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First Opinion:

To drive real health care reform, look to what employers are doing

By Hank Gardner

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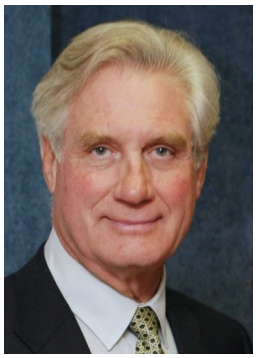
Hillary Clinton and Donald Trump both talk a lot about slow economic growth, flat wages and soaring health care costs. While they blame completely different things and offer opposing solutions, they're both missing something important: Those three things are connected.



As I've learned in my 50 years as a physician and businessman, 30 percent of what we spend on health care in this country is waste. I define health care waste as overtreatment by providers (such as ordering too many expensive and often redundant tests and prescribing too many drugs) and overconsumption by patients (such as putting up with all those tests — and maybe asking for more — and taking all those drugs without batting an eye). And I've learned a fair amount of economics at the knee of my brother, Del, a University of Chicago PhD economist.

For more than a decade, I've been leading a research-based health care reform company in my native Wyoming. We've assembled the largest national database integrating information about health care consumption, workers' compensation, disability, sick time, pharmaceutical use, and more. It includes data from 4 million Americans covered by more than 300 private employers. Here's one thing we've learned: the 10 percent annual gain in employer health care costs has held wage gains to 2 percent or so in most recent years.

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A few months ago, we did a study of wages and health care costs. For a cross-section of private employers, we found that average health care costs jumped 10 percent between 2013 and 2014 to $10,263 a person. Those expenses included health care bills paid by the employers and amounts that came directly out of employees' pockets in the form of premiums, copays, and deductibles.

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What happened to wages? The average raise for the more than 140,000 people in our study group was 4.1 percent — better than the 2014 national average of 3.2 percent, according to government data. But

when we looked at different income groups, we found that those raises went almost exclusively to people making more than $30,000 a year. For people whose incomes were less than $30,000 — predominantly women — wages increased just $124, or 0.5 percent.

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Health care costs varied substantially by income groups. Between $30,000 and $80,000 a year, health care costs jumped 12.5 percent, to $8,241. For those earning less than $30,000, though, health care expenses grew by 16.6 percent, to $5,590.

This research spotlights one of the biggest but least discussed economic effects of runaway health care costs. As health care expenses drain more of employers' compensation budgets, less money is available to put into people's paychecks. Flat wages widen economic inequality — one of the things fanning voter anger and frustration. The current benefits system encourages waste and does little to improve health.

What can we do about it? Don't count on a government fix, no matter which candidate wins. Lawmakers depend too much on campaign contributions and legislative input from competing vested interests in health care, such as drug makers, insurance companies, hospital chains, physician groups, and even patient organizations. Government just can't make the tough decisions that real health care reform requires.

But employers can. Private, non-government employers provide health care coverage to more than 55 percent of Americans, according to the Census Bureau. Many of these companies are already carrying out their own do-it-yourself, market-based health care reform. The formulas they use are both simple and sophisticated. Here's how it works.

First, you need an integrated database coupled with data analytics so you can understand what's going on with your work force and how your policies on pay, health plans, sick leave, and disability time may provide incentives, for better or for worse. Then you can overhaul benefit programs to align workers' goals with those of the business.

After that, you need to focus resources where the real health care costs and waste are. It's often said that 5 percent of any population accounts for more than half of medical spending. That's what our data show, and 50 percent of the waste is concentrated in that group. It includes patients who are typically dealing with complex medical situations involving multiple conditions, such as a bad back, depression, and diabetes.

My colleagues and I have developed and refined a clinical prevention system that uses predictive analytics to identify the high-risk, high-need people in this 5 percent group. We then help them manage their average of 10 medical conditions, 10 specialist doctors, and a dozen prescription drugs. We've shown that people can take control of their health care, reduce waste, and return more quickly to health and work.

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This is what real, market-driven health care reform looks like. Employers that try it typically show a substantial drop in cost and waste the first year, followed by modest decreases in subsequent years. That's how companies can free up money to put back into paychecks. And that's good for employees, business, and the economy.

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