

The Business Journal of Jacksonville - August 5, 2002

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JACKSONVILLE Business Journal

IN DEPTH: HEALTHCARE

From the August 2, 2002 print edition

Experts make wrong call about HMO care

New strategy puts more control in patients' hands

Diane Faulkner

JACKSONVILLE -- Health care costs have been a major issue since the advent of Medicaid and Medicare in 1965.

"Overall costs continue to grow at 20 [percent] to 30 percent a year," said John Duvall, partner in the national labor and employment law firm of Ford & Harrison. Duvall counsels employers on this issue and says it's one of the most difficult challenges for employers today, because the increases are "only going to continue."

Since research continues to show the major benefit potential employees look for is health coverage -- what kind, how much and the percentage split between employer and employee -- new ways of managing costs have to be found, Duvall said.

"With the proliferation of HMOs in the 1990s, industry experts predicted we'd get control over costs, because everyone would be in an HMO," said Dr. Robert Field. "The so-called experts, of course, were wrong."

The system of reimbursement offers no incentive to economize. "We've tried everything," Field said, "peer review, regulations ... but none had any effect."

One trend has been to put more control into patients' hands, he said. "It's still very experimental. We by no means know it'll work, but the thought is that by removing the insurance company buffer in consultation with the primary care physician, the patient becomes more sensitive to the actual cost of health care, thereby insinuating better control."

Lack of understanding

The downside, he said, is patients may not be ready for the responsibility or may postpone seeking care to save money.

The free market model is used for other goods and services, but in the health care industry, patients often don't understand all the factors needed to make it work.

"If you see the doc for a pain in your knee and are prescribed an MRI when an X-ray would yield the same diagnosis, most patients would not question the prescription," Field said, "because they're not paying for the actual service. Whereas, if the cost impact was felt more by the user, then the user might question the necessity of one diagnostic tool over another. Buffering users from financial consequences of actions makes one less morally scrupulous."

Employers have started asking employees to pay a higher percentage of monthly premiums for health insurance, as well as moving to tiered co-payments, said Joseph Godwin of Ford & Harrison.

"When immediate care situations arise, people aren't in the mental state to negotiate services," said Daryl Veach, national director of Ernst & Young's health actuarial services. "When a child is sick, a parent is not going to choose a lower cost provider that isn't as near as a more expensive hospital. Parents will see to it the child gets the best service and worry about the cost later."

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2/12/2004

"The reality is there's got to be a breaking point," said William H. Simpson, a practice manager in emergency medicine operations for Per-Se' Technologies. "There's no motivation to manage care, especially when you have a 3 a.m. emergency. The last thing [a patient] is going to do is call for authorization."

"What amazes me," Simpson said, "is that, in this country, we have not yet gotten to the point where we can purchase our health insurance the same way we purchase our car insurance. Why? Because in that industry, you get GEICO, have a wreck and the insurance moves mountains to settle claims quickly, because if they don't, they have to answer to the insured, not the insured's employer."

Out of control

Companies are now looking at health care as a total business issue, Joseph Godwin said.

"Employees have to be made aware of the total plan costs as well as the choices of insurers and packages," he said. "Managed care in the old sense isn't doing well, because of high demand for increased choice, better plan packages and benefits offered. If companies include employees in every aspect of the decision to choose one plan over another, they'll get a higher satisfaction out of the plan and employees will be willing to shoulder more cost."

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