

A NEW VISION FOR HEALTH CARE

A LEADERSHIP ROLE FOR BUSINESS

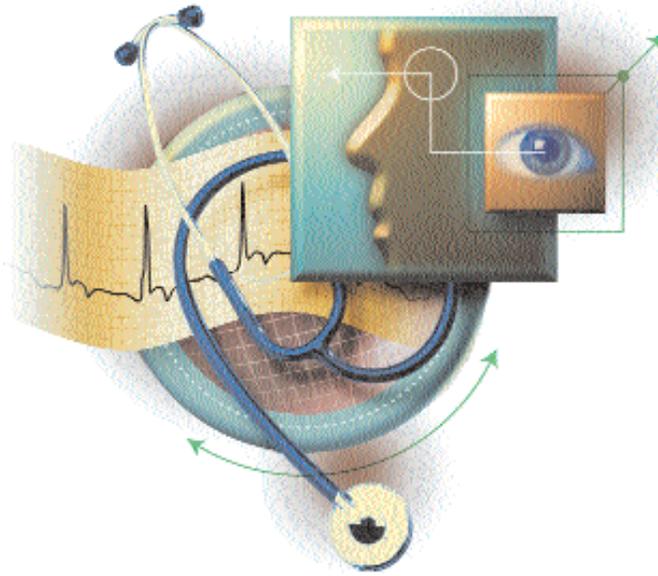
EXECUTIVE SUMMARY

The current U.S. health care system is unsustainable. Despite its world leadership in basic medical research and applied medical technology, the U.S. continues to experience problems of high cost, low quality, and limited access. These problems are interwoven and feed on each other. Moreover, there are signs that the willingness of large private employers to confront these challenges is diminishing.

A New Vision for Health Care: A Leadership Role for Business argues that a retreat by employers from active efforts to improve health care will harm their businesses, their employees, and the nation. CED believes that employers and their associations should do more, not less, by becoming smarter and more demanding purchasers of care.

FINDINGS

- **Health costs are exploding.** Health care premiums rose by 11 percent in 2001, and larger future increases are projected. This is placing a financial strain on business, individuals, and government, making health care unaffordable for many and displacing other economic and social priorities. Small firms face particularly large obstacles to obtaining affordable coverage.
- **Inappropriate medical care — overuse, underuse, and misuse of health care services — is leading to adverse outcomes and unnecessary costs.** Employers frequently fail to hold medical providers and health plans accountable for poor quality and often underwrite an “open access, any willing provider” model.
- **Patients have little stake in costs and insufficient awareness of wide differences in provider quality.** They frequently (and unrealistically) want unrestricted access to all providers at little or no cost.



- **Nearly 40 million Americans lack health coverage.** Although the majority of the uninsured are either poor or near poor, most uninsured families have at least one member working. The lack of health coverage creates hardship; the uninsured frequently delay or forgo needed care, or hospitals and physicians must provide care without compensation.
- **A small proportion of patients with serious chronic illness and disability account for a large proportion of health care spending.** Yet, we have not widely implemented chronic disease management that provides effective preventive care for these patients, thereby reducing expensive hospital-based and long-term institutional care.
- **The health care industry, while making dramatic technological advances in diagnosis and treatment, is extremely inefficient in delivering care.** Data collection, analysis, and information sharing are primitive. Duplication and waste drive up administrative costs and impede the coordination and integration of services.

RECOMMENDATIONS

Roles for Large Private and Public Employers

CED's recommendations focus on those areas in which private employers and government, in their role as purchasers of health care, can make staged changes in their purchasing practices that will improve quality and reduce costs. Large employers and government, working in collaboration, can:

- **Demand transparent quality information and adherence to best medical practices; use comparative performance information to select plans and providers; and incorporate accountability for cost and quality into contract specifications;**
- **Offer wide, responsible health plan choices to employees in exchange for**

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their greater financial responsibility.

Such plans would incorporate contribution policies that encourage workers to choose efficient, high-quality plans. Workers would receive user-friendly quality and cost information that explains how low-quality care adversely affects their health and how high costs can reduce their wages;

- **Work actively with physicians and hospitals to improve quality, building on the strengths of managed care.** This approach would emphasize prevention, early detection, and the reduction of inappropriate care, while avoiding managed care's worst features, such as unjustified delays in authorization and claims payment; and
- **Work with public purchasers and labor to strengthen the drive for reform.** Government and labor should not be seen as adversaries to business, but as purchasing partners with whom a coordinated, complementary effort could be effective.

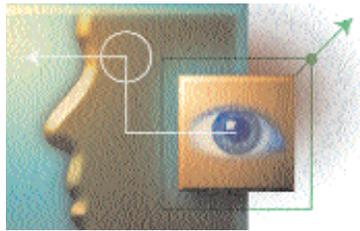
Because small businesses encounter large obstacles in purchasing health care, government and large businesses can provide assistance. Large employers can help improve access to affordable coverage for small firms and for lower-wage and "contingent" workers in the following ways:

- **Through business coalitions, help to establish, operate, and manage regional purchasing cooperatives that offer affordable plans to small firms;**
- **Share provider networks and their discounted rates with small employers;**
- **Expand coverage eligibility, particularly to part-time workers and other employees currently ineligible for such benefits, where feasible; and**
- **Investigate reasons for employee rejection of work-based health insurance and provide incentives, such as premium assistance, to improve take-up rates of low-wage workers.**

Roles for Government

Government is a purchaser, law maker, and regulator of health care. In these roles, it can improve quality and reduce costs through the following public policies:

- **Restructure Medicare on the model of the Federal Employee Health Benefits Program;**
- **Cap currently open-ended health-related tax subsidies to promote cost discipline and equity;**
- **Preserve the ERISA preemption that allows self-**



insured firms to control costs and provide uniform benefit packages across various states;

- **Enact responsible patients' rights legislation that protects patients against unwarranted delays or denials of care, with out prohibiting payment mechanisms that reward appropriate and effective standards of care or exposing businesses to unlimited litigation costs;**
- **Address the most pressing quality problems—lack of patient safety and widespread delivery of inappropriate care—by expanding research, serving as a clearinghouse for information on quality, and helping to establish national standards of care;**
- **Establish oversight to promote competition in health insurance markets; and**
- **Strengthen initiatives to reduce fraud and abuse in Medicare and Medicaid.**

Government also can address some of the problems facing small companies and lower-income workers. CED recommends the following public policy initiatives:

- **Provide vehicles, funding, and technical assistance to establish purchasing cooperatives for small employers;**
- **Provide tax credits or direct premium assistance to small businesses and low-income workers to help such workers purchase employer-sponsored or individual coverage; and**
- **Expand efforts to enroll eligible low-income workers in programs such as Medicaid and the State Children's Health Insurance Program (S-CHIP), and encourage states to use these programs to help workers pay their share of employer-sponsored coverage.**

CONCLUSION

CED believes that implementation of these recommendations would move us significantly closer to a health care system that provides more affordable and better quality health care to all Americans.

But making CED's vision a reality will require fundamental changes in employer purchasing practices, public policies, labor demands, the legal system, and the incentives facing health care providers and insurers. These changes will not happen overnight and will involve difficult tradeoffs that will face stiff opposition. CED believes that we must face up to these hard choices. To do so, the major health care purchasers—business, labor, and government—should organize their efforts to improve efficiency, access, and quality.