

Treatment Drives Health Care Costs

by Dennis R. Ackley

After months of discussing health care reform, politicians still aren't saying much about what actually drives health care costs. Perhaps politicians do not want to be viewed as cruel or insensitive — concerned about the almighty dollar when everyone's health is at stake. But our country needs to focus on some simple facts and hold back the emotions so we can gain a better understanding of the basic financial aspects of U.S. health care.

If we're serious about controlling the major part of health care costs, we've got to deal with basic facts:

- *The overwhelming majority of the cost of health care goes to provide treatment or to support the delivery of treatment.*
- *The only way to significantly reduce or control the cost of health care is to reduce or control the delivery of health care treatment.*
- *There are only two ways to control the major source of health care costs.*

1) **Use less treatment.** We can use less by getting healthy or staying healthy — eating right, exercising, giving up smoking and wearing seat belts. Another way to use less is to get regular checkups and seek treatment of uncommon ailments early. This gives doctors

the chance to treat small problems before they become expensive ones.

2) **Provide less treatment.** Doctors, lawyers, government officials — somebody — can start delaying or denying our access to health care. This sounds horribly harsh. Yet if our access to treatment is limited or if we are directed to more cost effective treatment, we'll spend less on health care.

Now the emotions kick in.

"If we do not place controls on the delivery of treatment, then the issue is how to pay the cost."

Limiting access could be as simple as a mandatory waiting period to see a doctor for nonemergency care of common ailments, such as colds or flu. It could also mean having to see a general practitioner before going to a specialist or being denied access to an emergency room for nonemergencies.

At the extreme, limiting access could include denying treatment for expensive and often marginally effective care. This might include denying treatment to severely premature babies or very elderly people with terminal diseases.

- *If collectively as a nation we're unwilling or unable to limit the use of health care treatment, then we must find ways to pay for it.* Our medical industry, probably the best in the world, has developed the means

to prolong lives. But some of this high tech, heroic treatment comes at a huge cost. If we do not place controls on the delivery of treatment, then the issue is how to pay the cost.

- *There are only three sources of money to pay health care treatment costs: taxpayers, employees, and employers.*

Treatment — not coverage — drives the cost.

In discussions about health care, who has coverage and who gets treatment seem to be interchangeable. But they're very different issues. Lots of people who don't have coverage do get treatment. They generate an expense but may not pay it. That expense is passed on as higher treatment charges and high taxes that someone else pays.

If the reformed system provides more treatment — or treatment to people who aren't now receiving treatment — the costs must go up. The exception may be if early or more efficient treatment prevents more expensive treatment. Yet people who have preventive coverage don't always use it. So covering more people won't assure efficient delivery of treatment. Cutting out inefficiencies will help. So might adding competition. Changing insurance laws to require coverage of existing conditions seems logical.

However, if we're serious about controlling the major source of health care costs, the only significant way to do that is to use less treatment.



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Dennis Ackley

Dennis Ackley is a nationally recognized leader in benefit communication and retirement education. His innovative, award-winning communication programs have reached more than three million employees on topics such as retirement planning, investing, health care, benefit choices, pay, and incentive plans. Dennis has created communication campaigns for hundreds of the country's largest employers. He has written more than four dozen articles for such publications as *HR Magazine*, *Benefits Quarterly*, *Employee Benefits News*, and *Communication World*. He is a featured speaker at scores of conferences including the International Foundation of Employee Benefit Plans, Profit Sharing/401(k) Council, the PBGC, The Conference Board, Pensions & Investments, and Benefits Management Forum and Expo.

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