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A Letter to the Members of the HJR 48 and SJR 15 Committees

### **A Vision for a Consumer Oriented Healthcare System for Montana**

The Healthcare System in Montana and in the United States is in crisis. The U.S. spends 60% to 100% more on healthcare than other developed countries in the world. Yet, almost 20% of Montanans and Americans are without healthcare insurance. Other statistics, as well, indicate that Americans are less healthy than the populations of other developed countries and that our current healthcare system is in serious need of reform.

Without significant healthcare reform, healthcare costs will overwhelm our children's generation. Current trends in Medicaid and Medicare spending will increase Federal government spending from the current 20% of GNP to 50% of GNP. This means that Federal taxes will need to increase to an incredible 2.5 times current taxes.

Drug companies, hospitals, medical professionals, insurance companies, employers and government programs dominate current healthcare policies and practices in the United States. The vast majority of medical goods and services are paid by third parties, and not the healthcare consumer. The current system hides the true costs of healthcare. The consumer is disempowered and ineffective when it comes to healthcare. The consequence is that the current system does a poor job of allocating resources and delivers poor value.

Many other developed countries, such as Canada, Germany, and England, to name just a few, have government run healthcare systems. However, America has typically relied on the free market as a more efficient and effective economic model.

Free markets will work only when the consumer is empowered and companies are required to compete for business. Montana should consider legislation that would empower the consumer. The following are some ideas for consumer oriented healthcare legislation:

- 1- Montana should establish an insurance exchange, similar to Massachusetts, whereby individuals own their own insurance. Employers would still contribute to an employee's health insurance, but individuals would be allowed to choose the plan that fits them best and to pay for their portion of health insurance with pre-tax dollars. Only Montanans who had a demonstrated ability to self-insure would not be required to have health insurance (This will minimize cost shifting). Insurance companies could not exclude "high risk" individuals; instead a "high risk" pool should be created to reimburse insurance companies who experience above average loss claims.

Massachusetts used Medicaid, SCHIP, and Medicare waivers from the Federal government to pay for a portion of their healthcare reform. State subsidies will need to be provided for low income Montanans, however much of the cost of subsidies should be recaptured by Montanans from medical providers lowering prices because of the decreased need for charity care. The

advantage of this reform is that costs and prices, as well the relationship of one to the other will be more transparent.

- 2- The legislature should support the current initiative by the medical community to standardize electronic medical records. Individuals should have on-line access to their own medical records.
- 3- Price and quality information for providers should be readily available on-line to consumers. The better educated the consumer, the better.
- 4- Except in emergencies, consumers should be given an estimate of the specific services and an estimate of costs before services are rendered. Consumers should be educated about various viable options for care, as well as providers.
- 5- Patients should be allowed to choose to whom they will be referred.
- 6- Medical labs should be encouraged to allow consumers to order their own lab tests. Labs should be held harmless in the event that consumer ordered tests are mis-used.
- 7- Legislation should insure that cash payers pay lower prices for services than any private third party payer. This will encourage Health Savings Accounts and high deductible insurance plans, which should increase first party payments relative to third party payments. Consumers who are spending their own money will demand good value.
- 8- Incentivize primary and wellness care and penalize the use of emergency and specialty care. More resources should be allocated to maintaining good health, instead of medical resources being primarily focused on acute and chronic care. Promote the concept of the “medical home”, where medical providers are more responsible for their patients overall health.
- 9- Incentivize the use of generic drugs, as much as possible.
- 10- Individuals and families should be better informed and educated about “Hospice” and end of life decisions. Currently, a great deal of medical costs are incurred at the end of life, patients are dying in institutions, being subjected to extreme medical procedures, and are being cared for by strangers, when they might be better served enlisting Hospice services and passing away peacefully at home surrounded by friends and family.
- 11- Patients should be emailed easy-to-understand copies of all bills sent to their insurance companies, and there should be co-pay on all insurance claims.
- 12- Reward consumers for living healthy lifestyles (i.e. allow tax deductions for health club memberships).

One of the biggest problems with the current system is that nobody, in their wildest nightmare, would or could have purposely constructed such a convoluted system. Major changes are needed.

To succeed, we need a vision of what a better system will look like. The goal is design a healthcare system that delivers better value in terms of quality and price. A consumer oriented model for healthcare should be fairly easy for Montanans to envision and embrace, because it would mirror the rest of our economy. Healthcare reform has the potential for greatly improving Montana’s quality of life. Aim high and be bold!

Representative Ernie Dutton