CHA's Vision of A Redesigned Healthcare System

BY SR. BERNICE COREIL, DC

As chairperson of the Catholic Health Association's (CHA's) Leadership Task Force on National Health Policy Reform, Sr. Bernice Coreil, DC, provided CHA's vision of a redesigned healthcare system during the March 29, 1993, public meeting of the president's healthcare task force at George Washington University, Washington, DC. Sr. Coreil, who is senior vice president of System Integration, Daughters of Charity National Health System, St. Louis, was a panelist with representatives of four other hospital organizations.

The Catholic Health Association shares President Clinton's conviction that healthcare reform is imperative—not only for alleviating social and human needs but also for correcting the underlying economic forces that are threatening the healthcare system itself and the nation's economic prosperity. I commend the task force for focusing the challenge of healthcare reform in precisely the right framework, that is, the needs of individuals and communities as they strive to advance or regain their good health.

The dual questions posed for this panel are, Why do some hospitals charge $5 for an aspirin? and What can be done about this problem? The answer to the first question is simple: The American healthcare system is broken. Its problems are systemic in nature. Our system is no longer adequately accountable to the individuals and communities it serves. It is built on an irrational mix of skewed financial incentives that accentuate institutional, acute care services; encourage inappropriate levels of care; and deemphasize preventive and primary care. Our broken system bars millions of Americans from appropriate access to care and generates unsustainable costs for the nation. As a consequence of these rapidly escalating costs, adequate funding for other essential societal needs is jeopardized.

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The $5 aspirin is but one symptom of a terminally ill healthcare system. One of the many factors behind the $5 aspirin, for example, is cost shifting. Ironically, rather than ameliorating the economic situation of providers who attempt to compensate for underpayment of public health programs by seeking greater private pay reimbursement, cost shifting is destabilizing the entire system. At this point, I want to make one thing clear: My litany of debilitating problems in the current healthcare system is a criticism of the system's *structure*, not its *dedicated care givers.*

Access, Quality, and Cost Control

The answer to the second question is: Our nation must enact fundamental, systemic healthcare reform. Reform must address the three pillars on which the American system is built—namely, access, quality, and cost control. Only when each of these components is addressed in relation to the others and in the larger context of comprehensive healthcare reform will we have a healthcare system that provides high-quality, innovative, and affordable healthcare services to everyone in the United States.

The Importance of Delivery Reform

CHA has proposed a systemic, person-centered healthcare reform plan. It begins with delivery system reform, in contrast with many existing reform proposals that focus primarily on *financing* issues. Although these issues are obviously important, they fail to address fundamental flaws in the way healthcare is organized and delivered. A financing plan that ignores delivery issues will only reinforce an unnecessarily costly system characterized by fragmentation, duplication, and uneven access. The CHA proposal thus begins by

creating a vision for how the nation's future healthcare delivery should look. Only after establishing this vision does our proposal go on to develop the financing and administrative structures needed to support such an individual and community-oriented delivery system.

CHA's Three Pillars of Reform

The CHA proposal addresses each of the pillars of healthcare reform—access, quality, and cost containment. First, to provide security to every person and family, CHA's proposal guarantees access to a standard, comprehensive package of services across a continuum of care to all persons living in the United States. No longer would coverage for healthcare be linked to whether an individual is employed or unemployed, poor or nonpoor, sick or well. It is our conviction that healthcare is a basic human right. In addition, it is our pragmatic judgment that lack of healthcare coverage contributes to restricted access and postponed care. Anything less than universal coverage, therefore, creates a vicious circle wherein, because of the postponement of care or the seeking of care in inappropriate and high-cost settings, services are ultimately more costly to society.

With regard to access, CHA urges the task force to withstand the pressure from some who argue that universal coverage should be postponed until budget savings are achieved. At best, this is a specious argument; at worst, it is a cynical one. The cost and access problems can only be solved concurrently because they are so interrelated (see **Figure**).

We also urge the president's health care task force to avoid crafting a "basic" package that becomes a floor for the middle class and a ceiling for the poor. We believe the best strategy to defend the interests of the poor is to create a system that ties their fate to that of the average person. Such a system has the powerful potential of drawing our society together rather than dividing it along economic or class lines.

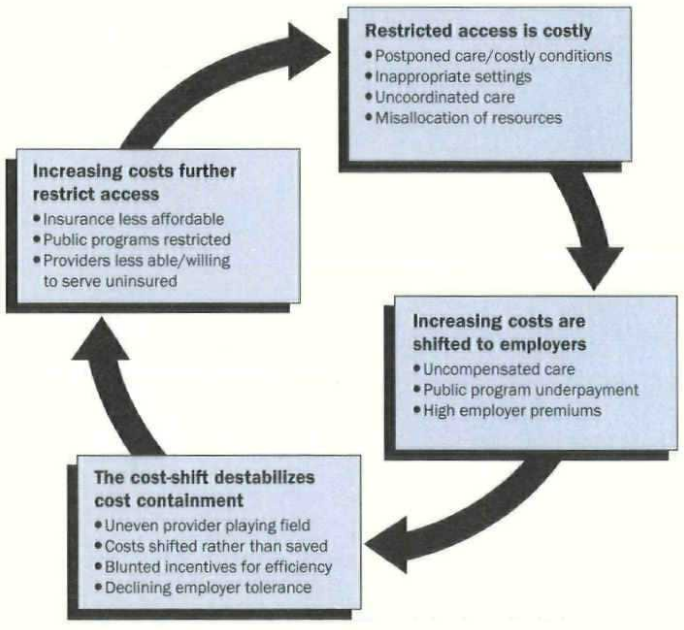
Second, to maintain quality, the CHA plan reorganizes how services are delivered through a restructuring of financial incentives. We believe that the delivery of healthcare in the United States needs to be better coordinated, less costly, and more responsive to the needs of people and communities. At the heart of our plan are integrated delivery networks (IDNs).

CHA urges the task force to withstand pressure to postpone universal coverage.

The IDN concept is designed to create new relationships among providers to improve coordination, efficiency, and quality of care. An IDN is a set of providers organized to assume financial risk for a standard, comprehensive benefit package and a full continuum of healthcare services. Providers are linked together through a series of contractual or ownership arrangements. These networks receive risk-adjusted, capitated payments and are held accountable for improving or maintaining the health status of their enrolled populations. Individuals participate in network decision making and choose among competing networks on the basis of quality and service, but not price.

Third, to control healthcare costs, the CHA reform proposal calls for a *national global budget* administered through *capitated payments*. We believe both components are necessary. A global budget allows us, as a nation, to make an explicit

ACCESS AND COSTS: THE VICIOUS CIRCLE



decision about the resources we devote to healthcare compared with other social needs.

We further believe that *capitation* is the best way to ensure true cost control under a global budget. Capitation realigns financial incentives. With an IDN, capitation encourages:

- Primary and preventive care
- Services in optimal settings
- Reduced unnecessary care
- More appropriate capacity levels
- A more rational use of technology
- Accountability for improved health status

Rate setting does none of these. CHA recognizes that rate setting may be needed as an interim cost control strategy. But, if it becomes permanent, our nation will miss a once-in-a-lifetime opportunity to address the underlying causes of healthcare inflation, not just the symptoms. Unlike capitation, rate setting fails to address the fragmentation and duplication in our current system. Rate setting forfeits the opportunity to produce efficiencies across providers through better patient management and alternative treatment settings. Rate setting also diverts attention away from improved health status and responsiveness to community need.

A Uniquely American Reform Proposal

The plan CHA recommends is uniquely American, a public-private partnership designed to enhance the demonstrable strengths of American healthcare while addressing its weaknesses. It combines unitary financing with multiple payers and a pluralistic delivery system. To ensure equity, there is universal coverage for a standard, comprehensive benefit package of services defined by an independent national health board (NHB). The NHB also ensures overall order in the system and establishes a national healthcare budget. To ensure efficiency and innovation, there is competition based on quality and services, but not on price. To ensure quality, there is informed consumer choice and state chartering of private provider networks by a state health organization (SHO). The SHO is a politically insulated agency that assesses the needs of a community and is responsible for ensuring that each IDN delivers the scope and quality of services guaranteed under the law. To ensure overall expenditure control, there is a national budget and extensive use of managed competition.

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The CHA proposal creates new systems of care that are more responsive to individuals, more clinically effective, and more accountable to communities while bringing costs under control.

CHA's Proposal Founded on Values

What I have just described may not sound like a typical provider proposal. There is a reason for this. CHA believes that healthcare reform is essentially a debate about values. Every reform proposal, including the one President Clinton will soon propose, is based on a set of implied or explicit values. Catholic healthcare providers have a distinctive value tradition, and much of that tradition makes an important appeal, we believe, to a broad cross section of contemporary Americans. CHA therefore began its deliberations on healthcare reform by asking what values should guide us. We believe it is important to create a healthcare system that:

- Defines healthcare as an essential social good, a service to persons in need, which should never be reduced to a mere commodity exchanged for profit
- Respects the dignity of all persons by guaranteeing a right to a standard, comprehensive package of healthcare services
- Tempers what can often be an excessive focus on individual and institutional self-interest with a recognition of the needs of the public good
- Enables the healthcare system to better manage healthcare resources and better control growth in healthcare spending
- Is administratively simple and places responsibility at appropriate levels of organization

Our values led us to a proposal that would improve the effectiveness of healthcare for people. As a result, we also designed a system with accountability for costs.

Delivery Reform Necessary

The Catholic Health Association of the United States shares President Clinton's vision of an American healthcare system that is more caring, more accessible, and more efficient. Policymakers and healthcare leaders can force the price of an aspirin down to a nickel. But if all we do is drive prices down *without delivery reform*, I fear we will have failed our fellow citizens. □