

COLORADO COMMISSION ON AFFORDABLE HEALTH CARE

In a response to the Cost Commission's call for written input, Vince Markovchick, M.D., president of the Health Care for All Colorado Foundation, offered these comments:

September 3, 2015

Submitted to the Colorado Commission on Affordable Health Care

1. What are the fundamental cost drivers and why?

- a. Private health insurers' administrative overhead now limited to 20% by the PPACA. This is wasteful and excessive when compared to basic Medicare that has an administrative overhead of 3%.
- b. Hospital costs. The cost to charge ratios for all hospitals in Colorado range between 7:1 to 2.5:1 and the average for all Colorado hospitals is 3.56:1. The public has the right to know in advance what these charges are for each hospital which is why it's imperative that ALL hospital chargemasters be made public and all charges need to be justified by each hospital.
- c. Prescription drug costs. Why are costs for prescription drugs 40-50% higher than those paid by the Canadian health care systems?
- d. Providers' charges. What are their charges for the most common services/procedures? What is their overhead for billing and collecting from a myriad of insurers?
- e. Durable medical equipment and device costs
- f. Nursing home care
- g. Hospice care

2. What are the barriers to reducing costs?

- a. What some of us consider waste and abuse many in the medical industrial complex consider income and profit
- b. Special interest dollars and lobbyists have great influence over legislation and regulation
- c. Lack of transparency regarding costs and no accountability to justify any of the many excessive charges and expenditures
- d. No "certificate of need" requirement in Colorado which would limit the wasteful spending on unnecessary hospital construction and capital expenditures
- e. Almost no one is jailed for health care fraud. In fact, the greater the greater the dollar loss the less likely that anyone is jailed. Fines sometimes in the billions and often in the millions of dollars are simply the "cost of doing business" (e. g. recent fines totally \$500 million paid by DaVita headquartered in Denver)
- f. Political demagoguery (e. g. "death panels") rather than bipartisan cooperation on health care issues.
- g. Inability of Medicare to negotiate prescription drug prices and huge excess payments to Medicare Advantage private insurers.
- h. For profit entities in our medical industrial complex whose primary responsibility is to stock holders rather than to patients
- i. Hospital and insurance companies' CEOs and administrative salaries and stock payouts and their incentive to maintain and protect their income stream.
- j. Failure to educate the general public on the facts regarding health care costs.

- k. Refusal of our elected leader to espouse access to health care as a basic human right in contrast to 23 other developed countries.
3. **List the things that you are doing to address costs that are unique**
- a. Educating as many individuals on the facts regarding the costs and shortcomings of our current dysfunctional fragmented health care system.
 - b. Advocating for transparency in costs starting with making all charge masters public.
 - c. Advocating for a publicly financed single payer universal health insurance program i. e. Medicare for All.
4. **Is there any supporting data that demonstrates a reduction in costs?**
- a. Recent reports from CMS, the Rand Corporation, the Institute of Medicine and publications in peer review journals that there is up to \$1 TRILLION of waste fraud and abuse in our current U. S. health care system—more than enough money to provide comprehensive health care coverage to all of our residents.
5. **Where do you see waste in the system?**
- a. Excessive administrative overhead and profit-31% of our \$2.3 trillion health care expenditures do not go to health care in contrast to 10% overhead in Canada and 3% for basic Medicare.
 - b. In Colorado, the “arms race” between hospitals resulting in costly and unnecessary hospital construction.
6. **What are the principal barriers to transparency?**
- a. Refusal of for profit entities to make details of their business public.
 - b. Refusal of hospitals to make their charge masters public
 - c. Need to protect very high CEO and administrative salaries.
 - d. Protection of “proprietary” data by insurers and other providers.
 - e. Most hospitals could not justify their excessive charges and salaries and therefore will not subject themselves to public scrutiny and potential embarrassment.
 - f. Public exposure to waste and abuse in our current system.
7. **What would you change to make things better related to cost?** See my above responses and suggestions.