

Learning Objectives

- Identify the primary factors that lead to higher health care costs.
- Describe the impact of higher health care costs on insurance premiums, Medicare and Medicaid, and personal bankruptcies.
- Assess the relationships among health costs, access, and quality.
- Describe the methods used by government to control health care costs.

Your Opinion Matters

Your Opinion Matters: Should the United States Adopt a Medical Savings Account Plan?

Background: What Are Medical Savings Accounts?

- Medical savings accounts (MSAs) are one of the most contentious health care reform proposals debated in recent years.
- Persons who qualify must also have a high deductible insurance plan—catastrophic coverage.
- People may use funds for medical or health expenses not covered by the health insurance policy.
- Proponents claim MSAs will help address rising costs, and improve quality and access.
- Opponents argue that MSAs are not likely to contain costs and may result in foregoing necessary care.
- MSAs can have an adverse effect on the insurance market by segmenting risk.

Yes

- MSAs place first-dollar payment for health care expenses on consumers.
- This feature significantly affects purchasing behavior and is likely to decrease the unnecessary use of services.
- Year-end balances are rolled over and used for nonmedical expenses provided the relevant taxes are paid.
- Consumers, not government, know what is best, especially with advice from providers.
- MSAs remove the inherent paternalistic nature of the current third-party fee-for-service system.

Consumer Choice

- Individuals should have more control over the spending of their health care dollars.
- MSAs offer a tool to choose freely among providers and hospitals that deliver the highest quality care.
- MSAs are a viable alternative to managed care plans that currently cover many employees.
- Managed care reduces costs with strategies that have angered members (e.g., denying claims, reducing choices among providers, limiting coverage for experimental tests or procedures, managing doctors' services).
- MSAs give patients more freedom among providers to obtain their preferred mix of services.
- Patients have increased access; providers will not be limited to managed care service restrictions.
- Patients, as rational consumers, will seek care from providers based on quality and value.

Increased Access to Health Insurance

- High-deductible health insurance policies have lower premiums than traditional plans.
- Traditional plans have higher premiums, and copayments and deductibles are out of pocket.
- Many do not budget for such expenses and either drop coverage or incur heavy indebtedness.
- Many employees are at risk of losing employer-sponsored insurance when they try to cut costs.
- With MSAs, and high-deductible plans, more people can afford health insurance.

Administrative Cost Reduction

- Paying insurance claims with a commercial company is a costly process and fraught with delays.
- Companies deny claims, request verification documentation, and require time-consuming resubmissions
- With MSAs, administrative costs will be reduced; individuals use MSAs to pay for most of their health care expenses and therefore will not make insurance claims.
- Annual expenses may fall within deductible levels and not even trigger an insurance claim.

MSAs Encourage Informed Consumption of Services

- Patients bear more of the actual costs of services.
- Traditional plan impact is indirect, with limited incentives to carefully select providers and services.
- With the impact minimized, consumers over-consume services that may not be beneficial or necessary.
- Overconsumption reduces access for others who are in need yet are unable to afford care.
- Overconsumption also increases overall health care spending levels
- Overspending reduces funds available for long-term investment in capital projects to produce durable goods, machines, schools, hospitals, and investments that grow the economy as a whole.

MSA Tax Advantages

- MSAs are exempt from federal income tax and in some states from the state tax.
- Employers contribute; employee contributions are on a pre-tax basis and are deducted from taxable income.
- Withdrawals to cover copayments, deductibles, and other health care expenses are tax exempt.
- When owners change jobs, they can take their MSAs with them.
- Money that remains in an account earns interest that is also not taxed.
- When account holders reach the age of 64, they can withdraw funds for any reason.

No

Fiscal Restrictions and Tax Disadvantages

- Money in MSAs not used for health care services is added to gross income for tax purposes.
- Taxes must be paid on withdrawals for non-health care expenses; if the account owner is under age 65, a 10 percent penalty must be paid.
- The policy must have out-of-pocket expenses of no more than \$5,000 for individuals and \$10,000 for families.

MSAs and Preventive Health Care

- Account holders must pay for preventative care, diagnostic tests and procedures; other expenses are paid from the MSA.
- Account holders reduce spending by eliminating preventative services critical to health.
- This avoidance may ultimately cost the system more to treat serious health problems.
- MSA users may not be able to judge provider advice any better than non-MSA users.
- Despite paying directly, patients may not have the ability to determine whether a service is suitable or needed.
- Consumers are not rational; free market may not determine optimal cost, access, or quality levels.

MSAs Attract Only Healthy Consumers

- The elderly and sick will not be able to save enough in MSAs to cover the quantity of services consumed.
- Segmentation of risk will result in higher premiums for those who remain in traditional plans.
- MSAs will appeal to the young and healthy with low medical costs and with disposable income.
- Premiums should be affordable for everyone; only mechanism is to spread risks.
- The uninsured and sick do not have resources for MSAs, so there will be a minimal impact on reducing the number of the uninsured.

MSAs Will Not Reduce Wasteful Health Care Spending

- Savings from MSA use is overestimated.
- Wasteful spending from present overuse is not a significant portion of overall health care spending.
- Wasteful spending reduced by MSAs is minimal compared with other system wasteful spending.

Talking Points

1. Which side of the MSA argument do you think is more persuasive?

MSAs place more control in the hands of consumers, thus potentially reducing unnecessary use and associated costs; however, patients may not have sufficient information to make informed decisions.

2. What type of information do you need in order to make a decision regarding the benefits and costs of MSAs?

Patients need to estimate potential out-of-pocket health care costs; they also need estimates of premiums for high-deductible plans versus no MSA and other coverage.

3. Does your predisposition toward capitalism and free-market principles or predisposition to health care as a common good influence your evaluation of the pro and con arguments?

Those with a desire to reduce costs and place more control in patients' hands may favor MSAs; those that see health care as a right may fear the sick will be excluded.

4. Would MSAs be an option for providing insurance to persons currently uninsured?

MSAs are a viable option for the healthiest of uninsured to enter the insurance risk marketplace with an affordable high-deductible plan instead of remaining uninsured.

5. Would MSAs be an option for providing insurance to persons who reach the age of 65 and find that Medicare is no longer able to provide them with necessary benefits because of a lack of funding?

MSAs and high-deductible plans would be most viable for the healthiest of persons eligible for Medicare and perhaps would lower Medicare costs.

Overview of Vignette(s)

Vignette: Patient with Headache Gets MRI, CT, and Other Tests—Is This Defensive Medicine or Good Medicine?

Background

- The proliferation of imaging (CT scans, MRIs) is a significant contributor to health cost increases.
- Medical imaging and associated costs have far outpaced other medical procedures and tests.

- Ordering has become a physician “knee-jerk” reaction, often on anecdotal evidence of effectiveness.
- No evidence that this additional use improves overall health outcomes or accuracy of diagnoses.
- Direct marketing on the Internet has led consumers to demand latest diagnostic tests despite costs.
- Nearly all testing is covered by third-party insurers.
- Physicians have an incentive to test when they make initial capital investment in machinery.
- Physicians learn in hospital-based training to rely on equipment for referrals of the sickest.
- Physicians take these habits to practices, where the severity and frequency of complicated diseases is much lower.
- Another driver of overuse is physician fear of malpractice claims from highly litigious society.
- Physicians preoccupied with missing possible serious diagnosis; CT scan/MRI enables them to “rule out” most serious problems/mitigate threat.
- Defensive medicine estimates range from a high of \$650 billion to about \$56 billion
- On a personal level, malpractice lawsuits are life-changing events.
- Providers dread patient death from extremely rare but missed disease because of failure to order necessary diagnostic imaging test.
- Similar mistakes avoided at all costs; lead to overuse where CT scan borderline unnecessary.
- Overuse also has its risks to patients; significant amounts of radiation which are cumulative.
- Initial use increases the risk of additional tests to clarify results/unnecessary invasive procedures.

The Scenario

- Gretchen Carlson, a former Miss America, has a very stressful job and small children to parent.
- Over last several months, she has experienced random headaches.
- The headaches might be due to lack of sleep, eliminating caffeine from her diet, or job stress.

- Gretchen has tried increasing dosages of ibuprofen, as well as relaxation techniques she learned during the pageant.
- She never suffered from migraines and did not have a family history of debilitating headaches.
- Gretchen visited her primary care physician; she had a complete physical but the doctor could not find the cause of the headaches.
- The doctor referred Gretchen to a neurologist who also performed a battery of diagnostic tests.
- The neurologist had a colleague who was sued for malpractice after failing to order a CT scan for a patient with a headache; the patient died later that night of a ruptured aneurism.
- Another colleague was sued for malpractice by the parents of a child who hit his head while snowboarding.
- After the colleague sent the child home from the ER, the child later complained of dizziness and headaches and grew unresponsive. The child died later, and his parents sued the ER physician for malpractice.
- Despite “horror stories,” the neurologist did not want to waste money or expose Gretchen to unnecessary risk if there were other less costly methods of reaching a diagnosis for her headaches.
- The doctor carefully explored the literature and decided to “leave no stone unturned” in identifying the cause of the headaches and confirming it with the greatest possible certainty.
- He ordered a CT scan for Gretchen, which ultimately was negative for any abnormality.
- Not satisfied, he contemplated an MRI for further assessment.
- Then he remembered reading that a possible cause of headaches is food allergies.
- The doctor closely assessed Gretchen’s diet and required her to maintain a food intake journal.
- In consult with an allergist, a neurologist identified several foods that were possible causes.
- Once she stopped eating “flagged” food items, Gretchen’s headaches gradually disappeared.

Discussion Questions and Suggested Solutions

- 1. Do you ever question the necessity of CT scans or MRI when the tests have been ordered for you or your loved ones?**
 - The point here is to understand that much of the imagery studies in the United States are not regulated and that the effects of the tests are cumulative throughout the life of the patient.
 - Patients typically do not question the advice of a physician who refers them for a CT scan because they are ignorant about the necessity of such a test or the long-term consequences.
- 2. As a patient, do you think you feel reassured that your physician was thoroughly assessing your complaint if he or she ordered more diagnostic tests?**
 - Be aware that more diagnostic tests might be ordered for defensive medicine purposes rather than for accurate diagnosis and treatment.
 - There is the possibility that patients may be reassured when their physician orders imagery tests if they think that “something” is being done to address their complaints or symptoms.
- 3. Do you keep any records of the number of diagnostic imaging tests you have undergone since you were a child or teenager?**
 - This answer illustrates the point that few patients, if any, keep records of their accumulated exposure to CT scans and the associated radiation.
 - It also illustrates that providers who do not communicate or share information do conduct imagery tests. For example, patients may receive tests at the office of their dentist, OB-GYN doctor, and orthopedic surgeon. These providers may not share information regarding the number or the amount of exposure patients accumulate over time.
 - There is no central federal or state regulatory agency that controls the frequency of CT scans, and there is growing concern whether these powerful scans are overused. One example of overuse is performing two CT scans in succession, one using iodine contrast to check blood flow and one that does not. Both scans are billed, and both scans are typically reimbursed by payers.

4. Are you aware of any of the dangers of overexposure to radiation through diagnostic imaging?

- A single CT scan is equal to hundreds of standard X-rays. For instance, a single CT of the chest is equal to 350 standard chest X-rays. Many times a radiologist will perform a double CT scan, so patients are exposed to double the standard chest X-rays.
- Many times the radiologist will order a second CT scan under the assumption that more information is helpful in making an accurate diagnosis. However, the exposure that patients experience is cumulative throughout their lives. The cumulative effect is even more pronounced when it begins early in life when the patient is an infant.

Module 5 Discussion Board Assignment

In 250 words, explain what a MSA is and which patient demographic you believe this plan is best suited for.

Post your answer to the discussion board. List at least 2 scholarly sources. Respond to 2 of your peers postings.