



***“We do not have to
see eye to walk
hand in hand”***

...Phillip Gambel

u n i t y

vision

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What can we agree upon?

- ***Cost control*** – health care costs should parallel other costs in society.
- ***Access to care*** – the barriers between those in need and care should be minimized.
- ***Quality of care*** – innovation should be encouraged and rewarded.
- ***Decrease tax payer liability*** - Our plans should not burden following generations.

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Health Care Theories

Top Down (*non-voluntary*)

- Insurance for everything
- System defines needs
- Innovation bad
- Cost control from without
- Increased taxpayer liability

Bottom up (*voluntary*)

- Insurance – major needs only
- Individuals defines needs
- Innovation good
- Costs controlled from within
- Decreased taxpayer liability

Medicare
Medicaid
Managed Care



Consumer
Directed
Health Care



National Health Care

Free Market





Insurance – not the problem / not the solution!

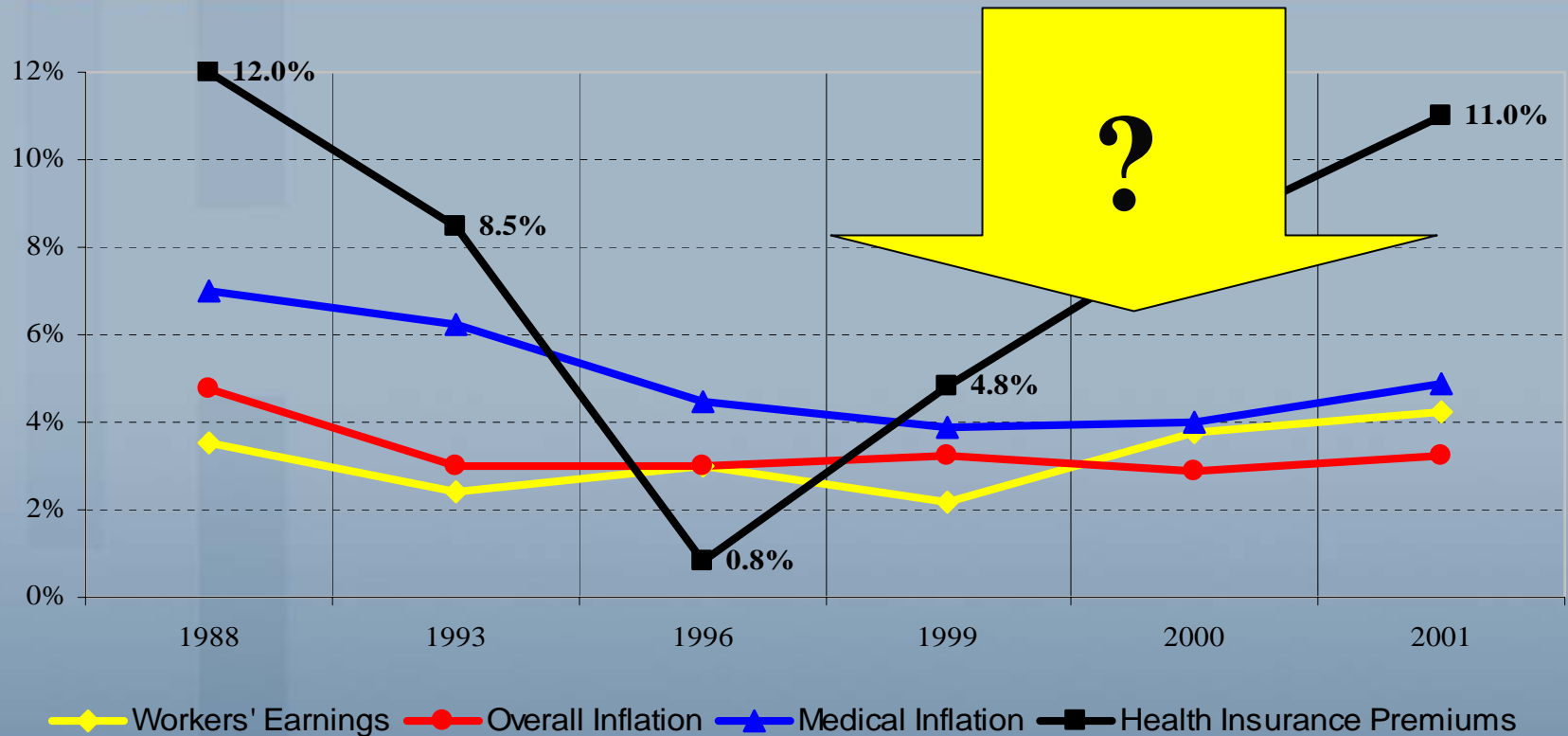
Insurance for everyone the answer?

- 61% with insurance struggle to pay medical bills (*USA Today, Kaiser Family Foundation, Harvard Study*)
- 47% of bankruptcies related to medical bills [\$11,854]; 75% had insurance at the start! (*Health Affairs, 2 February 2005*).
- Without addressing the real costs (transparency) insurance is not the answer

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The Challenge: Align premium inflation with medical inflation



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2001;
KPMG Survey of Employer-Sponsored Health Benefits, 1988, 1993, 1996.

What is the cause for increased costs?

Insurance
Premiums

Emergency
Room Visits

Administration
Fees

Technology
& Pharmacy

Physicians'
Fees





*Health*INFLATION News – Health Care Inflation (3/31/04; Vol. 13, No. 3)

Annual Inflation Health Care Indexes	March 2003	February 2004	Net Increase in inflation
Dental Care	3.6	5.2	1.6
Eye Care	- 0.1	1.4	1.5
Medical Equipment & Supplies	- 0.2	1.2	1.4
Non-prescription drugs	1.2	1.6	0.4
Physician Care	3.0	3.4	0.4
Health Care	4.3	4.2	- 0.1
Prescription Drugs	3.7	2.8	- 0.9
Nursing Home Care	5.5	4.4	- 1.1
Inpatient Hospital Care	7.2	5.9	- 1.3
Misc. Professional Care	3.2	1.8	- 1.4
Outpatient Hospital Care	11.9	6.0	- 5.9



Health Care Theories

Who “owns” the dollar?

- Capitalism – the *Company*
- Socialism – the *State*
- Free Market – the *Individual*

Medicare
Medicaid
Managed Care



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Pharmacy Costs

(note: True costs buffered by co-pays)

\$10-20 Co-pay
(Inflation-10-20%/yr)

Zofran = \$ Thousands

**Nausea
during
Pregnancy**

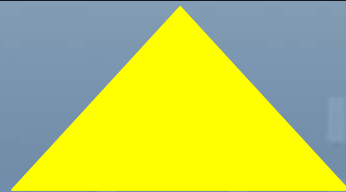
Price compare the
value/cost benefits
(Inflation 2-3%/yr)

**B6 and Doxylamine
Succinate = a few \$**



National Health Care

Free Market



The Power of Free Market Forces!



Surgical Costs

(Note – total costs to individual are approximately the same!)

More than \$15,000

Deductible plus 20%
of hospital charges =
>\$3,000 plus surgeon
and anesthesia bills

**Hernia
Repair**

\$2,500 (Surgeon,
Anesthesia, Surgical
site fees included)



National Health Care

Free Market



The Power of Free Market Forces!



Lab Tests Costs

More than \$400

Routine Lab Tests:

\$89

**Lipid Profile
Thyroid Panel
Blood Count
Chem. Profile**



National Health Care

Free Market



The Power of Free Market Forces!



Hospital Costs

Routine Delivery (OB Care) - \$3,500 - \$5,000

ER Visit - \$1,500

Gall Bladder - \$27,000

**Most states allow
billing the
cash patients
400% more than
insurance
carriers!**

Routine Delivery (OB Care) - \$1,200 - \$2,500

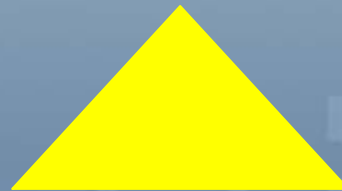
ER Visit - \$300-500

Gall Bladder - \$9,000



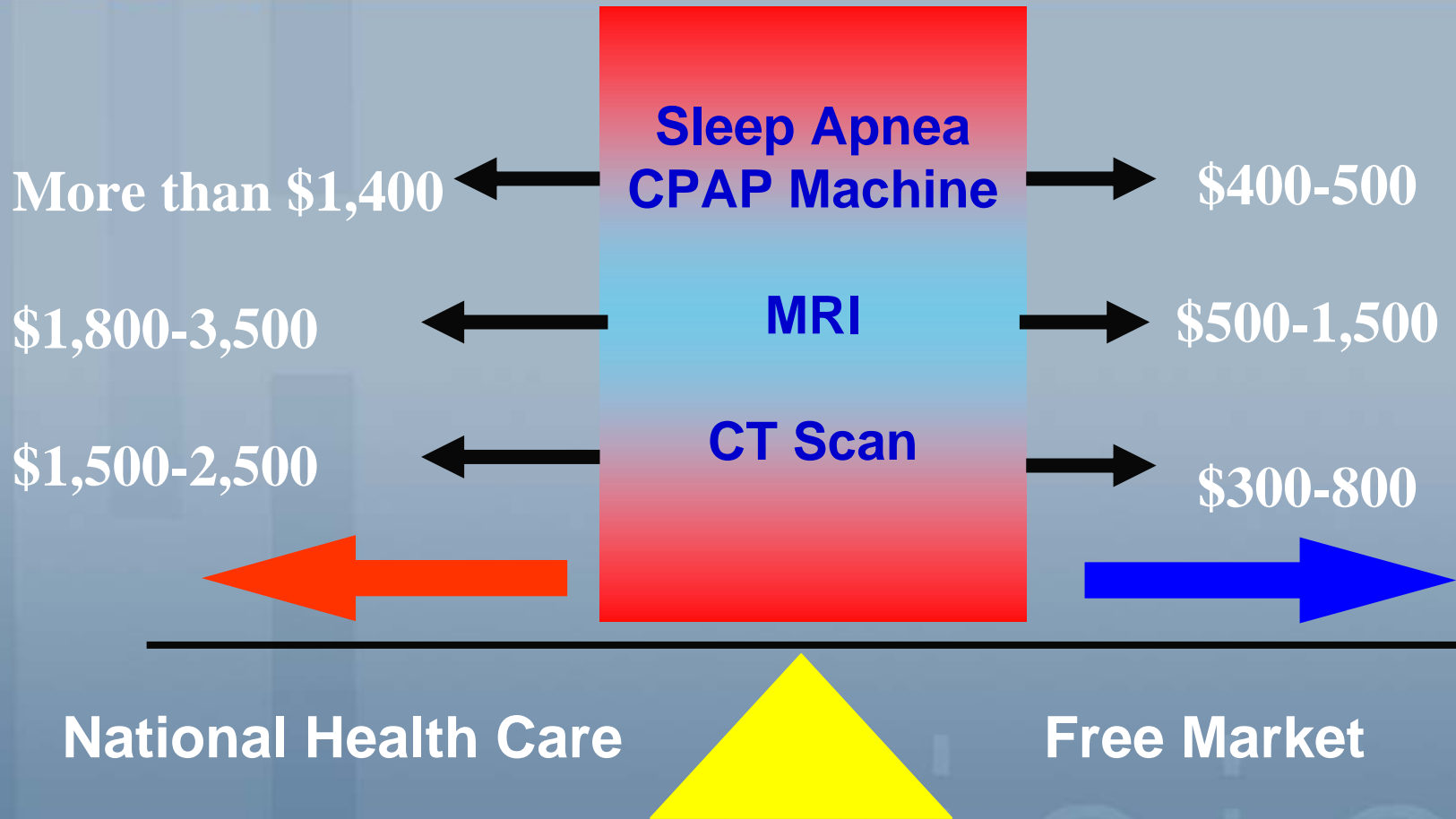
Hospital Billed Rate

Insurance payment





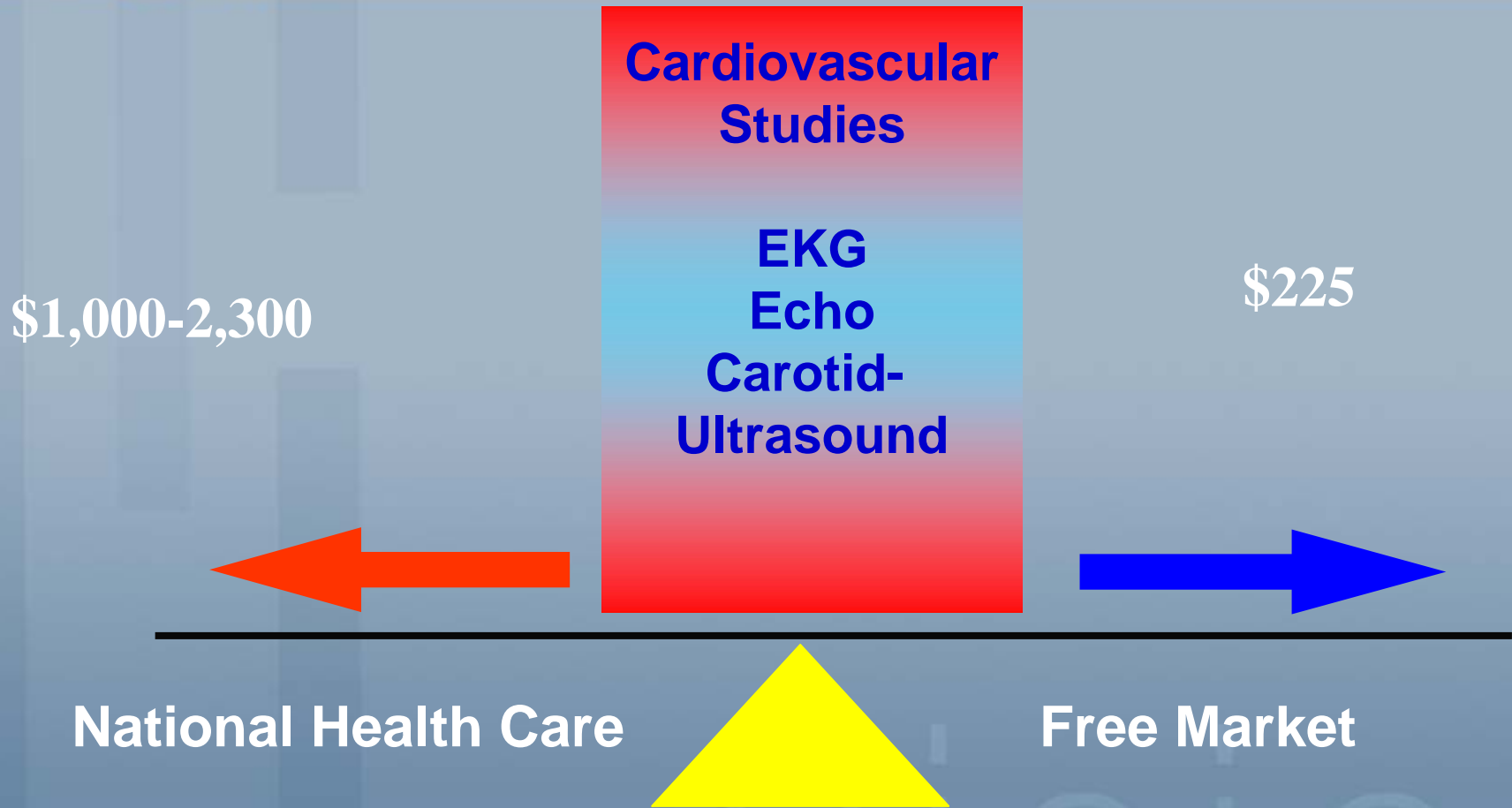
CPAP (Sleep Apnea) & Diagnostic Studies



The Power of Free Market Forces!



Cardiovascular Studies



The Power of Free Market Forces!



Do People Want Medical Savings Accounts? *(Zogby Poll, 1006 likely voters)*

- **80% Democrats**
- **89% Republicans**
- **77% Independents**
- **91% 18-29 year olds**
- **71% > 65 year olds**
- **81% Hispanics**
- **79.6% African/Americans**



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Consumer Directed Health Care

Consider this model for your “benefits.” Determine how much you can spend/month for benefits.

1. Divide this money as follows:
 - a. High-deductible policy
 - b. Pre-tax savings option (HRA/HSA)
2. Educate/Empower employees
3. Focus on prevention and effective disease management.
4. This helps those without insurance because costs are controlled.



How much does a co-pay cost?

(Two Companies spending \$1000/month for benefits)

Each company spends \$1,000/month for employees	Company ABC	Company XYZ
Insurance Costs	\$1,000 for a \$500 deductible with Office Visit /RX Co-pay	\$500 for a \$1,500 deductible without Co-pays
HRA or HSA	NO	\$500/month X 12 = \$6,000/year
Office Visits	\$10-20 Co-pay	\$100/visit—pay with medical debit card from HRA or HSA.
# Doctor Visits/year	5 visits—\$50-100 (out of pocket)	5 visits = \$500 (from the HRA or HSA = first dollar coverage)
10 Prescriptions/year	\$100-200/year (out of pocket)	\$500 (Medication purchased without a Rx plan)
Total out of pocket expenses	Doctor visits—\$100 (5x\$20) <u> RX—\$200 (10x\$20)</u> Total: \$300	Doctor Visits—\$500 <u> Rx—\$500</u> Total: \$1,000
Unspent Benefit Dollars Saved	Zero	\$6,000—1,000 = \$5,000 \$5,000/5 visits = \$1,000/co-pay



Skeptical? – triple my cost estimates

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Insurance Costs	\$1,000 for a \$500 deductible with Office Visit /RX Co-pay	\$500 for a \$1,500 deductible without Co-pays
HRA or HSA	NO	\$500/month X 12 = \$6,000/year
Office Visits	\$10-20 Co-pay	\$300/visit—pay with medical debit card from HRA or HSA.
# Doctor Visits/year	5 visits—\$50-100 (out of pocket)	5 Visits (\$300/each)=\$1,500 (from the HRA or HSA)
10 Prescriptions/year	\$100-200/year (out of pocket)	\$1,500 (Medication purchased without a Rx plan)
Total out of pocket expenses	Doctor visits—\$100 (5 x \$20) <u> RX—\$200 (10 x \$20)</u> Total: \$300	Doctor Visits—\$1,500 <u> Rx—\$1,500</u> Total: \$3,000
Unspent Benefit Dollars Saved	Zero	\$6,000—3,000 = \$3,000 (\$3,000/5 visits = \$600/co-pay)



“If you think health care is expensive now, just wait until it is free!”

...Unknown

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