

Finding a Cure For Unintended Consequences

THERE ARE FEW ISSUES THAT GENERATE AS MUCH PASSION IN THIS COUNTRY as those involving health care. Health care issues consistently rank among the top concerns of Americans in national surveys. Yet passion and politics seldom lead to satisfactory long-term solutions to complex problems such as health care. What we need is someone who can take a step back and examine how the various pieces of the system fit and how they affect one another—someone like the members of the American Academy of Actuaries.

Debate over health care issues has been a central theme in the presidential and congressional election contests this fall. Congress struggled all year with a number of legislative initiatives, including plans to provide prescription drug benefits to seniors and proposals allowing patients to sue their health plans if coverage for medical treatment was denied. State legislatures considered a wide range of health care topics, from reporting medical errors to protecting the privacy of medical records to mandating insurance coverage for the treatment of mental illness.

It's not surprising that Americans have such strong feelings about health care. After all, safeguarding one's health and the health of one's family is a basic part of human nature. Everything else in our lives—friendship, money, job status—is all pretty meaningless if you don't have good health.

Revolutionary advances in medical science have helped raise the visibility of health care issues. People are living longer and they're often experiencing a better quality of life in their later years than has been true in the past. The human genome project, which has mapped out the basic DNA structure of humans, will add to our understanding of and ability to treat diseases. The study of human genetics has already led to a number of new medicines and medical procedures—ranging from the treatment of various types of cancer to a potential cure for certain types of diabetes.

So given all the passion for safeguarding our health and all of the scientific know-how, why do policy-makers spend so much time talking about the issue without actually getting anything done? How is it that we're unable to provide

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all Americans with a basic level of health care? Why can't Congress and the states reach some consensus on how best to provide for the health care needs of the country?

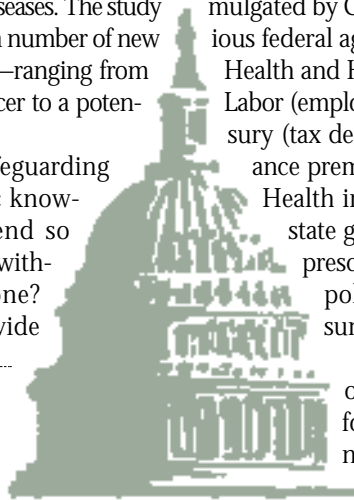
For a start, we need to recognize that the real issue is not how health care is delivered or who receives medical services but how it's paid for. As with most public policy issues, it all comes down to a question of money. Deciding how to provide effective health care to all Americans is less a matter of medical science and more one of allocating scarce financial resources.

Money is an important consideration because total health care costs are likely to continue to rise faster than the rate of inflation, at least in the near future. A major component of health care expenditures in this country is tied to the development of costly medical treatments and new types of prescription drugs, especially genetic therapies. This medical expenditures trend will place enormous pressure on our health care delivery system and narrow the choices available to policy-makers for dealing with health care issues.

A key problem is that our overall approach to health care is so schizophrenic. The delivery of and payment for health care is governed by a confusing, and often contradictory, system of federal and state laws. On one level you're dealing with statutes promulgated by Congress and rules issued through various federal agencies, including the Departments of Health and Human Services (Medicare/Medicaid), Labor (employer "self-insured" plans), and the Treasury (tax deductions and credits for health insurance premiums and medical savings accounts).

Health insurance is also heavily regulated by state governments through a variety of laws prescribing standards for pricing insurance policies, coverage mandates, and consumer access.

Because of these overlapping layers of regulation and oversight, it's difficult for health care to be delivered and financed in an efficient manner. It's even harder to get a comprehensive pic-



ture of what's going on in the health care market. Efforts to "solve" one problem often have unintended consequences that may make the overall situation worse.

Another barrier to resolving health care issues is our frequently unrealistic expectations about the provision of medical services and who pays. Americans seem to believe that all of their health care needs will be satisfied without having to pay a lot of money out of pocket. State legislatures pass laws requiring insurers to provide additional health care coverage and somehow believe that that won't increase premiums or drive more employers to establish self-insured health plans or to drop coverage altogether. Congress cuts Medicare reimbursement rates and then complains when health maintenance organizations withdraw from the market. Seniors demand prescription drug benefits but expect most of the cost will be paid out of general federal revenues.

We also have a vast array of interests competing for control of the health care

delivery and payment system—each with its own unique perspective on the problem and its solution. Medical providers want more input into health care decision-making and increased payments for their services. Employers want better control over their health care dollars. Consumers want the freedom to choose their doctors and less restricted access to health care services. It's no wonder that policy-makers have a difficult time deciding among these conflicting voices.

The actuarial profession can play a valuable role in this ongoing debate. Actuaries, better than most, understand the complex interactions that make up the health care marketplace and how the various pieces fit together. Evaluating the cost of health care initiatives, determining how consumers and employers will be affected, finding more efficient ways to spend scarce health care dollars—all this is part of what actuaries do on a daily basis.

The American Academy of Actuaries is involved in a number of projects to provide policy-makers with a better under-

standing of health care concerns. The Academy sponsors Capitol Hill forums to educate legislators and their staffs about health care issues. Academy members have also met with congressional staff over the past year to discuss legislative proposals dealing with Medicare reform, managed care patient protection, and how best to provide prescription drug benefits to seniors.

The Health Practice Council has developed monographs discussing long-term care insurance, Medicare reform, and prescription drug coverage for Medicare beneficiaries. The practice council has also published issue papers on a variety of health care topics, including genetic testing and the impact of legislation to limit the use of managed care strategies in health plans.

At the state level, Academy committees are working on a number of projects, such as the development of guidelines for the filing of health insurance products, a study of Medicare Supplement insurance claims data, and further refinement of risk-based capital standards for health organizations.

The key to the Academy's work on health care is that, unlike most special interest groups, we don't profess to have the "right answer" for the issues policy-makers are grappling with. Rather, the major purpose of the Academy is to help them better understand the pieces that make up the puzzle. Part of this effort is giving policy-makers a better picture of how health care is delivered and financed. This also means letting them know when changes to one part of the health care system will have unintended impacts on other parts. In addition, policy-makers need to know how consumers, medical providers, employers, and insurers will be affected by any proposals they're considering.

Right now, policy-makers in Washington and at the state level seem more concerned with short-term political gain. If we can combine our national passion for health care issues with an actuarial perspective, it may lead to long-term solutions to the problems. The Academy needs to continue its efforts to educate policy-makers and the public on these important issues.

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