

# Reforming health care

How health care reform can help to save money **Interviewed by Dale W. Hlaves**

**A**s the national economy continues to try to recover, business owners are searching for a way to cut the cost of providing adequate health care without pricing the goods and services out of their employees' reach.

"I think that having fair and equitable access to health care and health care insurance is right in our DNA," says Ed Hannum, president and chief operating officer of AvMed Health Plans. "It's what we're all about as a country."

*Smart Business* spoke to Hannum about health care reform and how it could help keep medical costs in check.

## Where does the health care insurance industry stand on health care reform?

Clearly the high number of uninsured people is a huge challenge in this country. Discriminating against people because of their health status, age or gender is something that needs to be eliminated. And the health care industry wants as many people as possible in the insurance pool because, by having people participate, you get a normalized distribution of risk.

The pillars of reasonable health care reform should improve what we have now. You have 170 million people insured through group health insurance and about 46 million people who are uninsured. We need to improve access to Medicaid and children's health insurance plans. The people who are falling through the cracks are working people who can't get access to state and federal governmental programs.

So how do we help small businesses cover more employees? We need to make for a fair and transparent marketplace. The industry continues to work with legislators, President Obama and his administration to craft good, solid health care reform. There's a tremendous amount of insights — how to get waste out of the system, how to become more efficient, and how to ensure that there's good quality and good access.

## What are the key components of reform?

We see 5 or 6 percent of our membership driving 55 or 60 percent of the cost; it's an amazing inverse relationship. One of the things that we should be looking at is how to keep people well, to make sure that kids get immunization or that adults get their screening exams on a regular basis.



**Ed Hannum**  
President and COO  
AvMed Health Plans

Because if you have an issue and you pick it up early, you'll improve the probability of getting it corrected. Not to mention that the Centers for Disease Control and Prevention estimate that eliminating a poor diet, inactivity and tobacco use would prevent 80 percent of the heart disease and type 2 diabetes and 40 percent of cancer.

Another part of the reform movement would be determining how employers can better educate their employees to be more accountable for their health. We've got to encourage employers to step up and put these types of programs in place in partnership with the industry. By getting consumers more involved through deductibles and co-insurance, they are going to be more conscientious about using the health care system in the appropriate manner, such as using an urgent care center as opposed to an emergency room. Health care has been one of the last sectors of the economy where the traditional laws of supply and demand and informed consumers don't exist.

Ideas such as best practices and evidence-based medicine have shown to be highly effective and should be practiced consistently. I think the government in general is very interested in making sure that people get good care in the proper place and at the right time.

Administrative costs can be approached

by getting rid of billing inefficiency and choosing a common language. We've all been through this. You go to the doctor, you answer a bunch of questions, you get treated. Two months later you go to another doctor and you're answering all the same questions. There's no communication link, there's no personal health record, there's no portability to get information. And then, oftentimes what you end up having are doctors doing the same tests. Those tests should have utility across the boards.

Our industry needs to make sure we don't lose sight of medical innovation and creativity in the way that we practice medicine. We lead the world, frankly, in innovative medical practices and I would hope that wouldn't get thrown out with the bathwater with any sort of reform movement.

## What is the public health plan and what are some of its pros and cons?

There's not a great deal of specificity in it. The industry is deeply concerned that if the government plan is introduced, looking at the way the government has operated Medicare in the past, if they start to get significant share and scale in the private sector, they're going to cut back on rates of reimbursement to hospitals and physicians. The hospitals and physicians will seek to make that deficit up through the health care insurance industry, which, in turn, would give the government even more of a competitive advantage in that they'll be able to charge a lot less. Yet, what's truly happening is that the other members in the private sector are subsidizing the government.

Beyond that I'm not sure that the government would have the ability to ensure that there's quality health care and appropriate management. When you connect all the dots of the various players involved, it becomes quite tedious to juggle that and ensure a good outcome; we really don't have a health care system. We have a fragmented collection of different pieces but certainly it's not what anybody would call a system. In a practical way I'm not so sure that if we did evolve to a single parent system that people in this country would embrace that. <<

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