



Reforming the U.S. Health Care System

Health care costs too much. Over the last two decades, growing costs have made it increasingly difficult for people who need health care to receive it. Whether it is a person, a business or a government organization, escalating health care costs represent a serious threat to their wellbeing. The **total cost of health care** has become prohibitive and is a fundamental American problem that must be solved.

A core reason for unacceptable cost growth is the inherent **fragmentation** of the health delivery system. For the most part, doctors and hospitals operate in silos, national standards of care are almost nonexistent, payment is essentially limited to episodic interventions for people who are ill, and there is a startlingly low usage rate of electronically-based reporting and records systems.

The fragmented system is mirrored in the quality of care people receive, which is inconsistent from provider to provider. **Quality variance** between physicians and hospitals operating within a similar geographic area are significant.

Alignment between the Obama Administration and Congressional leadership on the need for comprehensive health care reform is a compelling and hopeful sign that positive change can be achieved. It is well known that the sheer complexity of the issue, the size of the health economy, and the great number of people and organizations involved with providing care make comprehensive change very difficult. However, **change is clearly overdue** and the need for improvement is undeniable.

Catholic Healthcare West (CHW)

CHW has been advocating for comprehensive health care reform for more than two decades. CHW believes:

- **Expanding access;**
- **Improving quality;** and
- **Constraining costs**

must be achieved so that health care is no longer a barrier and instead serves to enhance lives and ensure opportunities for prosperity.

As a major American hospital system employing more than **53,000** people and offering care to a population spanning more than **22,000,000 people**, CHW spends approximately **\$380 million** annually for health care benefits for its employees, has relations with more than **10,000 physicians** and more than **48** health insurance companies that both provide benefits for employees and pay for services for patients. Over the last six years, CHW has provided nearly **\$3 billion** in community benefits and care for the poor.

In the last decade, increasing benefit costs and changes in health insurance offerings have made it necessary for CHW to reduce the number of plans available to employees and their

beneficiaries, and in some instances even limit access to the hospitals in which they work. CHW has day-to-day working knowledge of why and how health care should improve.

Expand Access

CHW has long held the first step in reform must be to **ensure coverage for everyone**. When every person has access to care, then reducing overall costs and improving overall quality can be achieved. Otherwise, fragmentation and cost issues continue to escalate.

CHW supports current efforts to utilize existing systems to expand coverage. Reauthorization and expansion of **SCHIP** was a very important step forward. The feasibility of **extending Medicare eligibility** to Americans aged 55-64 should be evaluated, as should extending financial eligibility for **Medicaid**.

It is imperative to expand the ability of people to purchase and retain affordable private health insurance. **Employer-based health plans** are a foundation of the country's health system and should remain so. An intriguing extension of this system that merits study is the idea of establishing a nationwide **Health Insurance Exchange**. Such an institution will directly address two critical problems: people who lack health insurance and the need for **risk pools** that are fair and equitable. A key component of successfully expanding access is to thoroughly evaluate the feasibility of **requiring individuals** to purchase health insurance. And, of course, no one should be denied access to coverage due to **pre-existing conditions**.

Improved Quality

The quality of care people receive should be the **main focus** of the American health care system. To the extent that costs are rising uncontrollably, access is reduced and quality is restrained because diagnosis and treatment become unaffordable. Quality is also a measure of knowledge and skill. Significant improvements can be made in how health care is delivered.

Establishing standards for effective medical interventions through **comparative effectiveness studies** and widely sharing them is a good and necessary step forward. The amount of scientifically sound information about methods of diagnosing and treating illness is immense and beyond the ability of a single person to remain current. Clear and regularly updated guidelines would remove the burden of information overload.

A significantly broader understanding of improvements in the clinical provision of health care is badly needed by health care professionals and providers.

In order to make this possible, wide-scale adoption of properly used **electronic health information systems** is imperative. Such systems will also improve the ability of caregivers to understand how well they are providing care to individuals and populations, and better understand the costs associated with their services.

Another critical aspect for improving the American health care system is placing a greater emphasis on the need to stay healthy and prevent costly medical interventions. Whether it is attaining and maintaining optimal health or enhancing chronic disease management, shifting **attention to primary care** based medical services will advance the health of this nation's

people. Key to achieving this shift will be a **realignment of financial incentives** from episodic disease intervention to proactive health maintenance.

At the core of such change is the **responsibility of individuals, doctors, hospitals, health plans, employers and governments** to clearly understand their role in making a new American health system work. Individuals need to make sure that their lifestyle choices promote health. Doctors need to make sure they are providing the most effective care. Hospitals need to make sure their services are as efficient as possible. Health plans need to aggressively support wellness programs. Governments need to make sure that global financing is adequate and that laws truly support objectives.

Reduced Costs

Expanding access and improving quality will require both **aligning incentives** to promote new approaches to care and increasing attention to **financial efficiencies**. The goal, on an absolute basis, is to **lower the total cost of care**.

CHW holds that true cost containment will come through **delivery system reform**. There are a number of approaches to changing current payment methods that can support appropriate reform. For instance, **bundling service payments** so that both interventions and post-acute services are treated as a system of care may well enhance quality at the same time allowing more efficient care. Shifting payments to more accurately reflect outcomes, **pay for performance**, could increase movement toward a quality-centered and therefore patient-centered delivery system for doctors and hospitals.

Enhanced transparency concerning costs and quality is also a central aspect of appropriate change. Clarity about the true cost of care and how much public and private health insurance is paying for services is a fundamental requirement. This is especially critical in the public sector that tends to underpay for the true cost of care, thus shifting the burden of unpaid expense to those who have private health insurance.

Most important, effective cost containment will likely arise from the growth of expanded **systemic care**. Those care delivery organizations that most effectively meld hospitals, physicians, financing and reporting into a unified system that can span the continuum of care, supported by extensive electronic medical records and clinical information systems, and can be **accountable** for the results, hold the most potential for improving America's health care system. Laws and regulations which inhibit the development of systemic care should be changed to align and support the agreed upon objectives.

Leadership

CHW is committed to supporting the enactment of comprehensive health reform. Our core belief is that health care is a human right and that this country will be stronger by ensuring every person has access to high-quality affordable health care, thereby strengthening their human dignity.

CHW is and has been involved in on-going efforts to promote health care reform through:

- Supporting California's comprehensive reform initiative;
- Developing Medicaid access programs in Arizona and Nevada;

- Co-leading San Francisco's universal health program;
- Establishing significant financial assistance for the uninsured; and
- Providing wide-ranging community benefits.

To the extent that health care remains unavailable to everyone in this nation, we are not living up to our highest aspirations.