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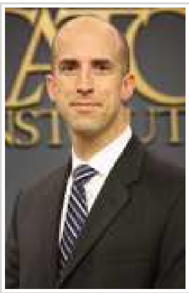
ACO Debacle Exposes Obamacare's Fatal Conceit (Guest Opinion)



TOPICS: INSURANCE, MARKETPLACE, MEDICAID, HEALTH COSTS, HEALTH REFORM

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Obamacare's number-one idea for improving health care quality and reducing costs is to promote something called "accountable care organizations" in Medicare. That effort is sinking like a stone, because it – like the rest of this sweeping law – is premised on the fatal conceit that government experts can direct the market better than millions of consumers making their own decisions.

"Accountable care organizations" is jargon for the radical concept that when doctors and nurses actually *talk* to each other about shared patients, there will be fewer mix-ups, less duplication and patients will receive better, more convenient care at a lower cost. Markets created the first ACOs, including Kaiser Permanente, more than six decades ago.

The federal government, in contrast, has long tried to ensure that nothing so sensible ever happens. For nearly five decades, Medicare regulations have financially penalized doctors who coordinate care. The Medicare Payment Advisory Commission reports that Medicare regulations are "largely neutral or negative towards quality" and sometimes pay providers "even more when quality is worse," like when poor coordination injures Medicare patients.

Obamacare supporters say the solution to this failure of centralized economic planning is … more centralized economic planning. The law therefore authorizes Medicare to encourage care-coordinating ACOs.

Medicare's idea of encouragement is this: If doctors and hospitals invest substantial resources to form an ACO, and better care coordination reduces the amount they bill Medicare, then the ACO will get to keep *part* of the savings.

"Here's a flash for the policy wonks pushing ACOs," writes industry expert Robert Laszewski. "They only work if the provider gets paid less for the same patient population. Why would they be dumb enough to voluntarily accept that outcome?"

The Mayo Clinic, the Cleveland Clinic and 93 percent of multi-specialty physician groups are not that dumb. In what the Associated Press called an "unusual rebuke," they and other providers that President Obama has hailed as models for his ACO program have refused to participate in it.

Many of the recalcitrant providers gladly participated in a similar program launched by the Bush administration, and this week we learned why: that program failed to produce any significant savings for taxpayers. They now want Obama's ACO program to cough up more money before they will participate.

How much more? A survey of Swiss doctors is not encouraging. It found "general practitioners will require a pay increase of up to 40 percent before they are willing to accept coordinated care." Hospitals claim their start-up costs would be ten times higher than Medicare bureaucrats estimate.

A frantic Obama administration took less than a week to capitulate. It told providers like the Mayo Clinic, in effect, "Name your price." It is also "considering" whether other ACOs "could receive an advance on the shared savings they are expected to earn." The administration promises to recoup those up-front subsidies, you know, later.

When purchasing health care, the government should do what it can to improve quality while reducing costs. But this latest debacle once again demonstrates that for all its immense purchasing power, Medicare is paradoxically powerless to do so. Why? Because greater efficiency necessarily means that low-quality/high-cost providers will get less money, and those providers all hire lobbyists to protect their Medicare subsidies.

Inefficient providers have effectively killed nearly every pilot program that previous administrations promised would make Medicare more efficient. Suppliers of wheelchairs and other medical equipment have blocked efforts to reduce the inflated prices Medicare pays them. The industry has killed or sabotaged at least four federal agencies dedicated to researching which medical treatments don't work.

Obamacare's new comparative-effectiveness agency, countless pilot programs and even its "Independent Payment Advisory Board" – a rationing board supposedly insulated from the influence of industry lobbyists – will suffer the same fate.

The only way to improve quality while reducing costs is to give patients the incentive and the power to say "no" to inefficient providers. The Medicare reforms that passed the House don't go as far as they should, but they are a good start.

For one thing, they would do a better job of promoting ACOs. The House reforms build on Medicare Advantage, which already gives one fifth of Medicare enrollees the freedom to choose their own health plan. Kaiser Permanente CEO George Halvorson says the new law's ACO program "is not as good as" Medicare Advantage when it comes to promoting accountable care.

And he should know something about that.

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