

A SIMPLE PLAN?

Stories of the inadequacies of the United States health care system come from all directions. An insurance company denies treatment to some deserving person, the medical bills for an illness exceed a person's ability to pay or an employer discontinues or reduces health care coverage for its workers. Each of us fears illness and disease not only for its own sake, but because we are unsure exactly how much insurance coverage we really have. Clearly the system is a mess.

The real issue in Congress over the extension of the State Children's Health Insurance Program (SCHIP) is what role government should play in the delivery of health care. Democrats argue that health care is a fundamental right owed to everyone. It is best delivered by a single payor system subsidized with tax money. The Republicans say individuals should be able to choose their own health plan and coverage without government involvement. Government bureaucrats, the Republicans contend, should not be telling doctors how to treat their patients.

Michael Moore's film "Sicko" uses Canada, France, the UK and even Cuba as examples of single payor systems that work. He correctly states that the United States pays more per capita than any other nation in the Western world (other than Norway and Iceland). Yet we rank somewhere in the mid-30s world-wide with regard to the overall health of our citizens. Not a very good return on our collective investment. Remember that nagging question each of us asks from time to time, "Just how good is my health coverage if I get really sick?"

There are estimated to be 46 to 50 million people with no health coverage, private or public. The Urban Institute published a study in November of 2006 showing that about a third of these uninsured persons live in households with incomes over \$50,000. It would seem these people have the financial means to obtain some form of coverage, but they do not. The reasons for this large group of uninsured/unprotected people vary - they are unable to obtain health insurance coverage at any cost because of some pre-existing health condition that denies them coverage, they live in the United States illegally or perhaps they are content to play the lottery game and hope they will not need health care anytime soon. But this population segment is the fulcrum exerting an extraordinary amount of pressure on the entire system. By law, hospitals are required to treat them and physicians must see them when they enter an emergency room, regardless of their ability to pay.

We are one of the only nations in the Western world with a hybrid system mixing private payors with publicly funded programs. The private component (traditional insurance plans, HMOs and employer funded trusts) complains about spiraling costs and unnecessary tests resulting from our litigious culture. Yet some research indicates that as much as twenty-five per cent of the cost of the private payor system is attributable to the so-called middlemen in the system-claims administrators, benefit management companies and back office expenses. Initiatives like electronic medical records and health savings accounts may squeeze out some of these costs. Reduce this layer of expenses and there is additional room to fund programs to cover the uninsured.

The public programs now funded with tax money cover special population groups like the elderly (Medicare), the poor (Medicaid), veterans (Veterans Administration), some children (SCHIP) and those with certain diseases like end-stage renal disease. Each of these programs has a "single payor" through which claims are submitted and paid. These programs are not perfect as any senior or user of a public health clinic will

tell you. One way to think about this is to tell yourself that Social Security is the only retirement system you will really need in later years. This is not a reassuring thought.

Yet a single payor-type health care system in this country is inevitable. Besides the inadequacies of the current system, demographics will force more government involvement in health care. The impending crush of 50 and 60 somethings (Baby Boomers) into hospital emergency rooms and doctors' waiting rooms will make policy-makers reconsider "socialized medicine". The sheer number of people demanding treatment will almost mandate that the costs of health care be spread among all taxpayers. Hence a national system funded with taxes or a series of private insurance products available to everyone and subsidized with public funds.

Followers of Milton Friedman need not fear this sort of system. Most likely there will be two parallel systems competing with one another just as we now see in the retirement benefits area. Alongside an expanded public health system will be a robust, functioning, private health care system available to everyone willing to pay for it. The precursor of such a system already exists. Try going into a hospital emergency room on Saturday night. If you do not have insurance, good luck. With insurance, you stand a good chance of receiving prompt treatment or at least advancing in line. Think about all of the cosmetic surgeries now available if you are willing to pay cash. Will the demand for these procedures go away? Finally, consider the spread of walk-in clinics into supermarkets and drug stores. For a nominal price these places treat a variety of problems at times convenient to you. Yet many of these facilities do not accept insurance and require payment up front. We will still have a choice as to where and under what conditions we wish to be treated.

But there is a darker side. Will the best and brightest students now attracted to medicine want to work in a quasi-public system? Physicians are regularly threatened with pay cuts regardless of job performance (Medicare program) and constantly second-guessed as to the need for certain therapies (private insurance). Medicine is a profession where one faces criminal prosecution and crushing civil penalties for business arrangements that are considered smart or astute in other fields. As the dual system evolves, smart, hard working entrepreneurial types will gravitate towards the private side of medicine (plastic surgery or private medicine) and stay away from the regulated side. Yet without capable family practice physicians, the public or regulated system breaks down. There lies the dilemma. In attempting to fix a broken system, we may actually cause greater harm. Will we be better served by such an arrangement? I wonder.

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