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Focus On Health Coverage Misses The Point

Capital Flows , CONTRIBUTOR

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Whenever the newest proposal to overhaul health care is introduced and scrutinized, the focus always turns to how many people will "lose" their health-care coverage. That's because hospital and insurance lobbies have done a brilliant -- if self-serving -- job convincing lawmakers and media that coverage is the issue.

Only it's not. Lack of coverage is a byproduct of the real problem -- *cost.* But hospitals and insurance companies would prefer to ignore the pesky root-of-the-matter fact that health care in America costs too much.

Period.

Access to care is what Americans want. Cost, not coverage, is the roadblock. Access is not a problem in the face of affordable care.

Yet hospital and insurance lobbies masterfully turn the public's attention away from the issue of cost and toward the issue of coverage. The reason: More coverage means hospitals get more money from more patients who now have deeper pockets to dip into, and insurance companies get more premiums from more people – including taxpayers. Of course, they promote more covered lives. They don't want a pay cut. But cost cuts are exactly what the system needs.

Why does the average cost of a hip replacement in the United States cost $40,364 and in Spain it's $7,371? The average price for an angiogram in the U.S. is $914 and $35 in Canada. Here's why:

Top-Heavy Hospitals

Between 1970 and 2010, the number of administrators in health care grew more than 3000%, while the number of physicians grew about 200%, according to the Bureau of Labor Statistics. During that same 40 years, U.S. health-care spending rose 2300%. Doctors' fees account for only 8 cents of the health care dollar. Where do you think the other 92 cents are going?

Between 2010, when Obamacare went into effect, and 2014, more than a million more hospital administrative jobs were created to handle all the new bureaucracy. We now have 10 administrators for

every one doctor, so even more health care dollars are being spent paying people who never touch a patient, let alone sign a patient chart.

The United States spends far more on administrative costs than any of the next eight leading countries. A recent study found that if we reduced U.S. per capita spending for hospital administration to Scottish or Canadian levels, we would save more than $150 billion a year.

Something is wrong when the average annual pay for a nonprofit hospital CEO is $596,000, while a primary care doctor makes $185,000, and a surgeon $306,000.

Cost of consolidation

An even bigger driver behind our unaffordable health care is hospital consolidation. Over the past decade, hospitals have been on a buying spree, rapidly acquiring independent medical practices and free-standing medical clinics. They have also been merging with other hospitals to form health systems, all to gain market share.

As they do, they also gain bargaining power with payers – Medicare and insurance companies – so they can get paid more for the same service. These mergers reduce competition, which also causes prices to rise. Though hospitals will eloquently argue that their mergers streamline care, create greater efficiencies, and reduce costs, ask them to show you one study has ever shown that to be the case. They can't.

Further whetting hospitals' appetites for these acquisitions is the fact that hospitals get to charge facility fees, which independent doctors do not. Although these tacked-on facility fees add zero value, they increase the cost of treatment by two to five times. We all pay for that.

Compounding these added costs, hospitals expect their employed doctors to refer to other employed doctors and to hospital-owned imaging and surgical centers. The administrators track doctors' referrals. Anything that goes outside the system is called leakage, and trips a discussion. Thus, patients unwittingly get charged facility fees and higher contracted rates at every step. Furthermore, because an employed doctor's salary will depend on his or her numbers, meeting quotas for hospital admissions, tests, and referrals to other doctors incents employed doctors to admit, treat, operate and refer.

To start reversing these major drivers behind our exorbitant health care costs, lawmakers should put a stop to facility fees, mandate that insurers -- including Medicare -- pay all doctors the same amount for the same procedures regardless of whether they are independent or employed by hospitals, enforce antitrust laws so health care monopolies cannot form and squash competition, and finally, require true price transparency, so patients can shop and compare prices and quality when choosing their health care services. If we could do that, Americans would save $100s of billions in health-care costs, and make that 92 cents go a lot further.

Moreover, these moves, by driving costs down, would put access to care in reach. Because coverage isn't the problem. The problem is that America is being crushed by a top-heavy system of profiteers who are exceptionally good at extracting money and convincing the rest of us that they deserve it.