

'Direct care' could help ease medical costs

By Dr. Jeffrey A. Singer | Sept. 29, 2017 at 8:23 AM



Many blame over-testing and over-treating on "defensive medicine," i.e., practicing in fear of getting sued. File Photo by Anawat Sudchanham/Shutterstock

Sept. 29 (UPI) -- As a general surgeon I see patients every day who've had batteries of preventive and screening tests that, after all is said and done, yield nothing more than increased spending and increased anxiety. Many doctors are unconcerned with the cost/benefit aspects of the treatments or tests they offer, and often abandon taking a detailed medical history and performing an extensive physical exam -- instead they rely on costly imaging studies to do the heavy lifting.

I blame the third-party payer system.

The healthcare consumer pays only **10 percent** of every healthcare dollar directly out of pocket. The third party -- either an insurance company or Medicare -- pays the rest. With Medicaid the government is the third party and pays 100 percent of every dollar.

Many of the cost drivers in healthcare today are symptoms of this third-party payer system. When somebody else is paying the bill, it's easy for doctors and patients both to forget about the cost-effectiveness of medical diagnostics and treatments.

Over-diagnosis and **over-treatment** in healthcare are well documented. They are part of the reason healthcare spending has increased as a share of Gross Domestic Product from **5 percent in 1960** to over **17.8 percent** in 2015. According to a 2010 report from the Institute of Medicine, they may be responsible for over 15 percent of **healthcare spending**.

Many blame over-testing and over-treating on "defensive medicine," i.e., practicing in fear of getting sued. But the evidence does not support that hypothesis. In fact, **many studies suggest** that major tort reform has no impact on healthcare spending and, if anything, might lead to a slight increase in spending.

Patients are also a part of this healthcare culture. For example, a 2012 analysis of 14 large studies by the RAND Corp. found annual physicals for healthy adults don't lower the risk of serious illness. Yet millions get them, and this is not helped by the fact that the Affordable Care Act mandates insurance companies pay for an annual wellness exam at no

out-of-pocket expense to the patient. The cost/benefit relationships of numerous other [preventive measures](#) have also come into question.

People every day consider cost/benefit when they purchase shelter, food, cars, computers, smartphones, etc. They ask detailed questions and expect satisfactory answers. Not so when it comes to healthcare decisions. The public [uncritically accepts](#) screening, early detection and early treatment as always worthwhile.

The public also accepts that having insurance is a critical part of staying healthy. Yet insurance is supposed to protect against unforeseen, high-cost, catastrophic events. As a result of years of tax and regulatory policy, health insurance has morphed into a form of prepaid healthcare, covering predictable, foreseen, pre-existing and routine "maintenance" events in addition to the catastrophic and unforeseen. Hospitals, labs, pharmacies and providers [negotiate fees](#) with a third-party payer, not the consumer. Consumers are left out of the loop, along with consumer-driven market forces.

The third party has deeper pockets than any consumer. That's why providers reflexively seek approval from third-party payers for new and innovative services before considering the approval of the actual consumers of those services.

Those taking part in the third-party payment healthcare system are not crooks. They are rational beings, responding to rules and incentives that have been in place for generations. Healthcare providers, hospital administrators and patients have been conditioned -- acculturated -- to play the game according to these rules.

There is a healthcare community that is not a part of this culture. It exists in a setting with minimal or no third-party involvement. In service areas such as LASIK eye surgery, cosmetic surgery, dental implants and cosmetic dentistry, and many general dentistry practices, providers compete for the patients' business: in price, quality, service and accountability. Patients shop and ask detailed questions. Competition drives prices down and quality up.

"[Direct care](#)" is a growing sector in healthcare offering [primary](#) and [specialized care](#), and even [surgical hospital care](#), directly to consumers for direct payment, absent a third party. [More](#) and [more providers](#) are migrating to direct care from the third-party model. Many others avail themselves of its cousin, the [Health Care Sharing Ministries](#). A 2014 [Physicians Foundation Survey](#) found 7 percent of physicians were already doing direct care or "concierge" medicine; 13 percent said they were planning to make the move; and 17 percent of doctors under age 45 plan to do so.

"[Medical tourism](#)," another form of direct care is on the rise. Consumers travel offshore, often considerable distances, to purchase high-quality, sophisticated medical and surgical treatments at very affordable cash prices. Firms and websites help consumers shop and connect with these medical centers.

America's healthcare system suffers from dysfunction and dysphoria and is in cultural decline. Its last best hope may be this counterculture called "direct care."

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