

Health-care Reform Not Finished Yet

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Diagnosing how health-care reform will reshape the health-care industry in the years ahead is no easy task, given how legislation changed so often through amendments, deletions and revisions.

A final version won't be completed for weeks as work just started on melding the Senate's \$849 million reform bill, passed Christmas Eve, and the House's \$1.1 billion reform legislation, passed in early November. The goals of both bills are to increase access to health coverage for the 'country's estimated 47 million uninsured people — including nearly 1 million residents in Pennsylvania and 1.3 million residents in New Jersey — while also improving the quality and cost effectiveness of the care that is being delivered.

Mark V. Pauly, a professor of healthcare management at the University of Pennsylvania's Wharton School, said 2010 could shape up as an important year for family physicians.

"It's primary-care doctors who are being singled out to get more," Pauly said. "They get more responsibility, too."

Pauly noted the broad, spectrum of reform measures contained in the legislation include shifting away from the existing system, where providers are paid per procedure, to more of a bundled system where teams of health-care providers are paid lump sum — sums to care for patients based on their diagnosis.

The patient's primary-care physician, he said, would play a key role in overseeing the distribution of such payments among providers of care.

"This is a repeat of a movie we've seen before," Pauly said. "The government has said in the past primary-care physicians need to get more because they are the 'good guys,' but when the dust settles they'd don't see any more money."

Pauly said the so-called 'bad guys' in health care -- Big Pharma companies, high-cost medical-device makers and health insurers — will remain fixed in the crosshairs of health-care reform despite some late-in-the-year victories.

Health insurers lobbied hard against having to compete against a government-run "public option" health plan that would have been open to everyone and that was seen by many as a first step toward an eventual single-payer system.

"I'm not sure [a public option] would have been that threatening to the insurers, but they thought it was," Pauly said. "I think they are trading one peril for another. You're going to see those individual and small-group markets will be heavily government controlled. You won't have the public option, but you have more government bureaucracy where the insurers will have to ask, 'Mother may I,' before they can do anything. There will be more restrictions on how much profit they can make and how much they can allocate for administrative costs."

Independence Blue Cross President and CEO Joseph Frick said the Philadelphia health insurer strongly supports many of the reforms Congress is considering, such as requiring insurers to accept anyone for coverage regardless of pre-existing conditions and not charging higher premiums because someone is sick. The company opposes measures such as fees that would penalize nonprofit health insurers "like IBC that operate with low margins."

Robert D. Sutton, founding partner of IMA Consulting in Chadds Ford, said both federally qualified community health centers and hospitals emerged as winners in health-care reform.

He noted more than \$10 billion dollars is allocated for expanding, improving and opening new community health centers across the country, which provide an array of primary health-care services for low-income families.

"Hospitals will have tighter reimbursements, but they won't have to provide care to as many uninsured people," Sut-

ton said. "[Expanding] community health centers will mean fewer people coming to hospital emergency departments and using the EDs as their primary-care doctor. Emergency departments are a very expensive place to provide care."

Sutton believes the winners and losers, and those likely to land somewhere in between, may change as the combined reform bill is crafted, by a House and Senate conference committee.

"Public opinion could sway what happens over the next four to six weeks," he said.

Pauly said pharmaceutical companies dodged a bullet in December when the Senate narrowly voted against a bill that would have allowed drugs to be re-imported into the United States from other countries as a way to keep prescription drug costs down.

Sutton also noted Big Pharma was successful in lobbying against changes that would have benefited generic drug manufacturers at the expense of brand name drug developers.

Regardless of those victories, Pauly sees a stricter regulatory environment for the pharmaceutical industry — which has a large presence in Pennsylvania and New Jersey — in 2010 and beyond.

"There is no doubt they'll be subject to more government scrutiny" both in the prices drug companies charge for products and the manner in which they promote them," Pauly said. "There's strong sentiment for doing it."

Days before a vote on the Senate health-care reform bill, the American Medical Association came out in support of the measure. "We are pleased that the manager's amendment addresses several issues of concern to AMA," said Dr. Cecil B. Wilson, the association's president-elect. "It increases payments to primary-care physicians and general surgeons in underserved areas while no longer cutting payments to other physicians. It eliminates the tax on physician services for cosmetic surgery and drops the proposed physician enrollment fee for Medicare."

The Medical Society of New Jersey, in response, said it was "deeply troubled" by the AMA's stance.

"This legislation is significantly flawed and contains very few of the important reforms physicians consider critical to a meaningful overhaul of the U.S. healthcare system," said Dr. Joseph Reichman, the society's president. "The Senate measure provides no substantive payment reform. The Senate bill expands Medicaid to cover the uninsured. Unfortunately, the New Jersey Medicaid program pays so little for health-care services that few physicians participate in the program.

"Finally, the Senate bill provides very little insurance reform. New Jersey is dominated by a few large health-insurance plans that dominate the marketplace. These companies use their market power to increase premiums and force physicians and other health-care providers to accept poor contract terms and lower payments," he said.

Karen Ignagni, president and CEO of America's Health Insurance Plans, also assailed the Senate plan. "While the bill makes important improvements in access and takes steps towards cost-containment, it lacks accountability to ensure that costs are brought under control," Ignagni said. "Moreover, this bill includes provisions that will increase costs for families and small businesses and disrupt the quality coverage on which millions of Americans rely today."

Pauly said the lengthy debate about health-care reform has created a lot of ambiguity for the health-care industry. "Obviously, the primary beneficiaries are going to be lower-income uninsured people because they will get a big subsidy to encourage them, in some cases compel them, to have health insurance," he said.

Providers stand to gain simply from having more people insured. "If you previously treated uninsured people for free," Pauly said, "you're going to get more than nothing — but you probably won't get paid what you'd like."