

Physician Managed Care Fixing Health Care, Energy, and the Economy



By David K. Gundiff MD

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Executive Summary

Physician Managed Care would give every person a medical home with a “direct practice” (expanded service) primary care physician (PCP). Patient care would be administered through competing “accountable care organizations” (ACOs),¹ operating with patient risk-adjusted global budgets. Patients could choose between competing ACOs that consist of local networks of physicians (PCPs and specialists), a hospital with affiliated physicians, groups of PCPs that contract as needed with other providers, or fully integrated health systems like Kaiser Permanente or the Mayo Clinic (i.e., health management organizations or HMOs). Rather than insurance companies or government agencies deciding on guidelines for care and covered services; ACOs, with patient and expert input, would determine their own benefits packages and practice guidelines. The government would no longer regulate medicine. In a free market of health services and products, physicians in the ACOs would decide on referrals to specialists, hospitals, and other health services based on quality of care and cost.

Insurance companies would be retained but would not determine who to insure or what to charge. They would allocate insurance funds for health care services as dictated by the ACOs. As a new evidence-based medicine tool to assure accountability and transparency, insurance companies would also assume the role of collecting data on all health interventions and the related health outcomes.

Interventions to Address the “Social Determinants of Health”

Whereas medical care accounts for only 10% – 15% of preventable early deaths, “social determinants of health” (i.e., consequences of differences in education, nutrition, income, employment, race or ethnicity and where and how people live) are responsible for 80% – 85% of early mortality and other health outcomes.² Because of the importance of the social determinants to health outcomes, Physician Managed Care would integrate federal social safety net public funding with health care funding, both to be

administered through ACOs. In addition to providing currently underfunded health care services such as long-term care, Physician Managed Care ACOs would fund interventions to impact the social determinants of health.

For instance, to allow the disabled and / or elderly to remain in their homes, ACOs could pay friends and family members to care for them; paying tens of millions of people for jobs they are already doing or would do if they could be paid. This would reduce nursing home costs and potentially distribute about \$360 billion to low-income people.³ For poor people, assistance with buying food would be available through ACOs (i.e., in lieu of the federal food assistance programs), so healthy food could be provided, even if it costs more than low nutrient high-calorie junk food.

Decentralize the Determination of Evidence-based Health Care

Evidence-based medicine (introduced in the last half of the 20th century) aims to apply the best available evidence gained from the scientific method to medical decision making. Evidence-based medicine has two distinct and somewhat conflicting meanings:⁴

1. Evidence-based individual decision making: evidence-based medicine as practiced by the individual health care provider.
2. Evidence-based guidelines: evidence-based medicine at the organizational or institutional level as determined by a consensus of expert opinion leaders. This includes the production of guidelines, policies, and regulations. This approach has also been called evidence-based health care.

Using evidence-based medicine methods of determining value of health care interventions is essential to improving health outcomes and controlling costs. However, qualified experts often differ about the value of medical tests and treatments and the consensus among expert opinion leaders about the efficacy of various medical interventions changes over time. For example, one study tracked 100 recommendations for evidence-based “best practices guidelines” published in prestigious medical journals. Within 5 1/2 years, half were no longer considered valid.⁵

A major problem with evidence-based health care determined by a consensus of elite medical experts is that financial conflicts of interests may bias the treatment guidelines. While evidence-based medicine as assessed by practicing doctors in ACOs is essential to health care reform, evidence-based health care determined by authoritative physicians to guide all U.S. doctors is an impediment to reform. Because of the frequent corruption of top-down treatment guidelines and the speed with which best practices guidelines become outdated, we should abandon attempts at requiring adherence from all practicing physicians to government and medical industry sponsored guidelines and standardized health care benefit packages. Indeed, one-size-fits all guidelines and standard benefit packages are obstacles to the necessary ingredients of true reform: patient choice, physician autonomy, healthy competition, and the reduction of funding for unnecessary tests and treatments. Physician Managed Care would decentralize the determination of guidelines and benefit packages comprising the evidence-basis for health care. Instead of government or insurance company guidelines being the standard of care for all medical practice, guidelines and benefit packages of individual ACOs would become the basis for the practices of health care professionals in those ACOs. Each ACO should determine its own benefit package and adopt evidence-based treatment guidelines according to its analysis of relevant data.

Provider Payment Reform with Physician Managed Care

Based on a patient's age, sex, medical diagnoses, socio-economic factors, and cost of sickness care in recent years, federal government experts would determine a fair amount of insurance money to allocate for each individual patient. Insurance industry experts call this "risk-adjusted capitated reimbursement" or "risk-adjusted prepaid health care."⁶ Once a risk-adjusted amount of insurance is determined for an individual, that person would be issued a voucher allowing him to choose an ACO for his or her medical and safety net home.

Each ACO would be responsible for optimizing health outcomes for its patients. They could contract for patient services as

needed with specialists, hospitals, and other health services providers either from within or outside of the ACO. Specialist health care providers could choose whether to affiliate with one or more ACO(s) exclusively or to remain independent, contracting with any ACOs to provide patient care. For medical interventions not covered by a patient's ACO, independent specialist health care providers could also offer those services directly to patients who would pay out-of-pocket. Instead of using government or private insurance company rates of reimbursement for products and services, ACOs would negotiate prices in a health care free market, fostering competition among specialists, hospitals, and health product manufacturers.

In the Physician Managed Care health services free market, patients could study the benefit packages and treatment guidelines of competing ACOs and choose the one that best fits their preferences. Competition between ACOs with diverse benefit packages would drive continuous quality improvement and cost effectiveness. This kind of patient choice and real competition between providers is essential to reducing the \$770+ billion per year of unnecessary medical services (i.e., at least 30% of health care costs^{7, 8}). Reducing administrative overhead for personal health care from about 31%⁹ to about 14% would save an additional \$370+ billion.

Physician Managed Care would Increase Funding for Valuable Health Services

The financial savings from releasing health care services from government regulation and from enabling free market competition between ACOs and between independent specialists could go to payers (e.g., the government and insurance companies), providers (physicians and others in ACOs), or patients. Leading ACO advocates suggest that payment reform with ACOs replacing uncoordinated care could be used to save the government money and could provide financial bonuses to providers who practiced cost conscious medicine.¹⁰

However, with Physician Managed Care, savings from avoiding unnecessary tests and treatments would not go to the government, insurance companies, or for provider bonuses. All of

the savings from avoiding unnecessary medical interventions and from administrative simplification would go to patients. Physician Managed Care would not reduce or increase the overall cost of health care initially (i.e., revenue neutral in 2011—\$2.7 trillion).

This plan would take funds wasted on administration and worthless medical interventions and use them to increase support for important underfunded health and safety net services. Individual Americans and the entire U.S. economy would greatly benefit from shifting up to \$1 trillion in 2011 and up to \$10 trillion from 2011 - 2020 to underfunded health priorities such as long-term care, preventive medicine / health promotion, parity in funding of mental health services, addiction prevention and treatment, and training more health care workers.

With this free market approach, patients would be full partners with the government and providers in together seeking the most efficient and least wasteful allocation of health services.

As an alternative for having investors supply the capital to assure that ACOs can cover all patient health care needs, patients would be required to invest in their ACOs. This will be another guarantee that all patients have “skin in the game” concerning cost control.

Revenue-neutral Shifts in Health Care Funding Sources in 2011

Physician Managed Care would be funded both by the federal government (58%) and by individuals (42%—insurance premiums for everyone, out-of-pocket payments for services not covered by ACOs, and health charity donations). Employers would no longer be responsible for the medical insurance of employees (about \$800 billion). Self-employed people would not be held hostage to high insurance company premiums providing scanty protection (about \$60 billion). State and local governments would no longer be responsible for funding personal health care of indigent residents (\$262 billion). Since Medicare would be replaced by Physician Managed Care, the Medicare Part B insurance premium (\$42 billion) and the Medicare payroll tax (\$218 billion) would no longer be collected. Out-of-pocket costs above individual insurance premiums would be the same on average. Patients would choose

ACOs with health services priorities in line with their own, in part, to minimize out-of-pocket costs.

The approximately \$1.4 trillion required to replace these revenue streams would come from (1) a “health fee” on non-renewable energy approximately equal to \$1.24 per gallon of gasoline or diesel (raising about \$576 billion), (2) increased federal tax revenues from eliminating the deduction for employer-based health insurance (about \$161 billion), (3) increased federal tax revenues from abolishing Medicare and the Medicare payroll tax (about \$64 billion) and (3) age-indexed private health care premiums averaging about \$300 per month per adult and \$100 per month per child (about \$635 billion). Social safety net funds could be allocated by the ACOs for part or all of the premiums for poor people except illegal immigrants.

Cost Control

Each ACO’s insurance company would receive government insurance funds for providing all health and safety net services based on risk-adjusted payment determinations for all patients in the practice, totaling on average about \$8,470 per patient and \$8.5 million per 1,000 patients.

Physician Managed Care is designed to foster ACOs and patients working together toward the mutual goal of maximum wellness, controlling sickness care costs, and increasing insurance coverage for health promotion, long-term care, and interventions to benefit the social determinants of health. Methods of doing this without sacrificing quality sickness care include:

1. supporting healthy nutrition and lifestyles,
2. requiring patients to invest in their own ACOs,
3. finding alternatives to hospitalization,
4. referring patients to specialists only as necessary,
5. creating health promotion retreat centers to aid in healing,
6. using health services price transparency to shop for value, and
7. reporting financial relationships of health services providers with health industries.

Bending the Health Care Inflation Curve from 2011 - 2020

According to U.S. Department of Health and Human Services actuarial projections; national health expenditures for 2011 – 2020 for personal health care services, private insurance overhead, and government program administration will be \$36.3 (29.1% of GNP in 2020 if the economy grows by 2% per year). With the Democrats' reform plan HR 3962, these expenditures would rise by about \$300 billion to \$36.6 trillion, according to Center for Medicare and Medicaid Services actuaries. With Physician Managed Care after 2011, all increases in health care spending would be in the private component of costs (i.e., insurance premiums, out-of-pocket spending, and charitable giving). The federal government contribution would remain constant at the 2011 level. Because of the constant level of government spending and competition between ACOs over premium costs, special interest influence on politicians would not be able to continue to drive the unsustainable inflation in health costs that we have experienced in the past 40 years.

By 2020, with no inflation in private health care costs, the percentage of the GDP would be down to 15.2%. Even with a 4% per year increase in private health care spending, national health expenditures would increase only moderately to 18.6%.

Compared with the status quo national health expenditure projections or the Democrats' HR 3962 plan, Physician Managed Care would save the country \$4 - \$7 trillion by 2020. Consider this proposed method of bending the health care inflation curve in relationship to the projected \$9+ trillion federal deficit by 2020.¹¹

Physician Managed Care would Increase Jobs and Help the Economy and Environment

Aside from reforming our health and safety net systems, Physician Managed Care would help the economy by:

- increasing employment

- creating up to 31 million jobs by paying currently unpaid caregivers of the elderly and disabled (costing \$360 billion at the minimum wage)
- allowing unemployed, underemployed, and partially disabled people financial subsidies to work on public service projects through non-profit or for-profit organizations.
- promoting investment in energy independence, conservation, and innovative renewable energy technologies with the health fee on non renewable energy, and
- reducing our trade deficit by reducing petroleum imports (the Department of Energy estimates that 27,000 U.S. jobs are lost with each \$1 billion in the trade deficit⁴).

Enterprise Liability to Benefit More Injured Patients

Medical malpractice would be changed to an “enterprise liability” system in which ACOs are responsible for errors of all their health care workers and their consultants. Patients injured by medical interventions, whether due to malpractice or not, could negotiate with ACO disability specialists to receive indemnity payments for economic losses. Likewise, ACO enterprise liability would extend to medical products prescribed (e.g. drugs and durable medical products). Additional funding to reimburse patients for medical intervention injuries, beyond savings on litigation expenses and defensive medicine costs, would not be needed. Except for intentional injuries, sexual misconduct, and substance abuse related injuries; the courts would not be involved.

Undocumented Immigrants—Protect the Individual and Public Health but No Money from the Taxpayer

Illegal immigrants would be eligible to participate in Physician Managed Care. However, they would need to pay the full costs of their insurance premiums and would not be eligible for social safety net funding. Only by paying insurance premiums for all time in the USA would immigrants be eligible for eventual citizenship. Since illegal immigrants are younger and healthier on

average than other Americans, their insurance premiums would more than pay for their health care. Paying the new health fee on non renewable energy by illegal immigrants would also contribute to health care for all, providing about \$120 billion total net subsidy from illegal immigrants to legal residents from 2011 – 2020. This would put economic pressure on illegal immigrants making it less likely for people to immigrate to the USA.

Other Crucial Components of Health Care Reform

In 2011, seniors and disabled people on Medicare will average about \$20,000 in out-of-pocket costs, including dental, vision, hearing services, and long-term care by unpaid attendants if funded at minimum wage.^{3, 12-15} With Physician Managed Care, seniors and disabled people would range from about \$4,000 - \$9,000 per year.

Physician Managed Care is abortion neutral. It would reform end-of-life care by incentivizing state-of-the-art training in palliative care and hospice. Our dysfunctional food system that contributes to chronic degenerative diseases accounting for 75% of health care costs¹⁶ would be reformed in two ways. ACOs would allocate social safety net food assistance funds. The health fee on non-renewable energy would incentivize plant based foods and local production over animal products produced by with fossil fuel intensive agribusiness methods.

Republicans and single-payer advocates both want to begin from scratch on health care reform. The Physician Managed Care plan addresses all the criticisms of the Democrats' HR 3962 by the Republicans and by Healthcare-Now, the single-payer advocate group that is opposing the Democrats' plan from a liberal perspective.

Conclusion

Physician Managed Care would move the responsibility of health care and federal social safety net funding decisions from government agencies and private insurance company benefit managers to patient-centered ACOs. It is patient-centered with

patient choice, provider autonomy, and free market competition. The reformed health care and social safety net systems would foster a better quality of life, provide just compensation for the current 11 million health care providers, and create many more health care jobs.

Physician Managed Care addresses all the complex and interrelated aspects of the most technologically advanced health care system on earth. It retains the tremendous benefits of that system and expands covered health services to long-term care, health promotion, preventive medicine, and other underfunded priorities. It would improve access, quality, and affordability of health care and social safety net services. Physician Managed Care connects health care reform with economic justice, jobs creation, environmental quality, energy policy reform, government food policy reform, immigration reform, national security, and federal deficit reduction.

It is a uniquely American health care plan for the 21st century.

Contents

| | |
|--|-----|
| Executive Summary..... | v |
| Chapter 1. Patient-Centered Care with “Direct Practice” Primary Care Physicians (PCPs)..... | 1 |
| Chapter 2. Social Determinants of Health..... | 13 |
| Chapter 3. Evidence-based Medicine and Reform of Medical Guidelines..... | 23 |
| Chapter 4. Accountable Care Organizations for Coordinating Care..... | 57 |
| Chapter 5. Physician Managed Care To Reform Health Care AND Welfare..... | 73 |
| Chapter 6. Insurance Company and Federal Regulatory Agency Reform..... | 81 |
| Chapter 7. Health and Safety Net Services Provider Payment Reform..... | 91 |
| Chapter 8. Payment Reform for Health and Safety Net Services..... | 107 |
| Chapter 9. Cost Control by Properly Aligning Financial Incentives..... | 119 |
| Chapter 10. Transitioning to a Knowledge-based / Full-spectrum Economy... | 139 |
| Chapter 11. Jobs: Up to 60 Million New Ones..... | 147 |
| Chapter 12. Energy Diet for a Hot planet..... | 161 |
| Chapter 13. Health Care for Immigrants | 179 |
| Chapter 14. Enterprise Liability for Malpractice..... | 189 |
| Chapter 15. Better Care for Seniors and People with Disabilities..... | 199 |
| Chapter 16. Abortion Neutral Reform..... | 207 |
| Chapter 17. Additional Health Services | 209 |
| Chapter 18. End-of-Life Care Reform..... | 215 |
| Chapter 19. Government Nutrition Policy Reform..... | 229 |
| Chapter 20. Preventive Medicine and Health Promotion Incentivized..... | 235 |
| Chapter 21. Evaluating Physician Managed Care..... | 239 |
| References | 245 |
| Acknowledgements..... | 293 |

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