing else in the manner that we purchase healthcare* - through surrogates without effective means or strategies to improve outcomes, reduce waste, or control costs. Yes, healthcare is challenging. Healthcare can be SO complex that seemingly contradictory statements can be made and BOTH can be true. (Colorado's hospital association deftly relies on and plays on this fact, obfuscating issues rather than contributing to a solution.) But, complexity notwithstanding, plan sponsors have a responsibility to rise to the occasion and purchase care with accountability. ***ONLY plan sponsors have the both means and the incentive to address the root issue: Pricing to what the market will bear - without either transparency or accountability.***

Putting both complexity and CHAs' sophistry aside, however, at day's end, here's what seems simply, egregiously, and heart-breakingly clear: *drug manufacturers, health systems, and health plans are making historic profits while healthcare is the leading cause of bankruptcy for American families - and third leading cause of avoidable death*. And here's what's equally clear: this is exactly the outcome that employers and other commercial plan sponsors are financing!!! (Medicare and, in Colorado at least, Medicaid seem to me to be doing a much more diligent job as prudent purchasers. *In fact, in Colorado, I view Medicaid as a model - not only for the country but for other health plans.*)

There is a solution: the approach prescribed in Dr. David Blumenthal's 2018 [editorial](#) in the Harvard Business Review about how plan sponsors could create a functional market that serves purchasers and patients. It's what we've created with The Colorado Purchasing Alliance. I don't know a better way. As Peter Drucker put it so simply:

If you want something new, you must stop doing something old.

After March, should you happen to ski A-Basin on a weekday, keep an eye out for me!

Robert J. Smith, MBA
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Recommended Articles

- ["Salve Lucrum: The Existential Threat of Greed in US Health Care."](#) In this recent JAMA editorial, Dr. Don Berwick - humanistic, pediatrician, founder of the [Institute for Healthcare Improvement](#), and long-time cheerleader for better outcomes ("because our children and our parents deserve better") - bluntly calls out the greed driving US healthcare. As the always inspirational Dr. Berwick states so eloquently....

*"Profit **may** have its place in motivating innovation and higher quality in health care, as in any industry. But the klepto-capitalist behaviors that raise prices, salaries, market power, and government payment to extreme levels hurt patients and families, vulnerable institutions, governmental programs, small and large businesses, and workforce morale. Those behaviors, **mostly legal but nonetheless wrong**, have now accumulated to a level that poses an existential threat to a sustainable, equitable, and compassionate health care system."* (Emphasis added.)

If you haven't time for any of the following articles, ***please read this one by Dr. Berwick***. It should rinse away any remaining delusions about focus of the healthcare "market."

- ["U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes."](#) Being an outlier in healthcare spending among OECD countries (since we're also the richest of the bunch) isn't, *ipso facto*, a bad thing. If more spending meant better outcomes and health, we could very reasonably justify it. BUT, when you realize that, **despite** (and, *in some cases because of*) our high level of spending, **"Americans are more likely to die younger, and from avoidable causes, than residents of peer countries,"** it unavoidably suggests plan sponsors are not being prudent purchasers. I say "unavoidably" because in a free market, the people buying healthcare are the ones shaping what gets delivered and how it gets delivered by how they chose to spend their money. (See last article.) Using surrogates - e.g., health plans and consultants - doesn't sidestep that responsibility (as the Consolidated Appropriations Act put into law).
- ["We're Still Gonna Say No": Inside UnitedHealthcare's Effort to Deny Coverage to Chronically Ill Patients."](#) Having run a small health plan I can tell you that, even under the best of circumstances, *even when all the parties genuinely want what's best for the patient, some decisions about the costs and efficacy of care options can be excruciatingly difficult*. (I've chaired some heart-wrenching meetings with patients and parents of patients.) But the minute profit enters the picture, what's in the patient's best interest can get crumpled up like a half-finished Happy Meal and tossed casually out the window alongside a littered road leading to increased bottom lines - and higher C-Suite salaries. While the immediate issue in the case presented here is egregious **drug pricing** (making Dr. Berwick's case above), this article points to a fundamental problem that's driving so many families, **even with health insurance**, into bankruptcy: **Pricing to what the market will bear**. CEPR documented that this [pricing strategy is driving market consolidation](#) in Colorado. This is why the next article is important.
- ["Value-Based Care: What It Is and Why It's Needed."](#) As we've uniquely documented for CBGH members, across and within Colorado's hospitals, you can get some of the very best care in the country at various (not all) hospitals for various

services and pay roughly half the price you'll pay for some of the very worst care in the country at another. ***THAT's the behavior that Dr. Berwick points to but which Colorado's plan sponsors are financing and perpetuating through obsolete contracting and benefits practices - however much we prefer to displace responsibility.***