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A Note from the Editor-in-Chief

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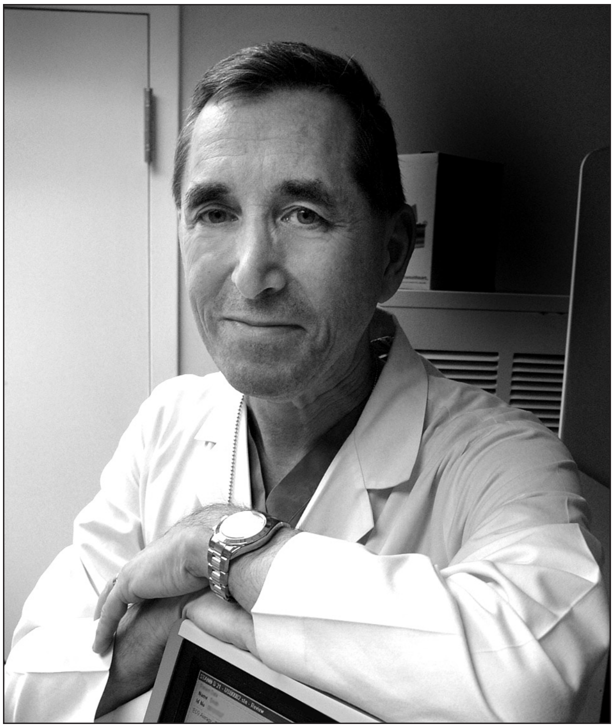
Welcome to the July-August 2018 Editor-in-Chief's page. This editorial column will address what appear to be some seismic shifts in the United States healthcare business climate.



Lawrence D. Devoe, M.D., Editor-in-Chief

We are entering a period during which there are significant changes underway that will affect how healthcare in the United States is paid for and delivered this year and well into the future. Some of these changes will affect the traditional individual and group insurance marketplaces and the large companies that have run them nearly unchecked for decades.

When I began my medical education over 50 years ago, there were a few traditional insurance companies like Blue Cross/Blue Shield, but a lot of medical care was still supported by cash payments. Today, with very few exceptions, like co-pays at the time of service or deductible payments made annually before the insurer starts picking up the tab, "cash on the barrelhead" for medical care is long gone. In the early 1990s, mega-insurers responded to anticipated changes in healthcare reimbursement models ushered in by new federal laws that were never passed. Americans were rewarded with an alphabet soup series of healthcare delivery entities like HMOs, and PPOs—the so-called "gatekeepers"—and networks that limited choices of providers and hospitals.

The 2010 Affordable Care Act convulsed the insurer-patient-hospital markets again by mandating that all U.S. Americans have healthcare coverage. Plans purchased through state or federal exchanges often reduced choices of physicians and hospitals through narrower networks. A record-pace

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closure of smaller, often rural hospitals and a de facto exodus of local physicians further reduced the availability of patient care options. Last year's passage of the new tax law repealed the individual mandate for healthcare insurance and will take effect in 2019. This will have a chilling effect on remaining state/federal health exchanges as younger, healthier individuals will withdraw from or not enter these marketplaces at all, leaving behind a proportionately larger group of older, sicker, and more expensive patients. The mega-insurance companies no longer protected by federal stop-loss subsidies have abandoned most of these exchanges, and this trend will continue. Affordable Care Act, R.I.P.

A second change will be effected by new private entities offering group policies to the more than 80% of large companies that self-insure. Collective Health, the recent start-up venture by JPMorgan, Amazon, and Berkshire Hathaway, has already raised $250 million and enrolled more than 125,000 members. With an explicit goal to lower healthcare costs, this model will compete with the traditional employer plans offered by companies like Blue Cross/Blue Shield.

Amazon also entered the medical supply business 2 years ago. If it remains true to its established business model, Amazon will offer quality goods at discounted prices and compete successfully against some of the other medical supply giants. This company also plans to enter the pharmaceutical market in a big way. If Amazon succeeds in capturing the markets of medical supplies and drugs, it would be a logical step to begin investing in healthcare systems, hospitals, and medical practices. Most recently, Walmart has been working toward the purchase of healthcare giant Humana Inc. If this deal goes through, another huge private corporation will take a big bite out of the healthcare market.

A third seismic shift in the healthcare world has been underway for a while but will surely accelerate this year. This shift is taking place in the site of healthcare delivery as it moves increasingly away from inpatient to outpatient settings. Such continued migration of care location has already been shown to make substantial inroads into cost containment, reduced rates of hospital-acquired infections, and increased patient satisfaction scores.

This churn in the world of medical care has the real potential to finally attain the highly desirable goals of the best outcomes for patients at the most reasonable prices. Corporate titans like Amazon and Walmart have succeeded in their numerous commercial ventures by placing a premium on customer satisfaction. Transporting such a value system to the delivery of healthcare would represent a wholesale and long overdue change for the patients of today and those of tomorrow. Should all of these trends continue, the tables may finally get turned on the healthcare systems and insurers that have made their product so costly, inefficient, and unfriendly to patients and their care providers. In anticipation of the dazzling dawn of a new day in U.S. healthcare, I have already purchased a new pair of sunglasses, not covered by any of my current healthcare plans.