Beautiful Minds, Healthy Bodies

by Matt Varitek

A game-theory concept well illustrated by Russell Crowe's portrayal of John Forbes Nash in "A Beautiful Mind" stipulates that the best cumulative payoff for all players may not entail any of the players seeking to maximize his own payoff. It is in this spirit that I suggest reforms to the U.S. health care system to promote financial soundness, broader access and efficient operations. These reforms require that each participant in the system—individuals, employers, providers, insurers and government—give a little.

Objectives Of Health Care Reform

Public demand for health care reform follows from growing numbers of uninsured and underinsured; unsustainable cost increases that price a growing number of small businesses out of the group insurance market and represent a heavy burden on large businesses; and a disconnect between the cost of services and their effectiveness, to name just a few complaints. Objectives of reform thus include providing coverage for everyone, balancing funding in a way that benefits other sectors of our economy, and improving health outcomes at a lower cost than we currently observe.

Insurers possess a range of value-added skills beyond premium and claims administration and risk protection. Therefore, insurers can play a more effective role in support of employers and individual members to contain costs and improve health. That supporting role could take the form of more aggressive incentives for healthy behaviors—consistent with the growing emphasis on preventive care as a cost-saving measure—and more aggressive disincentives for unhealthy behaviors. These data-driven incentives and disincentives would seek to customize individual risk profiling and quantify effective treatment patterns for medical conditions that lead to increased health service costs.

For example, some insurance products offer a partial reimbursement for membership fees at a fitness center. However the insurer doesn't track the member's use of the center. The same reimbursement applies whether or not the member visits the center regularly or ever goes to the center to work out. Similarly, the reimbursement is not dependent on subsequent improvement in the member's health. Suppose an insurer was to seek quantifiable improvements in a member's BMI, cholesterol or glucose readings, or other health indicators as measured by the member's regular physician. The insurer could then offer full reimbursement for the fitness center membership fees, or credits toward cost sharing for medical services. These incentives are justifiable when the health improvements represent lower expected costs for future treatment services. Such a program could even be used in conjunction with new-group underwriting to paint a better picture of a prospective policyholder's future costs. Should all diagnosed diabetics be treated the same by insurers? Or, should insurers favor and accommodate those diabetics who visit the doctor regularly, exercise and control their weight, and otherwise actively maintain their condition in a properly prescribed manner? This illustrates a distinction between paying for "health care" and paying for "care of health."

Stronger disincentives for unhealthy behaviors—such as failure to obtain routine checkups or poor lifestyle choices that ultimately harm health and increase costs—could result in pre-emptive rate increases or penalties applied to member cost sharing. Insurers tend to rate retrospectively; if a member or group hasn't incurred excessive claim costs in the past year or two, it is unlikely that the member or group in question would receive an increase in excess of the figure determined for their block or line of business. However, if a physician's diagnosis codes or other reported data point toward a new or worsening condition that would prove expensive in the near future, the insurer could offer a carrot through provider and member incentives for a thorough treatment plan, and a stick through cost penalties.

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Controlling Unit Cost Trends

Providers would need to work more closely with insurers to help control unit cost trends. Clearly medical trends that consistently outpace inflation are unsustainable. Insurers could continue to streamline reimbursements, assist hospitals with booking receivables and help produce financial projections, which would diminish the need for margins in negotiations. Additionally, the renewed focus on cost effectiveness of treatment would slow the need for expensive high-tech equipment of questionable added value.

Insurers could assemble quantitative studies of the financial benefits of workplace health initiatives and increase employer awareness of their value. Many employers, large and small, make little or no effort to promote good health among their employees—even while they refer to their employees as "their most valuable assets." Empty admonitions to exercise and eat right mean little when directed towards cubicle warriors logging 50 or more hours a week sitting at their desks or in meetings, commuting another five, 10 or more hours a week, grabbing the most convenient breakfast or lunch available and squeezing it into a tight timeframe, and scrambling to meet responsibilities at home. It would be far more helpful to provide exercise time or to facilitate healthier meal choices that are likely cheaper than fattening fast foods. Individual health maintenance takes time, commitment and accountability, and employers have a part to play; they will observe gains in employees' productivity and satisfaction by assisting their employees in making the needed efforts.

The Role Of Government

Public demand grows for increased government intervention in the health care system. At the same time, a significant opposition still exists to a government-run, single-payer system. Yet the benefits of universal coverage in its most literal definition—everyone is covered—can be observed throughout various sectors of the economy. Certainly public health would improve, and lifestyle-based chronic conditions would become less frequent and less severe, thus less costly. Emergency rooms would suffer less overcrowding if everyone could see a regular physician as needed, and hospitals would not have to write off as much bad patient debt (or pass along the costs to the insured population as it exists today).

But the impacts of medical costs can be felt in ways that don't directly relate to personal health. Small businesses are less likely to offer group coverage than large businesses, which affects their ability to compete for workers. This impact to the job market is especially harmful to the broader economy in tougher times such as these recent years. Medical expenses are the leading cause of personal bankruptcy, which has an impact on the housing market through increased foreclosures and distress sales, and the credit market through reduced ability to borrow. One could even note that financial issues are the leading cause of divorce, and postulate that some marriages might have been saved—and families kept intact—if the stress of crippling debt from unanticipated hospital stays had not damaged them.

These and other ripple effects that stem from lack of coverage advance the argument for the government to play a role in ensuring everyone's care. It is not necessary for the government to take over the health care industry any more than it is necessary for them to take over the defense industry. They contract with numerous private-sector firms to build the tools used by our military; why not contract with private insurers to offer a basic level of coverage to everyone?

Such contracting would reduce the obligations of employers to provide health insurance. Those premium dollars that they spend today might be more efficiently directed towards wage increases and employee health initiatives, and could lead to our manufactured products being more competitively priced in the global marketplace. Likewise, the insurance premiums currently paid by the

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employees through payroll deduction—or fully purchased by the self-employed—could be directed toward greater purchasing power for wage earners, leading to job creation and added protection for the housing and financial markets. These stimulant effects could be expected to result in increased tax revenues that would offset at least some of the costs. Rather than advocating a one-size-fits-all approach to health insurance, employers would have the choice to "buy up" to more comprehensive supplemental coverage as dictated by HR goals, union negotiations or company mission statements.

Our government already offers tax deductibility of employer-paid health insurance premiums, and has expanded tax credits and other subsidies for the purchase of private insurance. However, these policies have asked nothing of insurers in return for the added business. It is fair to enforce reasonable restrictions on executive compensation, greater transparency and accountability for the use of public funds, and perhaps even a direction of a portion of the insurer's proceeds from the taxpayer-purchased policies toward support of medical research and fundraising efforts that include healthy activities, like the Komen Race for the Cure. Research investments will eventually lead to cures for diseases that at present are expensive to treat or manage.

Thus if insurers, providers, employers and individuals all make a conscious effort to lessen the strain on the system—with assistance from government where beneficial—we can move away from the buying and selling of "health care" and embrace the concept of "caring for health" with all the benefits that result from a healthier population, a more productive workforce and a strengthened private sector. A comprehensive, widely accepted solution begins with the imagination of all of our beautiful minds.

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