Health Care Reform: What Problems Can We Realistically Solve?

by Howard J. Bolnick

Universal access to high quality, cost effective health care—these are goals that the United States shares with every developed country. While we do not have a political document clearly expressing these specific goals, they underlie much of what we hear from leaders of both political parties. Republicans and Democrats both press a need to address the severe problem of 45 million uninsured Americans, which embodies a goal for some type of universal access. Both parties praise the high quality of our health care, while at the same time decry its high and continually escalating costs, which encompasses a goal for cost effectiveness. Party leaders rail against uneven quality of care and medical errors that undermine health and cost lives. And, they decry unnecessary care, all of which address goals for high quality.

Health Care Issues At Hand

Despite the current severe recession, President Obama has made it clear that health care reform is high on his agenda, and, he has already embarked on an attempt to legislate major changes in the U.S. health care system. To help understand this laudable initiative we need to explore two basic issues. Is achieving our shared goals possible? What shape might a workable solution take?

There are fundamental cost, quality and access problems that need to be addressed in any health care reform.

- 45 million uninsured Americans fall into a huge and growing gap between public and private health coverage. The United States is the only developed country with this problem: All of our peer nations, and many developing countries, provide universal access to health care.
- Health care costs are very high and consume an ever-increasing proportion of the gross domestic product (GDP). The United States spends roughly twice the per person average of other developed nations. In addition, real health care costs have grown throughout the developed world faster than real GDP over the past 50 years. Our relatively high cost of care is a particularly American problem; but excessive trend is a universal problem.
- Our access and cost issues are intertwined with two vexing quality issues. Most visible is the issue of somehow squeezing out costly unnecessary care and inefficiencies from the system. Our health care debate is rife with anecdotes and statistics that demonstrate medical care can be improved. A much less visible issue is quality inequalities among various socioeconomic groups. There are huge differences in access and health between our richest citizens and those who find themselves uninsured. It is clear that the richer you are—as long as you have health coverage—the easier your access to high quality health care. Most of our peer nations strive for equality across their populations and look askance at our wide variation.

Over the past eight years, a conventional wisdom has begun to emerge about the solution to our problems based heavily on successful and unsuccessful state-level reforms. We will cut (or eliminate) the uninsured by mandating coverage (Democrat) or providing tax incentives (Republican). The parties also differ over a role for opening up public coverage as competition to private health insurance. Both parties, though, argue that we will control health care costs and, at the same time, improve quality eliminating unnecessary care and by developing resources —like electronic medical records—to make health care delivery more efficient.

Politicians argue these reforms are an effective solution to our cost, quality and access problems. They correctly recognize that expanding coverage will cost money; but they contend that higher costs will be offset by cost reductions derived from quality improvements. Thus, they maintain, we can have our cake and eat it too!

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Something Has To Give

A careful look at our health care problems and their underlying causes, though, results in a more skeptical view of what reform can accomplish. In fact, I will argue that it is probably impossible to attain universal access to high quality, cost effective health care. Something has to give. Unless some magic is found, there are inherent tradeoffs among our cost, quality and access goals. High quality care—the variety Americans strongly believe in—is expensive, and, universal access means spending money on Americans previously at the margins of our health care system.

We are fully capable of legislating a solution to our access problem. The uninsured can be covered at a cost of roughly $100 billion per year. Solving this problem requires agreement on how to expand coverage, who will provide coverage for the uninsured, and who will pay for it. Not an easy issue to resolve, but all quite doable.

Controlling cost, though, is a more intractable problem. The clearest explanation I have read of the interrelated parts to this problem is by economist Burton Weisbrod. In his essay, "The Health Care Quadrilema," Weisbrod argues that growth in health care costs is driven by interrelationships among technology, insurance and Americans' strong ideas about quality of care. As Americans, we have been raised on a belief that science and medical care will meet all of our health needs. When ill, we seek out and demand the newest technology and cutting-edge medical care. Our physicians are willing accomplices in this pursuit. Once patients and physicians create strong demand, it is typically only a matter of time before private insurance covers a new technology, regardless of whether or not it increases or decreases costs. Understanding this dynamic, tech companies are encouraged to bring new technologies (supply) to market since they can be quite confident that they will be met by strong demand from patients and physicians, and, perhaps after some relatively minor delay, covered by insurance.

This dynamic creates an unchecked engine of medical advances that for the entire post-World War II period have relentlessly driven health care costs upwards, while at the same time improving our health. Putting a stop to cost increases, then, would require either constraining introduction of most new technologies—which simply will not and should not happen—or, hoping that that science is on the verge of creating a flow of cost-saving technologies, which is not controllable through legislation and unlikely to happen in the near to intermediate future.

What about systemic inefficiencies and unnecessary care? Can focusing resources on these issues cut the level of health care costs? The answer is clearly yes; but, not by enough even to reduce excess health care trend to zero. Eliminating inefficiencies and unnecessary care has been the raison d'etre for managed care. Over its roughly 20-year history, and despite public controversies, managed care has been effective in reducing inefficiencies and addressing unnecessary care. Without managed care, today's health care costs would be even higher than they are. However, the scope and pace of implementation of effective managed care has not been sufficient to materially lower trend. Technology-driven cost increases are simply too engrained in our system and too large to be wiped out by improving efficiencies and eliminating unnecessary care. Washington's support for evidence-based medicine and health care electronic technology will certainly help; but, I see little evidence that these efforts will turn the tide in our fight to control costs.

Thus, a realistic assessment of the conventional wisdom is that almost any reform from Washington will make significant strides at improving access—providing public or private coverage for the uninsured—but the tools available to Congress will not be able to do much to control costs or to make major improvements in quality.

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Is There Really A Solution?

If the conventional wisdom reforms will not solve all of our problems, is there a creative solution that will do a better job? My sense is that there is a wide range of better solutions, but none with a realistic chance of being enacted. All of these alternatives would require significant disruption to at least some significant part of the existing health care system, albeit for everyone's benefit. The reason that disruptive approaches will not be enacted, no matter their merit, can be explained by the concept of path dependency. The essence of this concept was clearly described by Niccolo Macchiavelli in a famous quote from his political treatise, *The Prince*.

"There is nothing more difficult to carry out nor more doubtful of success nor more dangerous to manage than to introduce a new system of things; for the introducer has as his enemies all those who benefit from the old system, and lukewarm defenders in all those who would benefit from the new system."

The United States has a long and unfruitful history of attempts at health care reform. The lesson learned is that real or perceived changes are strenuously and effectively resisted by affected stakeholders. If the current conventional wisdom about the shape of reform is, in fact, accepted by stakeholders, we may well be able to enact partially effective health care reform; but, this is about as far as we will be able to stray from our 65-year historical path. We can resolve the problem of far too many Americans being excluded from access to health care by their lack of insurance, though, we will not be able to achieve our three goals of universal access to high quality, cost effective health care.

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