



The Problem is Poverty
Why Poverty and Income Inequality
Are at the Core of
America's High Health Care Spending

NHA Nebraska Hospital Association
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When We Look at a Picture, What Do We See?



**It Depends on
Who is Doing the
Looking**

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The Same Holds True for Healthcare



Is it a commodity or a right?
Efficient or inefficient?
Effective or ineffective?

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To See It Differently We Have to Challenge Our Assumptions



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Do We Really Know What We Know?



Did Paul Revere say “the British are coming?”

Did Eve eat an apple?

Did Vikings wear horns on their helmets?

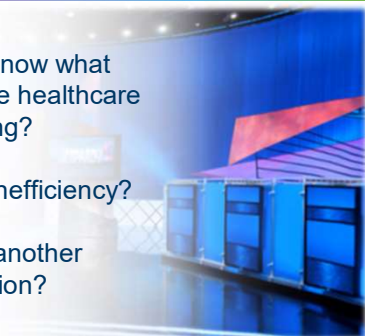
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The One Trillion Dollar Question

Do we really know what causes excessive healthcare spending?

Is it waste and inefficiency?

Or is there another explanation?



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The Man Who Got It Right



Richard "Buz" Cooper, M.D.

- 1936-2016
- Chief, Division of Hematology and Oncology, at the Hospital of the University of Pennsylvania
- EVP and Dean, Medical College of Wisconsin
- Senior Fellow, Leonard Davis Institute of Health Economics, University of Pennsylvania
- Director, Center for the Future of the Healthcare Workforce, New York Institute of Technology

A "Voice in the Wilderness"

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The First Academic/Policy Analyst to Ask: "What Physician Surplus?"

Multiple publications questioning COGME's prediction of 100,000 too many doctors

There is a shortage of specialists – is anyone listening?


Academic Medicine (2002)

...and many others



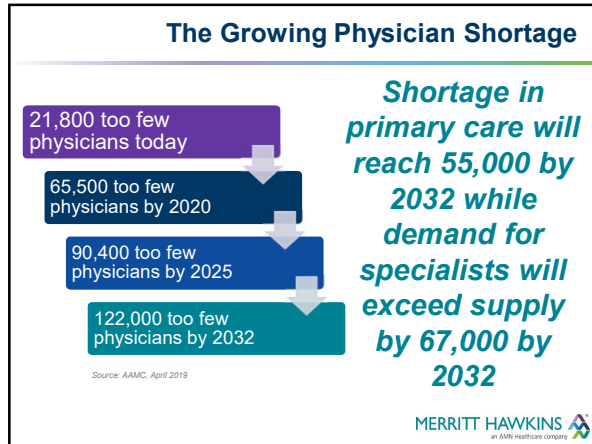
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Dr. Cooper the "Contrarian" Now is Backed By:

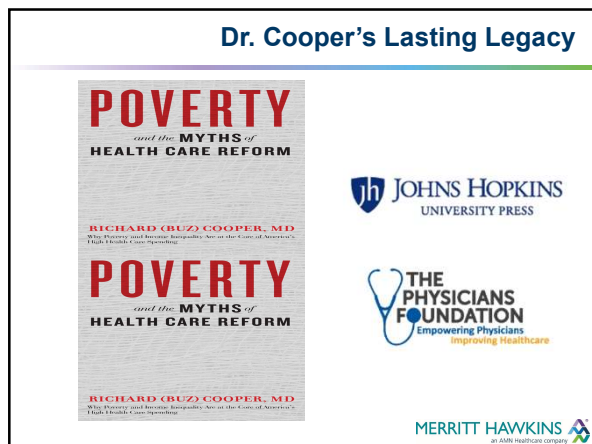


- The American Medical Association (AMA)
- The Council on Graduate Medical Education (COGME)
- The Association of American Medical Colleges (AAMC)
- Over 20 state medical associations
- Over 20 state hospital associations

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According to Conventional Wisdom, What Causes Excessive Health Care Spending in the United States?



Hint: It sounds like a snake

Supply-Sensitive Services

(i.e., doctors and hospitals)

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Roemer's Law of Supplier-Induced Demand (1958)



Capacity creates demand:
"A built bed is a bed filled"

Victor Fuchs finds a close association between the number of surgeons and the amount of surgery

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An Unusual Superpower

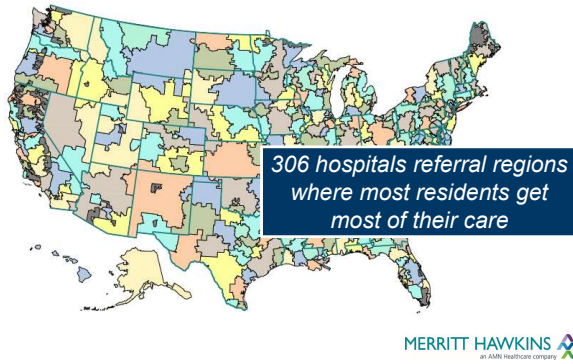
David Dranove and Paul Wehner find a close association between the number of OB/GYNs and the number of deliveries

Those OB/GYNs are awfully persuasive!



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Enter the Dartmouth Atlas of Healthcare (1996)



A Startling Revelation



The Good

Green Bay, WI



Grand Junction, CO

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The Bad

Newark, NJ



Milwaukee, WI



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And The Pugly



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A Startling Conclusion



Almost one in three
dollars spent on
healthcare is wasted

That's about
ONE TRILLION
dollars!

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A Startling Solution

Get physicians in Milwaukee and Newark to practice like physicians in Green Bay and Grand Junction and healthcare spending could be reduced by 30%



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Also, If Physicians and Hospitals are the Problem...

Reduce the number of doctors and hospitals, or limit their number, and replace "fee-for-volume" with "fee-for-value"



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Dartmouth's Advice to Congress (2008)

"...given the waste and inefficiency of physician practices, the nation does not need more physicians. Congress should resist efforts to increase the number of residency positions funded by Medicare."

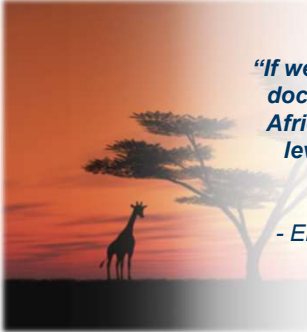
Source: Improving Quality and Curbing Healthcare Spending: Opportunities for Congress and the Obama Administration, Dartmouth Institute for Health Policy and Clinical Practice, 2008

Instead, manage physicians to reduce waste



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What Do You Really Think About America's Doctors?

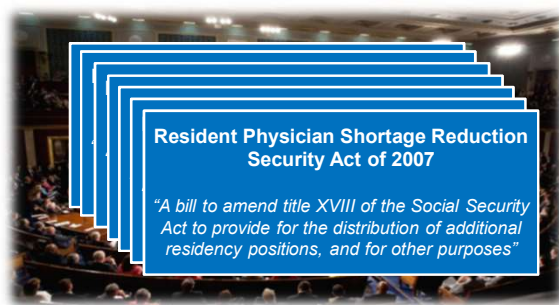


"If we sent 30 percent of the doctors in this country to Africa, we might raise the level of health on both continents."

- Elliott Fisher, Dartmouth Atlas of Healthcare

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Supply Status Quo



Resident Physician Shortage Reduction Security Act of 2007

"A bill to amend title XVIII of the Social Security Act to provide for the distribution of additional residency positions, and for other purposes"

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So the Next Time You Can't Schedule a Physician Appointment, Think:



"Supply Sensitive Services"

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But Isn't It Obvious Newark is Not Like Green Bay?

Yes.

And No.



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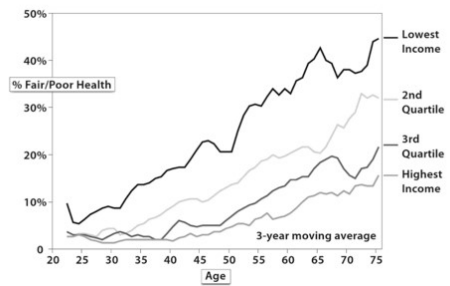
Yes, Newark is Poorer Than Green Bay

And We Have Known for Years Poor People are Sicker Than the Better Off and Require More Services



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Low Income = Poor Health



Source: "Poverty and the Myths of Health Care Reform," Buz Cooper MD

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**Poor Health Among the Poor Gets Worse Over Time;
Good Health Among the Wealthy Stays Good**




"A car that has been allowed to rust will require endless repairs and may never truly hum again."

- Buz Cooper

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But We Have Not Always Known Poorer People Cost More to Treat




In fact, for a long time, that was not the case

"Few antibiotics existed, patients with bad knees or hips were given a cane, cardiac arrest was simply another word for dead, and care was cheap"

But by 2008, Medicare spending was 30-40% greater among poor beneficiaries than wealthy ones

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But Dartmouth Still Disputes The Poverty Connection



Dartmouth acknowledges that low income people are sicker and require more care, yet claim ***"regional differences in poverty and income explain almost none of the variation (in spending)"***

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All of Our Heads Have Been in the Sand



Poverty is something that as a society, we don't want to talk about.

But it persists.

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Health is a Social Issue

80% of what affects health outcomes is associated with factors outside the traditional boundaries of healthcare delivery:

Behaviors (diet, exercise, tobacco, drugs, sexual activity) ...30%

Social/economic factors (employment, education, income, safety, family support) ...40%

Environment: (Air quality, water quality, housing, transit) ...10%

Clinical Care (access to care, quality of care)20%


Healthcare must expand into these areas

Source: Robert Wood Johnson & University of Wisconsin Public Health Institute

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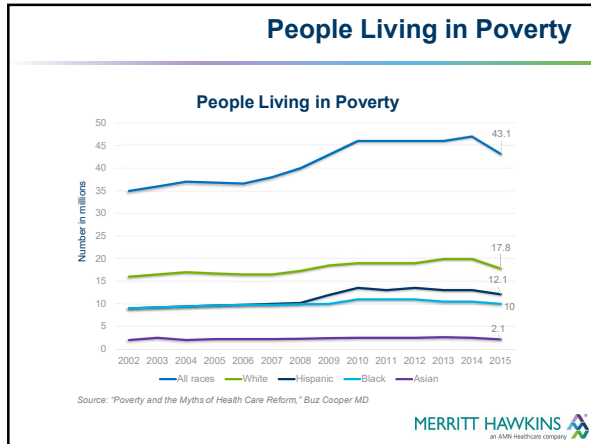
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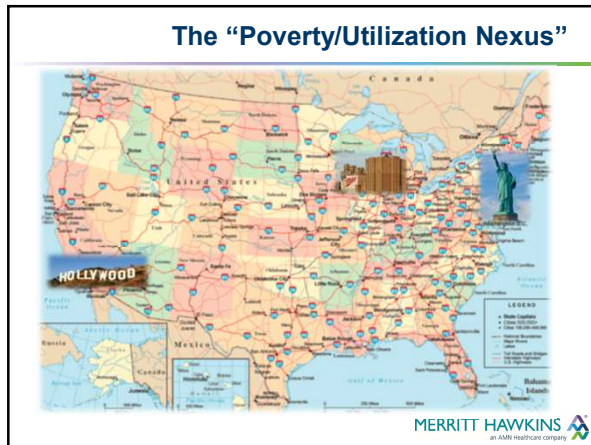
What are Social Determinants?



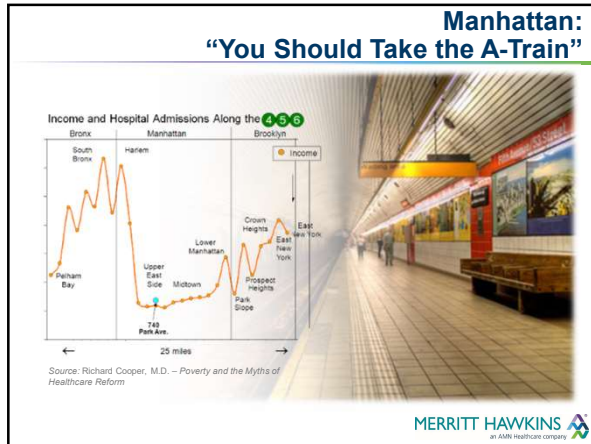
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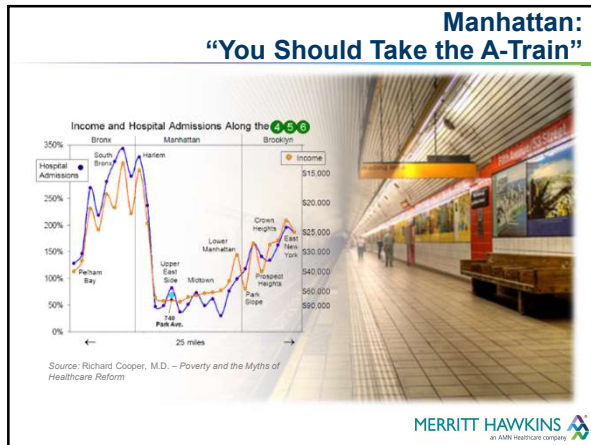
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The Wrong Diagnosis Means the Wrong Treatment Plan



"The political response to high healthcare spending has been to reengineer the delivery system and change the reimbursement system rather than address the underlying socio-economic factors."

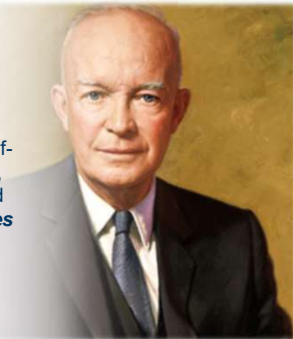
"The fault, dear Brutus, is not in our system, but in our humanity."

Source: "Poverty and the Myths of Health Care Reform," Buz Cooper MD

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The "Quality-Industrial Complex"

Devoted to the idea that physician practice variations, physician supply, physician self-referral, physician specialists, fee-for-service payments, and inefficiency are the **root causes of excessive spending**



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Most of Us Are "All-In"

- Accountable care organizations
- Bundled payments
- P4P
- MACRA
- Integration, consolidation, corporatization
- Clinical practice guidelines
- Performance rankings
- Readmission penalties



But what if we are only "Managing at the Margins?"

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The Long-Term Benefits Are Still in Question



Rates of 30-day hospital readmissions were **no different** in ACOs than in control populations

Follow-ups of ACOs caring for more than 600,000 Medicare beneficiaries found overall savings of, at best, **a few percent**

If waste and inefficiency are responsible for 30% of healthcare spending, why can't those who have organized themselves around being more efficient achieve meaningful savings? Surely savings of, say, 10% should be easy

Dartmouth itself dropped out of its ACO

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Are We Disadvantaging the Disadvantaged?

Harvard analysts found that the odds of being punished for excess readmissions was **more than double** at safety-net hospitals compared with others



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Solution Number One



**Address
Poverty**

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In a Given Year, 1.3 to 3 Million People Are Homeless in the US; 650,000 on a Given Night

Between shelters, emergency rooms and jails, it costs about **\$40,000 a year** for a homeless person to be on the streets

Simply housing the homeless reduces healthcare costs **by 60%**

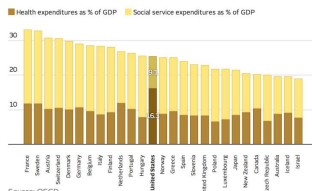
“Treating a homeless man’s frostbitten toes is surely a waste when a pair of shoes could have prevented it.”

Source: “Poverty and the Myths of Health Care Reform,” Buz Cooper MD



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A Matter of Commitment



It is not clear that defeating poverty is a war America wants to win

Anti-poverty spending as a percentage of GDP is **less today than in 1980** and is half the average of other OECD countries

Source: OECD

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Hospitals Can't Do It Alone

The U.S. spends the largest share of its GDP on healthcare (17%) while ranking 23rd out of 34 nations in terms of social service spending.



Source: Modern Healthcare, August 25, 2018

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It's Not All About the Government: Growth is the Key



"Had economic growth continued to lift the incomes of low-skilled workers at the same rate after 1965 as before, and had gains from economic growth been distributed more evenly, **poverty rates would be much lower today.**"

Source: "Poverty and the Myths of Health Care Reform," Buz Cooper MD

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Looking Within




"Clearly, there are many examples of waste and inefficiency in the US healthcare system."

"A **commitment to improving quality and efficiency** has long been integral to medical professionalism, and serious efforts by dedicated health care professionals must be recognized and encouraged."

Source: "Poverty and the Myths of Health Care Reform," Buz Cooper MD

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A Community-Focused Health System



1. Address patients' health-related social needs
2. Improve care delivery and reduce regulatory burdens faced by physicians
3. Support state-level innovation

Source: Health Affairs, March 2018

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Health-Related Social Needs



- Screening for health-related social needs
- Ensuring safe housing (heat in winter; A/C in summer)
- Encouraging participation in the Supplemental Nutrition Assistance Program (food stamps)

Source: Health Affairs, March 2018

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Simplify Care Delivery Models

- Incentivize health and preventive care in physician contracts
- Design care delivery and payment models that enable:
 - ☐ Screening
 - ☐ Navigating patients to community resources
 - ☐ Support the use of care teams
 - ☐ Seamless referrals to community-based service providers

Source: Health Affairs, March 2018

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Rich Teeth, Poor Teeth



- Last year, more than 2 million ER visits attributed to neglected teeth costing \$1.6 billion
- 50% of Americans have no dental coverage

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Camping Out for Dental Care

Remote Area Medical in Wise, Virginia,
the nation's largest pop-up clinic



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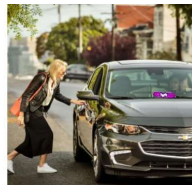
Filling Transportation Gaps

Non-emergency medical visits:

1. Dialysis
2. Mental Health

A rural challenge...

The
healthcare
journey starts
and ends with
a ride.



The Care More program turns to Lyft

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Utilize State-Level Innovation



- Experiment with Medicaid programs:

- ☐ Screening patients for unmet social needs
- ☐ Funding for transitional housing
- ☐ Reimbursing community health workers

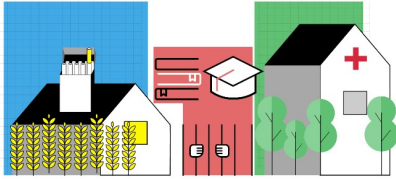
- Make specific health-related social-needs services a required component of MCO contracts with state Medicaid programs

Source: Health Affairs, March 2018

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ICD Codes for Social Determinants

In April 2019, the AMA and United Healthcare prepared ICD codes to reveal social barriers to care



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The Tipping Point

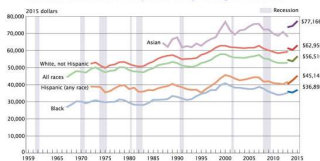
Income inequality is back in the news



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Some Good News

Real Median Household Income by Race and Hispanic Origin: 1967 to 2015



The poverty rate decreased, incomes went up

Note: The data for 2013 and beyond reflect the implementation of the redesigned income question. The data points are placed at the midpoint of the calendar year. Median household income data are not available prior to 1967. All data adjustment for inflation. All figures are in 2015 dollars. Source: U.S. Census Bureau, Current Population Survey, 1968 to 2015 Annual Social and Economic Supplements.

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The Role of Physicians

Repairs of America's Social Indiscretions?



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Confirmation from Physicians

How many of your patients are affected by a social situation (poverty, unemployment, etc.) that poses a **SERIOUS** impediment to their health?

All.....5%
Many.....52%
Some.....31%
Few.....11%
None.....1%
NB: All or Many..46.5%



Source: A Survey of America's Physicians, The Physicians Foundation/Merritt Hawkins, September 2018

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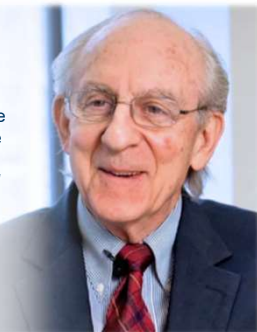
But the Job is Far From Finished

The last word goes to Dr. Cooper:

"Cultural narratives create belief systems that drive policy. Health care is ensnared on the narrative of waste and inefficiency, while **the narrative of poverty, income inequality, and health care spending languishes.**"


"It is time for creative minds to embrace it and search for realistic solutions."

Source: "Poverty and the Myths of Health Care Reform," Buz Cooper MD




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Continue the Conversation




A Raised Hand – Blog by Kurt Mosley

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If you have any questions, please contact Kurt Mosley at:
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