

Commentary

HMOs and third-party payers aggravate the health care crisis

In the United States, the delivery of health care, like education, should be a non-profit industry

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In the past 50 years, we have seen the health insurance industry and the federal government take health care from a free market to a market where neither the consumer nor the provider share the responsibility for the costs, and where the laws of supply and demand are eliminated. We have seen a gradual increase in control of the practice of medicine by both groups. We have also witnessed the introduction of fee schedules followed by discounted contracts. There have been an increasing number of regulations such as pre-treatment and pre-hospital approvals, treatment monitoring by insurers, and increasing attempts at criminal prosecution by the federal government for Medicare fraud.

A survey of 331 physicians by the American Association of Physicians and Surgeons indicated that 82% reported increased fear of prosecution and three out of four have made changes in their practices, including restricting services. One out of four physicians surveyed said they are refusing to take new Medicare patients.

In the past 25 years, we have seen HMOs assume the responsibility for 82% of American patients who rely almost completely on third-party payers for covering the costs of their health care. HMOs have spent millions on trying to retain their immunity from tort action, based on the ERISA law, even though they are obviously responsible for decisions resulting in negligence. There have been many instances of refusal to provide treatment based on non-professional decision-making.

There has been a huge increase in paperwork in an attempt to monitor the practice of medicine, not for concerns of quality, but rather for concerns for the bottom line of profit. A huge, expensive third layer of administrative excesses has been added to the health care system and has taken approximately 30% of every health dollar.

Problems with the current free market

The free market of the current system exists only for the third parties and not for the American patient or his or her physician. The payers and HMOs are allowed to amass huge profits for senior executives and investors, rather than to use these dollars to reduce the cost and improve the quality of health care in the United States. Isn't it about time for us to see

an attempt at regulation of these payers and “providers”?

A recent report from the Inspector General of the Department of Health and Human Services (HHS) stated that some Medicare HMOs are spending exorbitant amounts on specific administrative costs such as parties, gifts and tickets to sporting events, including luxury boxes. One insurer reportedly spent \$250,000 on food, gifts and beverages for “clients.” Four HMOs spent more than \$100,000 on sporting events and theater tickets. Another report found \$4.7 million in administrative costs from nine HMOs, including lobbying and gifts. Given these findings, the authors of the report recommended a 15% cap on administrative spending.

Passing the buck, literally

In this world of rapid communication from the media, we are becoming accustomed to seeing expensive advertising on television from health insurers, HMOs and even for prescription drugs, as if the patient should choose his or her medication prescribed by the physician. At the same time, the costs of health care are again increasing with the blame being passed to the providers, and with fees being drastically reduced by government and third-party payers. The incomes of individuals who actually provide the health care are plummeting while, at the same time, the incomes of the administrators are rising. Wouldn't it be appropriate to eliminate these third-party overhead expenses and investment profits from the health care dollar?

Should health care be a for-profit industry, with 40 million uninsured and access being denied to a significant portion of our population? We cannot have it both ways: large profits and unnecessary expenses on the one hand, and reduced costs on the other.

It is time to give health care back to the providers and the patients, and establish a true free market with third-party or government subsidies for those who cannot afford it. In the United States, the delivery of health care, like education, should be a non-profit industry.
