Two weeks from today, millions of Americans will go to the polls to cast their ballot in national and local elections. Perhaps the most important of those will be the choice of the 44th president of the United States.

This affords us a unique opportunity at this year’s MGMA annual conference to examine the current state of healthcare in our country, consider the positions of the candidates for president, and weigh our individual decisions about what is best for our practices---and for our country.

I may rightly be accused of understatement when I say that this is a difficult time for America. We have been embroiled in war for the last five years, fear of terrorism has become a staple of daily life, and our economy---along with the economies of most of the other nations in the developed world---is in the midst of the worst downturn since the Great Depression. While healthcare was forecast by most observers to be a major campaign issue in this election, it clearly has been overshadowed by the recent stock market collapse and the crisis in credit availability.

Nonetheless, the problems with healthcare in our country are not going to go away. And addressing those problems will be an inescapable task both for the new Administration and for the new Congress.

All of you, certainly better than most citizens, are intimately familiar with the ills that plague our healthcare system---after all, you must deal with them each and every day. But let me take a few minutes to just touch on some of the most significant concerns.

We spend more on healthcare in the US than does any other country in the world---an estimated $2.3 trillion in 2007, or $7600 for every man, woman and child in our nation. Healthcare spending is 4.3 times
national defense spending---even though our defense spending has soared because of the wars in Iraq and Afghanistan. The Medicare program overspends its budget each year and is projected to become insolvent in about 10 years. But despite the massive annual investment we make, the World Health Organization has ranked US healthcare as 37th in the world---behind most of Europe, Japan, Morocco, Chile and Colombia among others. Our system is riddled with inefficiencies, excessive administrative expenses, inflated prices, inappropriate care, waste and---yes--- fraud. Healthcare quality and safety in our country range from superb---to inexcusable.

More than 1000 health insurance companies offer our citizens a vast array of different health insurance products. Yet some 45 million people are without any form of health insurance.

One of the biggest problems with our healthcare system is its outlandish administrative cost. Remember that those costs accrue in a number of places in the system---with insurers (both public and private); with medical groups; with hospitals---indeed, with any provider who must deal with the multiple insurers, multiple coverage policies, and multiple payment mechanisms that characterize US healthcare.

Henry Aaron, a well-respected healthcare economist, has described the US healthcare system as "an administrative monstrosity, a truly bizarre mélange of thousands of payers with payment systems that differ for no socially beneficial reason, as well as staggeringly complex public systems with mind-boggling administered prices and other rules...that can only be described as weird."

Indeed, administrative costs account for about 30% of the total cost of healthcare in the US. That translates to some $690 billion in 2007. By contrast, Taiwan, which provides health insurance for all its citizens, spends about 2% on administration. But Taiwan has one of the most technologically sophisticated national health information systems in the world---every Taiwanese has a health insurance card with an embedded chip that is used not only to speed payment of health insurance claims, but also to link to a personal health record that can improve both the quality and efficiency of care provided.

So the challenges facing our next President will be immense. And each of the candidates has recognized the importance of that challenge and has set forth proposals for reform.

But while "change" has been a watchword in the campaign rhetoric of both parties, REAL change is not apparent in the health care platforms of either. While both Sen. Obama and Sen. McCain propose a number of reforms, neither has really addressed the fundamental shortcoming of the American system for paying for healthcare: we simply offer economic incentives for the wrong things.

Let me spend a few minutes describing the healthcare plans of the two candidates:
First, Senator Barack Obama. His healthcare platform has three key points: expanded coverage; cost and quality controls; and prevention and public health. He would move towards universal insurance coverage through employer mandates (a “play or pay” option, where employers that do not provide health insurance for their employees would have to pay a tax that will fund a national insurance program for such individuals). He also proposes a new public insurance program, modeled on the Federal employees program, for those not covered by employer-based insurance, or not eligible for Medicare, Medicaid or SCHIP; mandatory insurance coverage for children; insurance subsidies for low income families; and a prohibition against denial of coverage because of pre-existing medical conditions. This expansion in insurance coverage would be funded by an increase in payroll taxes and by an income tax increase on individuals earning more than $250,000 per year. According to a recent study by the Lewin Group, Sen. Obama’s plan would reduce the number of uninsured people by 26.6 million in 2010 and would increase Federal government costs by $1.17 trillion over the ten years from 2010 – 2019.

Sen. John McCain also offers a healthcare platform that has three key components: expanded coverage through market forces; delivery system reform; and personal responsibility. His approach to expanded coverage is very different from Sen. Obama’s, reflecting his very different political philosophy. He proposes that the tax deductibility of employer-provided health insurance benefits be eliminated, and that the value of those benefits become taxable income to workers. He would then offset that tax increase with a $2500 tax credit for individuals and a $5000 tax credit for families. To assure that the tax credit is used for health insurance, it would be paid directly to a health insurer for those individuals who do not have employer-provided insurance. Since the cost of the tax credits would be more than the increase in tax collections from taxing insurance benefits, his plan also calls for about $1.3 trillion in cuts to Medicare and Medicaid over the next ten years. According to the same study by the Lewin Group that I mentioned earlier, his plan would reduce the number of uninsured by 21.1 million by 2010 (about 5.5 million fewer than the Obama plan) at a cost to the Federal budget of $2.05 trillion over ten years.

Clearly, the two candidates have radically different ideas about how to attain broader insurance coverage. But despite that dichotomy, there are many more similarities than differences between them in the rest of their healthcare platforms. Both candidates intend to expand pay-for performance programs, offer incentives for information technology adoption, favor bundled payments for episodes of illness, believe in the importance of transparency of information on costs and outcomes, and support lifestyle changes that would improve health. Sen. Obama also mentions disease management, advanced medical homes, comparative effectiveness research, negotiated drug pricing, reducing administrative waste and eliminating subsidies for Medicare Advantage plans as elements of his approach to cost control and quality improvement. Sen. McCain specifically references tort reform as part of his vision for delivery system reform.
But despite these detailed campaign platforms, neither of the two candidates seems willing to address the real problem. The fact is, in our healthcare system it is simply more profitable to provide extensive, expensive and invasive services than to keep people healthy. Hospitals are paid MORE when patients develop complications, or stay longer, or suffer a care-related injury. Physicians can make more money by increasing the volume and complexity of services they provide, or by increasing the number of patients they treat per unit of time. All providers do better economically when people require hospital care, develop complications of their illness and receive intensive and invasive services. Keeping people well and out of the hospital actually reduces income for both physicians and hospitals. Until we come to grips with this fundamental misalignment between the stated goal of healthcare---keeping our people well---and the economic incentives offered in the current system, we're simply tinkering around the edges of the problem.

Any effort to truly reform healthcare must be based upon four core principles: First, it must be agreed that healthcare is a basic human right. In an enlightened, caring and wealthy country like ours, no one should have to choose between paying the rent or paying for health insurance; between buying groceries or buying medicines; or between clothing their children and giving them needed preventive care.

Second, real change means totally reforming the way we pay for care. We must create payment systems that reward physicians who are able to keep their patients healthy, and who quickly restore them to health when they become ill. Hospitals that quickly and efficiently restore the health of their patients should be economically rewarded---and those that allow complications or injuries to occur should not. People who maintain a healthy lifestyle should pay less for health insurance than those who do not. And for the healthcare industry as a whole, merely treating more patients, or ordering more tests, or doing more procedures, or prolonging treatment should not be a pathway to profit.

Third, administrative waste must be reduced. As I noted earlier, we spent about $690 billion on administrative costs in our nation in 2007. If we were to reduce that amount by just 30%, it would free up enough money to buy an individual health insurance policy for every one of the 45 million uninsured people in America---and have a few million dollars left over. I’m not optimistic that we can quickly become as technologically advanced as Taiwan, where everyone has a multipurpose health insurance card with an embedded chip that is used to process all their insurance transactions and to provide access to an electronic personal health record—but in a country like ours, surely we can find the will and the means to at least give every insured person a standardized health insurance ID card with key information contained in a magnetic stripe. Visa, MasterCard, and American Express can do it---surely our nation’s health insurance industry can do it, as well.

Finally, financial incentives for insurers, physicians, hospitals, and other providers---as well as for patients and consumers---must be better aligned. We can no longer afford a system where the players are pitted against one another.
A system in which the only way for one of the parties to profit is by causing the other parties to lose is a system designed to fail. If everyone in our industry can work together to make people healthier, then we should all profit from our work. But if we fall short of that goal, we should all share the adverse economic consequences.

Thomas Friedman, the distinguished journalist, and author of The World is Flat, recently wrote the following:

“A ‘dumb as we wanna be’ mood has overtaken our political elite. A mood that says we can indulge in petty red state – blue state fights for as long as we want and can postpone shoring up our healthcare system and our crumbling infrastructure, postpone addressing immigration reform, postpone fixing Social Security and Medicare, and postpone dealing comprehensively with our energy excesses and insecurity---indeinitely. The prevailing attitude on so many issues in Washington today is “we’ll get around to it when we feel like getting to it and it will never catch up to us, because we’re America”.

Last week, I participated in a statewide healthcare forum in Nevada. One of the panelists there said, with considerable justification based on his experience, “Washington doesn’t like big changes---so we probably will see more tinkering rather than major healthcare reform.”

I hope he is wrong. Regardless of which candidate wins the election, I hope that he will realize that real change is needed in healthcare---and we can’t afford to keep waiting for things to get better. But real change will require real political courage; it will require the collective wisdom of a great many people; and it will require a willingness to consider a totally new approach to organizing and paying for healthcare.

I hope that each and every one of you will not only exercise your right to vote on November 4, but will also add your voice to the call for REAL change---now. If you agree with the four reform principles that I’ve outlined, I hope you’ll share them with your friends, your family, your physicians and staff, your colleagues---and perhaps most importantly, with the people that you choose to represent you in Washington and in your state capital.

And after the election is over and the dust has settled, I hope you will join with me in keeping the pressure on the new Administration and Congress to begin a process of REAL healthcare reform. The people of our nation deserve no less.

Thank you.