

Five Observations On Healthcare Policy and Delivery

1. **The driver for most of our healthcare system problems is its cost and what we get for it. But--**
 - a. *Healthcare inflation at double the general rate was unsustainable and has dropped substantially*
 - b. *The move from business oriented purchasing [B2B] to a more consumer-centric model [B2C] is driving major changes under high deductible plans and provider system reconfiguration.*
 - c. *Quality metrics are improving dramatically under payment pressure.*

2. **As a factor of production (along with labor and capital), healthcare has been a long-term blessing and a short-term curse with respect to productivity and job creation.**
 - a. *Huge value has accrued to all parties via pharmaceutical, delivery and knowledge advances over last 60 years*
 - b. *But the medical-industrial complex is absorbing most of this gain in recent years via high prices and excess volume*

3. **We typically have confused *financing of ongoing predictable healthcare expenses* with *insuring against unpredictable events*.**
 - a. *Everyone wants protection against the unknown (i.e., insurance) but using insurance to finance the routine is inefficient—thus there is variable demand for coverage.*
 - b. *The move to pre-funded (HSA) high-deductible plans shifts more routine care costs to potentially stable financing with insurance for remaining cost.*
 - c. *But without pre-funding and insufficient savings, high deductibles produce growing uncompensated care—especially with more chronic care needs.*
 - d. *Along with financing, coordinated care via Medical Homes is critical.*

4. **Medicaid expansion along with subsidized policies purchased on the new exchange provides a glide path from full government support to self-purchased insurance and eliminates the artificial barriers to work created by low-income jobs without coverage.**
 - a. *Closing the gap in coverage above Medicaid but below 138% of poverty is critical to allow normal rapid movement off of Medicaid as income rises.*
 - b. *Improved functioning of the small group market under ACA will be a big factor in small business and job formation (very inefficient market now)*

5. **Insurance is only one barrier to a successful healthcare market with many other impediments to making it fully competitive and functional for patients and purchasers.**
 - a. *Fractured delivery systems, uncoordinated care, excessive concentration, restrictive contracting, limited value information, asymmetric knowledge and poor bargaining ability restrict responsiveness of the system to increased market pressures.*

Biographical Information

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J.B. Silvers, Ph.D., is the John R. Mannix/Medical Mutual of Ohio Professor of Health Care Management, Professor of Banking and Finance at the Weatherhead School of Management and holds a joint appointment as Professor of Epidemiology and Biostatistics in the School of Medicine - all at Case Western Reserve University. Dr. Silvers' research in the areas of financial management and health services has been published in the *Journal of Finance*, the *Journal of the American Medical Association*, *Medical Care*, *Health Services Research*, *Pediatrics* and many others. He often provides commentary on national NPR's MarketPlace, local NPR stations and other media.

From 1997 to 2000, while on leave, he served as President and Chief Executive Officer of QualChoice – a health plan and insurance company in Cleveland, Ohio. During his time there, enrollment grew 30%, profitability improved by \$10 million and the HMO twice received a J.D. Powers Award as the best in the area. After earlier degrees with highest distinction in engineering and industrial management from Purdue, Professor Silvers received a Ph.D. in Finance from Stanford University. He has held appointments on the management faculties of Stanford, Harvard, Indiana University, and Case Western Reserve University.

Since 2003, Professor Silvers has served as a public board member, treasurer and chair of the finance and audit committee of The Joint Commission (formerly JCAHO) and its subsidiaries, an organization that accredits over 20,000 healthcare organizations around the world and engages in quality improvement initiatives. For seven years he was a Commissioner on the Prospective Payment Assessment Commission (ProPAC, the predecessor of MedPAC) advising Congress on Medicare payment, as well as serving on other Ohio and federal commissions. He currently is a board member of MetroHealth Medical Center and SummaCare Health Plan.

In recent years, he has served the Weatherhead School of Management as Interim Dean, Senior Associate Dean, and Chair of the Department of Banking and Finance.