Health-care meltdown: National crisis brewing

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From a board room in Sacramento to the Capitol and White House in Washington comes a warning that cannot be ignored: The health-care system is in crisis.

The warning takes the form of the announcement by the largest purchaser of medical care in California that its insurance premiums are going up this year at a staggering rate. By the time this column is in print, CalPERS (the 1.2-million-member California Public Employees' Retirement System) may have announced the exact figure.

Officials I spoke with said the bids it received from its principal managed-care contractors called for premium increases from 13 percent to 41 percent for current workers and their families, and even more for those under Medicare. Their guess was that the negotiated contracts would boost rates about 25 percent — about double the increase last year.

CalPERS has a national reputation as the most hard-nosed, efficient customer in the health-care market place, and California is the No. 1 state for managed care. When the most important player in the showcase of managed care sees its bills going up at that rate, it says unmistakably that time has run out for this dysfunctional, disjointed thing we call health care.

Neither businesses nor individuals can cope with the cost explosion we now face. Premium increases of this scale will force employers to cut back or eliminate health insurance benefits and drive more and more families into the ranks of the uninsured.

It is virtually certain that health care will be as big an issue in the 2004 presidential election as it was in 1992.

A decade ago, the hope was that managed care could discipline the marketplace and bring medical coverage within reach of millions more people. But William Crist, the president of CalPERS, says the situation now is more threatening than it was when it helped propel Bill Clinton into the White House, where he launched his own ill-fated effort to overhaul the system.

"In 1992," Crist said, "we hadn't taken advantage of our position in the marketplace. But soon after that, we standardized our benefits and invited the managed-care companies that were entering our market to compete for our business. Their competition for market share held costs down, and for several years, we gained national prominence for lowering premiums."

"But we've pretty much wrung out what we can through competition," Crist said. "The HMOs got into financial trouble and began to combine. And it became clear they weren't doing a lot to maintain care; they were just managing the business."

Virtually every other corporate and individual purchaser is facing the same problem as is CalPERS. Federal cutbacks in Medicare and Medicaid reimbursement rates have clobbered the hospitals and providers, and they have shifted costs to private purchasers. Prescription drug use and expenses have soared. Medical advances and the demographic wave have swelled the numbers of elderly, whose medical needs are at a maximum.

"It is kind of a downward death cycle," Crist said, meaning that the faster premiums increase, the faster the ranks of the uninsured will grow. "It is a sea change that requires a public policy change."

Ever since the Clintons' effort at reform collapsed in 1994, costing the Democrats control of Congress, the conventional wisdom in politics has held that only incremental change makes sense. But Crist and a growing number of other major players are challenging that view.

A few months ago, CalPERS joined the National Coalition on Health Care, a bipartisan organization that has been pressing for comprehensive reform to install quality measures, control costs and slash the numbers of uninsured. Its 80 members include business, labor, consumer, religious and provider groups. Recent additions include AT&T, Safeway, the National Association of Chain Drug Stores, six unions and the retirement system for all of New York's state and local employees.

Crist, in a letter urging other organizations to join the movement, said the coalition members have come together "because of a shared commitment to working toward affordable, high-quality health care for all Americans. This commitment has a clear humanitarian dimension, but for CalPERS the decision . . . is essentially pragmatic. . . . In our opinion, neither free market economic forces nor current public policies offer any hope for relief from these accelerating prices in the foreseeable future."

Dr. Henry Simmons, the coalition president, told me: "The message is that the problem is far more serious than anybody in the political process is acknowledging. The incremental strategy is bankrupt. We need a big debate on how to get a grip on this system."

It can't be postponed for long.

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