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Big business dominates health care

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In a system where we pay so much for health care, why is malpractice such a problem?

Delivery of health care is a triangulation dominated by big business. It is a three-party relationship -- managed care organizations, doctors and patients -- where managed care organizations urge doctors to see more patients in less time; doctors are responsible for health care they don't control; and patients are fungible.

Though reducing the amount we pay doctors per patient should reduce the total cost of health care, there's no free lunch. When doctors are paid less per patient, they make up the loss by seeing more patients in less time. The result is not hard to imagine.

By seeing more patients in less time, the quality of care declines, mistakes are made and patients suffer. To understand that, compare health insurance and managed care. The distinction makes a difference:

Insurance: indemnification.

Managed care: reimbursement.

When insurance is the payment vehicle, the policyholder pays an insurance company a monthly premium, much like car insurance. If the policyholder becomes sick, he purchases health care from a doctor and pays him the reasonable price for the service rendered. Later, the insurance company pays (indemnifies) the policyholder the amount he paid the doctor. If the policyholder paid the doctor more than a reasonable price, the policyholder eats the difference.

Insurance however is not the norm. Most Americans (174 million) get health care because their employer purchases a "plan" from a "managed health care organization." Managed care organizations are not insurance companies; they have a completely different business model, even though they call themselves insurance companies.

When managed health care is the payment vehicle, the plan member is outside the payment loop. If the plan member becomes sick, he is treated by a PPO doctor and (except for deductibles and co-pay) he does not pay for the services. The managed care organization pays the doctor.

Here's the tipping point. Under managed care (unlike insurance), the reimbursement amount the doctor receives is fixed by a PPO contract between the doctor and the managed care organization. The reimbursement amount is secret and never disclosed to the patients. Under those contracts, the reimbursement paid to PPO doctors and PPO hospitals is steeply discounted. The difference between the reasonable cost of care and the amount paid to doctors and hospitals by managed care is often as much as 600 percent to 800 percent.

Under managed care, where most Americans get their health care, per patient, doctors and hospitals are paid a small fraction of their actual worth.

To recoup their loss, doctors treat more patients in less time. "More patients in less time" is a toxic recipe for substandard care. Some PPO doctors treat a remarkable 30 to 35 patients a day.

In a letter to The New York Times, Dr. Michael Harel comments: "Practicing under price controls, as most physicians do today under Medicare and managed care, does not leave us much choice when malpractice insurance premiums rise. In order to balance the books, one has to increase one's daily office visits by reducing the allotted time per patient, which sooner or later will negatively affect quality of care and result in more malpractice suits."

It's astonishing there aren't more lawsuits.

Good health care and managed care are a contradiction since good health care is labor intensive and inefficient, and good business is an exercise in cost cutting. Which do you prefer, good medical care or good business? Who among us is foolish enough to want a doctor who is in a rush to see more patients?

Like you, doctors don't have much choice. A patient can use only doctors on the PPO provider list, and doctors can see only patients who subscribe to the same managed care organization the doctors contract with. In a climate where managed care organizations decide which doctors will be on the PPO provider lists, doctors can't build and maintain a practice based on referrals. Their reputation is not their primary source of patients. Their primary source is managed care organizations, and in the same manner managed care organizations can funnel patients to doctors by signing them to PPO contracts, so too they can funnel patients away by declining to renew PPO contracts, and there is nothing the doctors can do about it.

Though managed care executives work doctors hard and shave them with steeply discounted reimbursement rates, they pay themselves extraordinarily well.

In a health care system run by businessmen, patients should expect to be harmed and doctors should expect to be sued. What's unforgivable is that we (doctors, hospitals, plan-members and the uninsured) go along with it.

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