

HEALTH & MEDICINE

Q & A So Who's Really To Blame For Rising Health Care Costs?; Everyone, And No One; Consultant: Critics often choose the wrong target when divvying up blame

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How to pay for rising **health** care costs has been a topic of debate for many decades.

In the 1970s and 1980s, pundits argued that if **health** care costs ever rose to 10% of the country's gross domestic product, the U.S. was doomed.

But **health** costs totaled 14.9% and 15.3% of GDP in 2002 and 2003, respectively.

Health spending nearly doubled to \$1.6 trillion from 1992 to 2002, according to the Centers for Medicare and Medicaid Services.

Still, the U.S. has one of the world's strongest economies.

IBD recently discussed **health**-care costs and related issues with Dr. Peter Kongstvedt, vice president of the managed care practice at Capgemini and author of "The Managed **Health** Care Handbook..

IBD: Is this a **health** care cost crisis.

Kongstvedt: If it's crisis now, it's been a crisis for 25 years.

IBD: Who's to blame? Executives and their high salaries?.

Kongstvedt: The issue of executive salaries is completely irrelevant. I have no opinion on them.

But if those salaries suddenly disappeared, there would be no appreciable change in **health insurance** costs.

Profits of the drug industry are (blamed) by those who wish to redistribute wealth. Others want to blame administrative waste. But administrative costs are only about 11% of **health insurance** costs.

There are plenty of other fingers we can point . . . at the way physicians practice medicine, how hospitals compete for staff and patients, how consumers demand expensive interventions at the price of a small co-payment and so forth.

All of them have an element of truth, but none of them on their own come close to solving the problem of how to pay for care.

What causes the cost of **health** care to go up is . . . hospital costs, outpatient costs, drug costs.

We now treat things that we didn't use to treat. That's good but expensive.

New technology is being invented (and) miniaturized. New devices are invented, new types of transplants, new therapies for chronic illnesses.

Health care is so complex it's impossible to discuss it in the broad public forum. Look how complex topics had to get boiled down during the presidential election and debates. When you start talking about what's really going on, people go to sleep.

We'd like to say it's all due to this one problem -- and if we just fixed this one thing, we'd solve it. But that's naive. If it were that easy, it'd already have been done.

IBD: Will giving consumers more choice help cut costs.

Kongstvedt: There's a lot of discussion about **consumer-directed health** care, such as **Health Savings Accounts** (and) **consumer directed health** plans. But enrollment is still pretty low in these.

They definitely lower costs to the employers. Advocates argue that they also lowers costs to consumers, but it's too early to know if that'll be the case long term.

Ever try buying **health** care benefits on your own? It's impossible. Individual consumers have no ability to gang together and bargain.

IBD: When **health** costs eat into company profits, how does that impact workers.

Kongstvedt: What **health** costs really eat into more than anything is workers' wages..

A benefit is a benefit whether it's wages or retirement and so forth. Most companies have taken away retirement, whether it's a defined 401(k) or something else.

How much **health** costs eat into profits is hard to figure out because so many different things affect profit. But you could argue that if **health** costs remained flat, it would help profits..

Workers pay more out of pocket in total dollars for their **health insurance**, but they're paying less as a percent of total costs. That's been going on for almost 25 years. Most employers have continued to absorb the increases..

IBD: Will electronic medical records help save any money.

Kongstvedt: Electronic **health** records will strongly benefit quality and access to care. It's less clear if we'll actually save any money.

There's an argument that we'll save money because we'll reduce the error rate. But **health** costs are going up anyway, regardless of . . . electronic **health** records.

It could help with disease management for patients with significant chronic illnesses. It can very much help with predictive modeling -- when you're trying to figure out which of your patients will most likely end up in the emergency room, for example, so you can work with them.