James L. Holly, M.D.

Healthcare Change – Foundational Ideas
By James L. Holly, MD
You Life Your Health
The Examiner
November 12, 2009

The passage of the House-of-Representatives' version of healthcare reform brings to the forefront a number of the premises on the basis of which reform has been founded. But before we discuss that let me relate several instances of how healthcare is currently delivered all over America.

The same week in which this bill was passed, Dr. Muhammad Aziz, the managing partner of SETMA, referred a patient to Dr. Alan Leifeste, another partner of SETMA, for a treadmill stress test. After performing the stress test, Dr. Leifeste came to me and said that the patient has a seriously abnormal test and needs a cardiac catherization. I took him to SETMA associate, Dr. Vijay Kusnoor, who is a non-interventional cardiology, who called Dr. Rudy Sotolongo. I told Dr. Sotolongo that we have a patient who needs to be studied and he gave instructions to admit the patient the next day and he would set up the cath. Yesterday, this patient had triple-bypass surgery by cardiovascular surgeon, Dr. Stephen Weatherford. All of this was done at Baptist Hospital of Southeast Texas. So far, you are wondering, "Ok, nice story; good care, but what's the point?" The point is that the patient has no insurance and has no money. Drs. Aziz, Leifeste, Holly, Kusnoor, Sotolongo and Weatherford, all knew that. Baptist Hospital knew that. There was never any hesitancy by anyone to give this patient the best care possible.

This week, I saw a patient in the clinic for surgery clearance. The patient is from another community and was not known to me previously. In order to do a complete evaluation, I asked her many questions, including whether or not she smokes. When she said no, the follow-up question was asked, "Are you around anyone who smokes or does anyone smoke in your home." She pointed to the gentleman with her and said, "He does." For a moment, attention was turned to this visitor. He has diabetes; he is overweight; he does not exercise; he smokes…. The list could go on. In that I was pushing him pretty hard and in that he was not there for a visit, I asked him who his doctor is. He said that he has no insurance and does not have a doctor. I told him, "If you will stop smoking, I will take care of you at no cost." We shall see.

Several years ago, SETMA finalized the formation of The SETMA Foundation. In addition to medical education, the Foundation's mission is to help provide healthcare for SETMA's patients who cannot afford their medications, procedures, tests or other points of care. Obviously, our Foundation is very small and cannot meet the needs of an entire community, but this year SETMA's partners have contributed $500,000 to the Foundation and in a number of people's lives, we have been able to make a difference.

We have not forgotten the words attributed to Winston Churchill, "You make a living by what you get; you make a life by what you give." We have not forgotten that ours is a profession which places the welfare of the individual before any other consideration, thus our motto: Healthcare Where Your Health is the Only Care.

Foundational Principles of the Current Healthcare Reform

A number of ideas have been at the heart of the healthcare debate, not the least of which is that a crisis in healthcare exists in this country and that healthcare, as it currently exists, is a lethal threat to the financial future of the country. I will not address these issues, but along with these concepts the current Administration has declared that health insurance companies are inherently evil and that they have been the cause of many of the problems with healthcare in the United States.

Number One – Risk versus Liability

Evidence of the evil intent of insurance companies is that they refuse to insure pre-existing conditions. Does this make insurance companies evil? "Risk" is defined as the making of a decision today which requires a commitment without knowing what the future will bring. The very concept of "risk" is that at present there is not a known cost associated with the commitment, thus an obligation is made which may or may not result in a liability. On the other hand, a "liability" is a known cost which is not potential but actual. For instance, if you wreck your car, you want it fixed. If you come to me and say, "I have wrecked my car; I want to give you a $100 and have you pay to fix my car." If I agree, I have not assumed a "risk" but a "liability." Similarly, if you come to me and say, "I have bought a new car. I would like to give you $100 per month and if I wreck my car, I want you to pay for the repairs." I may look at your driving record and your personal habits and agree that the risk is reasonable and that while I may lose money with you, because I have a large number of other people with whom I am doing the same thing, the risk is reasonable.

People are not cars. It is tragic when a person has an incurable disease. The greatest tragedy is actually not when that disease is lethal and the person dies in a short period of time because there is no effective treatment. The greatest human tragedy actually happens when a person has a chronic, serous illness where there is a treatment but that treatment is expensive and the person has no money and no insurance. It is this latter group which presents the greatest challenge to our current healthcare system.

Insurance companies are built upon the concept of risk and the assumption of risk. Now by legislation, they are told that they must accept liability. In the past, only the government with its taxation power could assume liability as was done in 1965 with the passing of legislation which created Medicare. In Medicare, the government assumed both risk and liability. The projected cost – the risk -- was $1/10^{th}$ of the ultimate actual cost 20 years later – the liability. For an insurance company, this would have meant insolvency, but for the government it only meant an accounting adjustment or the "creation" of more money. If an insurance company has to accept all applicants regardless of their health condition, they will either have to radically limited benefits, significantly raise premiums, or go out of business.

Almost everyone has entered into a contract with a builder or a remodeler of homes. There are two ways you can get a bid for the cost of your work: a guaranteed cost or a "cost-plus" bid. The former increases the workman's risk and therefore there will be an increase in the bid. The workman must take into account all potential problems and charge for those, even if the problem does not appear. In the latter, the builder can decrease the bid because his risk has been minimized. He will get a percentage profit no matter what the cost. There are problems and benefits to either type of bid but both have to do with risk and liability.

In his seminal work, *Against the Gods: The Remarkable Story of Risk*, Peter L. Bernstein examined the concept and history of risk through human history. Insurance is one of the key aspects of his study. He states, "…insurance in available only when the Law of Large Numbers is observed. The law requires that the risks insured must be both large in number and independent of one another…" (p. 204) There is no insurance example in the Western world where "liability is assumed" until the advent of Medicare in 1965. In health insurance, the aspect of the insured which must be "independent of one another" is pre-exiting conditions. No insurance company can insure liability of pre-existing conditions. It is a contradiction in terms. Liability may be assumed; it cannot be insured but if it could be, the premium would be the equal to the cost of the liability. According to our illustration above, if I assume the liability of repairing your care, the cost of the policy would be equal to the cost of repairing your car.

Number Two – No limits to Benefits only to cost

The promise has been made by the new health insurance reform that "we will limit your cost but there will be no limit to your benefit." That is a charming idea but it is not a business idea, neither it is an idea based on the founding principles of the USA. There is always a relationship between the cost of someone else assuming your risk and the potential or real liability incurred by that risk assumption. This means that there is no free ride. Someone must pay.

Social Security is a perfect illustration. Because of the increasing longevity of Social-Security recipients, no one, not even the wealthy pay into Social Security an amount equal to the amount they will receive over a lifetime. Even the wealthy, only pay about 70% of the cost of their benefits and those with lower life-time earnings and contributions to Social Security pay a much lower percentage. While this may seem like a good deal; it is not a sustainable good deal.

At present, there is a catastrophic liability looming for the next generation soon to retire. If the liability which results from the risk which has already been assumed by the Federal Government is of the magnitude presently being projected, it already exceeds the ability of the government to pay. If the healthcare reform being presently recommended results in the assumption of additional liability and if that new liability turns out in twenty years to exceed the current projections as much as the 1965-Medicare liability exceeded the projections at that time, i.e., 10 fold, then the insolvency of the government would only be hastened.

Many of the limitations-of-risk and thus the-decrease-of-liability policies for which insurance companies are condemned were incorporated into Medicare. While Medicare was a government-funded project and was not accountable for typical market factors, the Medicare program did not totally abandon the principles of risk assumption. At present, Medicare has lifetime benefit limitations for many aspects of care. In addition, there are many services for which Medicare does not pay. The reason for this latter is that while the government assumed a significant responsibly for the providing of healthcare for senior citizens and the disabled, there was also the recognition that where personal resources were available, they should be used to provide some care. For instance, long term, custodial, residential care has never been paid for by Medicare. It is paid for by Medicaid, but only if a person's personal financial resources are meager. Even Medicare recognizes that the government cannot pay for everything.

Real Change is needed but it cannot be legislated

I do not want a health care system where a Washington-based staff determines care but neither do I want a system where irrational choices are promoted and encouraged by the Federal Government removing any economic responsibility from the patient. I do not want a health care system where the Federal government determines that it is its responsibility, which responsibility is then transferred to health care providers, to "make" everyone healthy. I do not want a health care system where there are insurmountable economic barriers to the obtaining of needed care but neither do I want a system which encourage irrational medical choices because there is no personal cost associated with those choices.

There is another sociological dilemma in the health care reform equation. When IBM was in trouble as a company, they hired "change agents." One of the lessons they learned was that "if you are going to make a change, it had better make a difference." For many people, the changes they need to make in their life style in order to achieve the results the President assures are possible, i.e. that we can eliminate "cancer, cardiovascular disease, diabetes, lung disease and strokes," are probably not going to happen. The President's unique and compelling personal life story is found on what he titles in his book as "the audacity of hope." Unfortunately, millions of Americans do not live with hope.

In order to "make a change," a person makes believe that it is "going to make a difference." In health care "differences" don't happen overnight. It takes months and even years of dietary discipline to achieve weight control. It takes months and even years of exercise to make a difference in one's health. The ability to make those long-term commitments is the idea, which is an idea of hope, that the making of a change will make a difference. It is the internalization of the "idea of progress," a relatively modern concept that things will change and that they will generally change for the better. The experiences of millions of people do not support the idea of hope and the idea of progress which is positive change. Health care reform will not address these issues and without them evidence-based measures will, for these patients, just be clever, valid and inept ideas.