



CALIFORNIA
HEALTHCARE
FOUNDATION

National Health Policy Forum

Mark D. Smith, MD MBA

July 16, 2009

California Health Care 2009

The Prediction (circa 1990):

MCO A

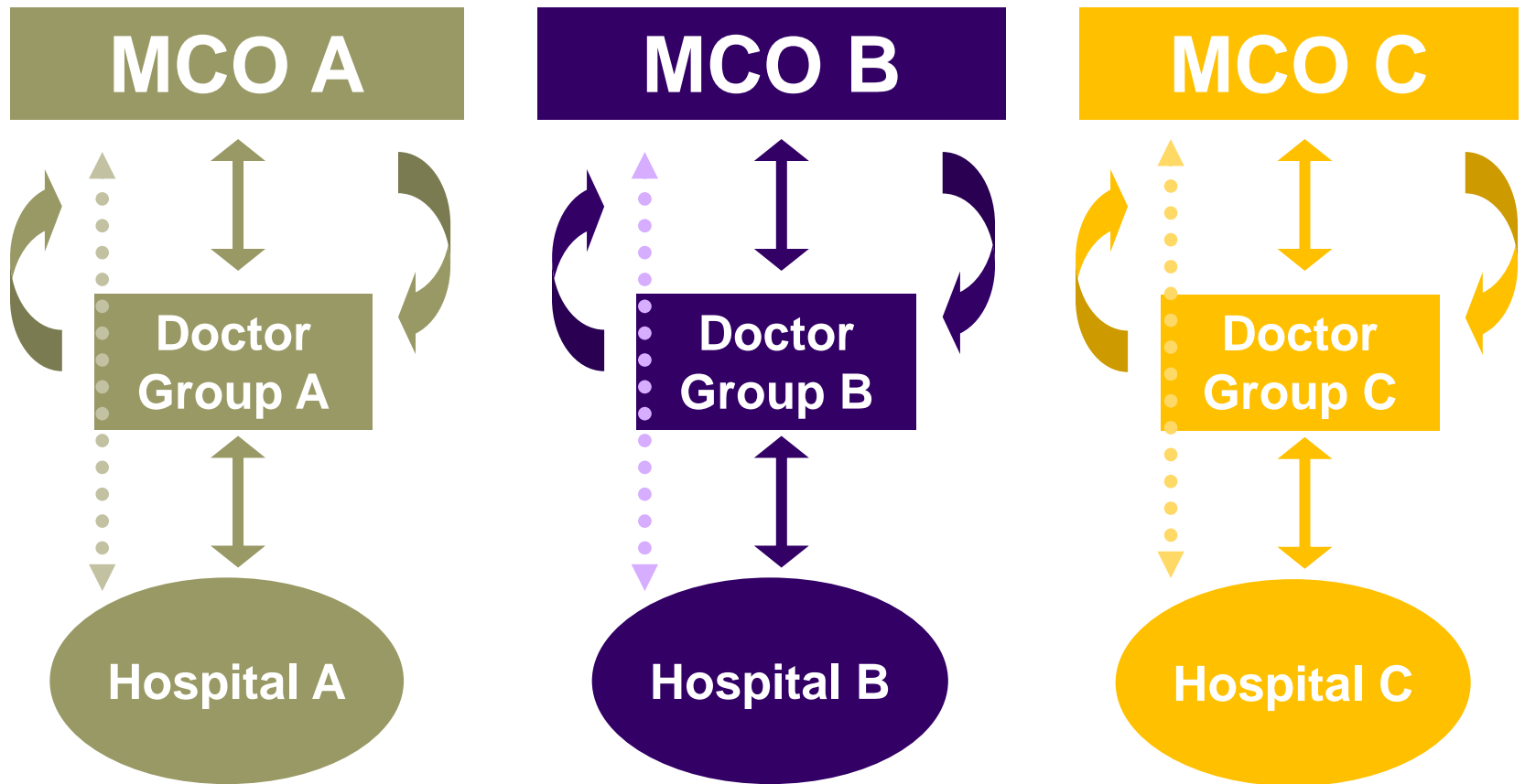
MCO B

MCO C

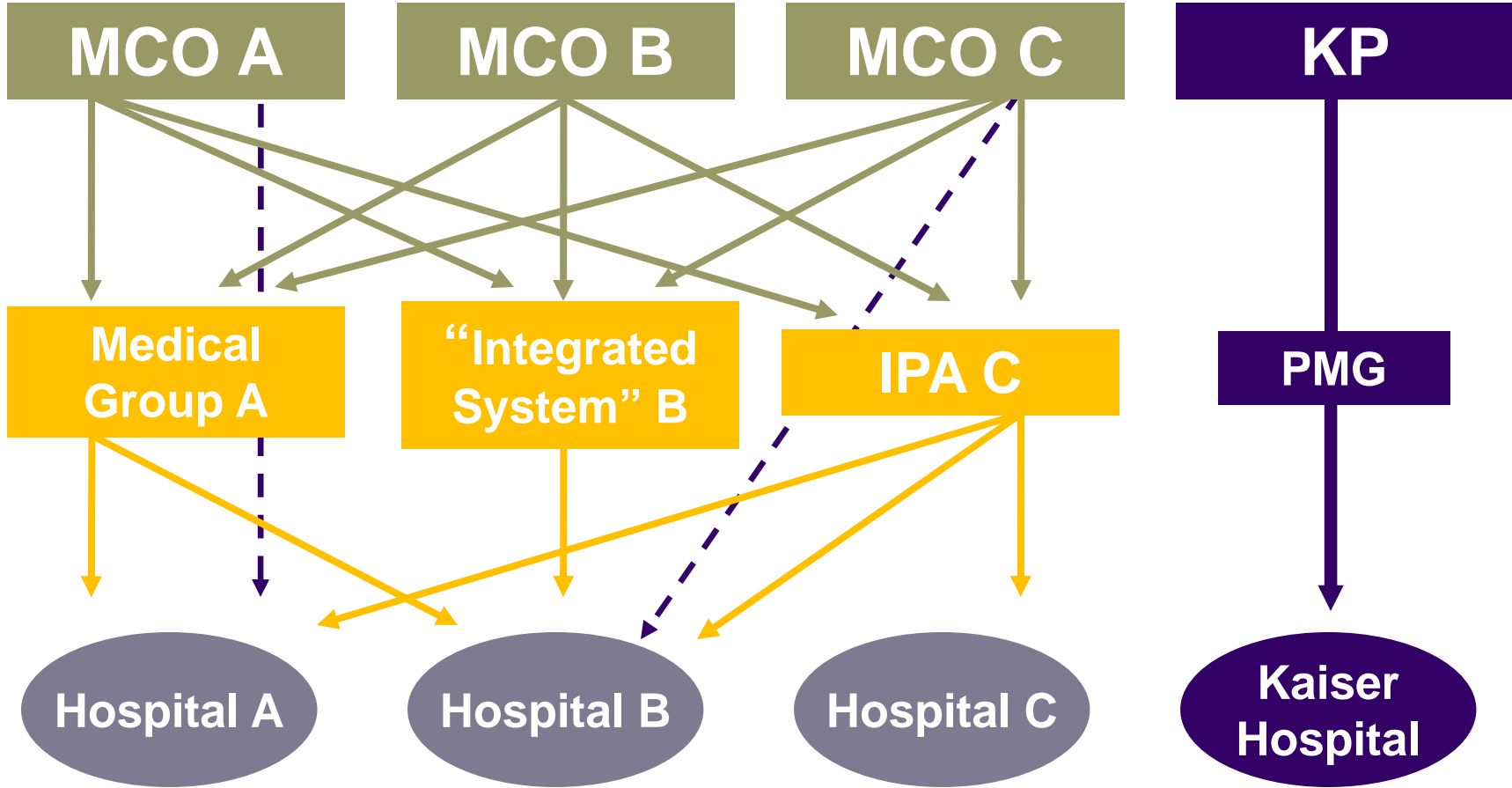
“Health Plans competing on cost and quality”

California Health Care 2009

The Prediction (circa 1990):



California Health Care 2009: The Reality



California Health Care 2009: The Reality

MCO A

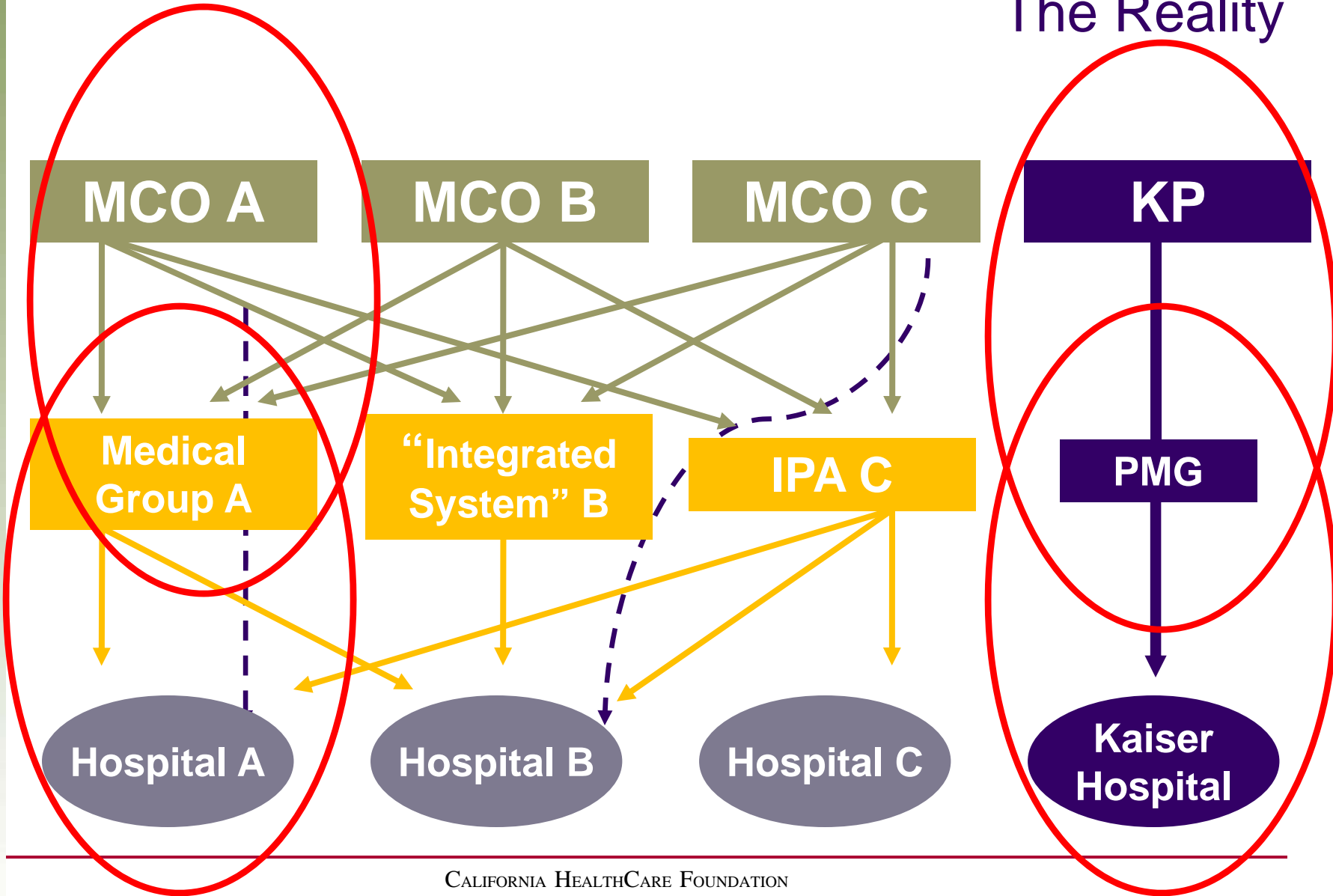
MCO B

MCO C

KFHP

Commodity products, each struggling to
differentiate itself from its competition

California Health Care 2009: The Reality



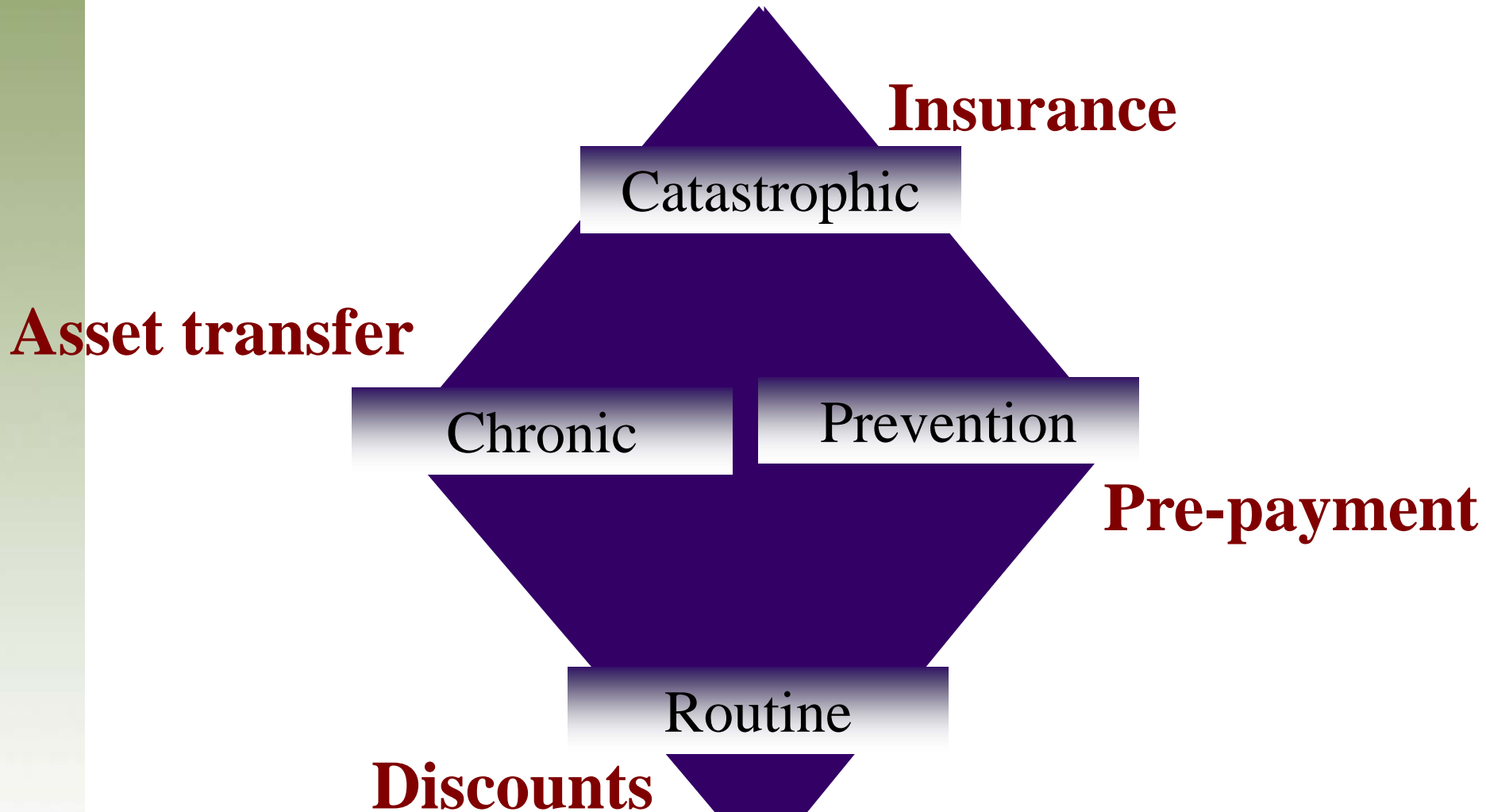
Categories of cost-reducing innovations

- Less expensive products
 - Less expensive personnel
 - Less expensive sites of care
-
- Retail clinics
 - High-volume procedure shops (e.g. Aravind Eye Hospitals)

Why should people have health “coverage”?

- So they're not bankrupted by an unexpected catastrophe
- So they will get preventive services
- So they can afford doctor visits and medications for routine care
- So they can afford care for chronic conditions

Must “credible coverage” include all of these?



Policy Issues

- “Hard bargaining” vs. reorganization
- Expansion of self-care
- Transparency of quality and price
- Encouragement vs. prohibition of physician financial interest in treatment decisions
- Benefits of provider integration vs. danger of monopoly power