March 6, 1990

Collaborative Effort Seeks Effective Prescription for Rising Health Care Costs

During the last decade, health care has gone through very significant changes, both nationally and in the state of New Jersey. While hospitals, physicians and other health care providers have been struggling to provide quality services and state-of-the-art technology under restricted state and federal reimbursement programs, business and industry have been cringing under the significant cost increases of providing health care coverage to their employees. These increases have fluctuated between single and double digit percentages on a year-to-year basis. In 1989, and again during the early months of 1990, there are many who have been experiencing premium escalations between 20-30%. Ironically, most hospitals in the state are struggling for survival under the current DRG and reimbursement programs. In 1988 and 1989, those hospitals that did not lose money had a margin of a little more than 1%. Health care providers are expressing grave concern that the current reimbursement methodologies and health care regulations are inadequate to meet the health care needs both locally and nationally. In response to these concerns, those paying the bills and those who are regulating health care feel that providers could manage health care more effectively and function in a more business-like manner, thereby reducing the rate of escalation in health care costs.

Over the past five years, pre-paid health care plans such as HMO's and PPO's have entered the scene offering a less expensive option for business and industry. These new delivery systems have undergone moderate growth, but as experience mounts, there are greater questions as to whether these capitations or pre-paid insurance systems are, in fact, effectively curbing health care costs.

The result of this complex maze involving regulators and providers continues unabated with what appears to be greater adversarial relationships, poor understanding between parties, and no immediate resolution in sight. One of the key pieces missing from the puzzle is the active involvement of business and industry in issues related to the provision of health services. These activities are currently being decided by the provider and the regulator. The absence of participation means that the individuals who are paying the bills are not involved in formulating the outcome.

Kevon Office Center • Suite 210 • 2500 McClellan Avenue • Pennsauken, NJ 08109-4698
609/665-7900

In the face of this health care crisis, and in anticipation of identifying avenues of solution and acceptance by all parties, the Chamber of Commerce of Southern New Jersey initiated the Business/Provider Health Forum.

Through the years, The Chamber of Commerce of Southern New Jersey has gained the respect of government, community and individual members through its consistent dedication to anticipating and responding to the needs of its membership. Recognizing that its membership represents over 200,000 employees and families requiring health care coverage, the Chamber has focused its resources on health care, its cost, quality and accessibility. The formation of the Business/Provider Health Forum, in June of 1989, was in anticipation that this vehicle would permit an avenue of information, mutual understanding and exchange of ideas and concepts between business, health executives, the medical community, health regulators and those state agencies and departments concerned with all aspects of health care.

Initially, the Forum focused on health care problems in Southern New Jersey as perceived by the various special interest representatives. The exchange was not only informative, but candid, resulting in a "unity of parties and purposes". The blending of ideas, opinions and concepts permitted the group to explore in a very definitive way the existing issues and barriers that may influence and effect cost, quality and the accessibility of health care.

Some of the initial areas that have been identified for further exploration include:

- Hospital Productivity/Incentive Practices, Quality Control/Cost Effectiveness.

  A focus not on the quality or outcome of patient care per se, but an evaluation of institutional procedures, processing and systems. Specifically, consideration of duplication, delays, omissions and waste within the organization.

- Regionalization of Health Care in Southern New Jersey.

  An evaluation of product or service lines from a business point of view. A focus on cost/service benefit involved in duplicating underutilized services or programs. Consideration of the other factors influencing a local "full service" philosophy.

- Health Technology Overload-Controlling Specialization Proliferation.

  A look at technology proliferation with a cost/benefit evaluation. Consideration of the question of the motivation behind "new technology," medical advances/need, defensive medicine, manufacturer need, regulatory requirements.

- Patient Use and Abuse of the Health Care System.

  Consideration of the issue of health care services. Evaluation of the impact of education, wellness programs, greater deductibles or utilization. Should business and industry become the gatekeepers of care by directing the practice patterns of employees?

- Professional Use and Abuse of the Health Care System.

  An evaluation of the influence effecting physicians' use of health care services. Specifically, defensive medicine, utilization review (PPO), vested interest in diagnostic or treatment service or a captive of the system.

- Regulatory Changes (Malpractice, health insurance reimbursement, physician referral pattern).

  A focus on regulation and its influence on the cost of health care and utilization. Consideration of the motivation for existing and newly proposed regulation. Does the consumer or payor have a role in this decision making?

- Rationing of Health Care Services.

  A focus on that point where cost escalation will or can no longer be accommodated by the payor. Are we now at that point? Can rationing stem the tide of increases? Is elective health care a service of the past?

As a companion to these early issues, the Forum has acknowledged the existence of barriers that would clearly limit or eliminate changes. Some of these obstacles are quite tangible and easily identified, such as regulation, legal, licensure, duplication of services and reimbursement insurance issues. Other equally disruptive barriers are difficult to quantify. These include competitiveness, the medical community as independent third parties, employees, organized labor and provider management.

At this juncture of the Forum's development, it plans to properly study and implement change in the health care system of Southern New Jersey. The membership is also striving to obtain greater involvement from the medical and health care providers, regulatory agencies, government, business and industry to become active participants in the ongoing efforts of the Forum to bring about resolutions for this growing crisis in health care.

The Forum's strategy for change will be both reactive and proactive. It will be responsive to legislative, health planning and service development issues, while proposing practical alternatives to current practices. It is envisioned that the Forum will be able to provide assistance to business by preparing and disseminating cost saving information and proposals. At the same time offer the health care provider its business expertise, support and assistance in developing financially viable operating systems.

Once the Forum, through its negotiations and discussions, has clearly defined a plan for implementation, it is anticipated that the Chamber of Commerce will assume a leadership role in instituting the avenues for change. Although the initial efforts and undertakings may only address a small part of the total health care environment, it will be the first step by the Chamber of Commerce to bring about a harmony between the provider, consumer and regulator. The anticipated result will be controlled health care costs and a continuation of quality and accessibility of services in Southern New Jersey.

James K. Simon, Facilitator
Business/Provider Health Forum

dlf