

A look at reeling in health care costs

The Centers for Disease Control and Prevention (CDC) just announced that

JAE DALE, babies born in the United States in 2006 can expect to live, on
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average, past their 78th birthdays — a new record for life expectancy. But this trend, which has steadily lengthened life spans for over a century, is in jeopardy. Thanks to diabetes and other diseases, our children's generation may be the first in history to face a shorter life expectancy than their parents. And our new longevity record still places us several years behind other industrialized countries, even though we spend a lot more on health care than they do. How can that be?

In this column and another one next month, we — as representatives of Santa Cruz County's three hospitals and members of the Health Improvement Partnership (HIP) of Santa Cruz County — will explore some of the main drivers of increasing health care costs nationally and closer to home, as well as some potential ways we all can help keep those costs under control. (HIP is a local countywide collaborative of health, foundation, government and community leaders working together to knit the many different health care players in Santa Cruz County into a more cohesive, integrated and efficient system.) In a number of areas, including this one, HIP's members are motivated by the idea that our local health care system can't wait for state and federal change; we have to do whatever we can now.

U.S. health care spending per person, currently about \$7,500, is double the average

per capita spending of other industrialized countries. Our health care expenditures are now 16 percent of our gross domestic product (GDP) and are projected to soar to 25 percent of GDP in 2025 and a whopping 49 percent by 2082. Why? As a nation, we run lots of tests, prescribe lots of drugs and devote lots of medical resources to care near the end of life. Many of us suffer from chronic conditions that are expensive and hard to treat. Clearly, these spending rates aren't sustainable.

These statistics are averages, so they mask a lot of variation. Of course, not every baby born in 2006 will make it to her 80s. Some will die sooner; some will survive much longer. In some cases, their survival rates are a function of a genetic lottery; in others, of profound disparities in access to health care and determinants of health (e.g., income, education and housing). Variations like these can give us clues about how we compare to others across the country in terms of both health care costs and quality, and where we might have room for improvement.

One geographic variation that affects the cost structure is the cost of living. High housing costs make it tough to recruit health care providers; that's a concern not just for the current mix of local doctors, nurses and other professionals, but as we look ahead to waves of retirements in these fields. Moreover, because Santa Cruz County is unfairly designated a rural county, federal Medicare reimbursement rates for our physicians are lower than those in neighboring counties, for the same services.

Our costs also are affected by investments in health information technology, the costs of other high-tech tools and advances, and the high percentages of uninsured

patients. A lot of variables feed into the equation, but we still end up with hospital payments (as measured per Medicare beneficiary, compared to national averages) that are among the highest in the country.

Increasingly, managing health care costs has become a cost-shifting game akin to sitting on a water bed, temporarily displacing some costs only long enough to see them bubble up elsewhere. An uninsured patient can't afford preventive care, but ends up in the emergency room. No matter who writes the check for that care, we are all paying for it. Whether this happens on a hospital's balance sheet, a safety net clinic's bottom line, or on a state or national scale, it doesn't bode well for the future, because it's simply not sustainable.

Yet despite these struggles and trends, we are doing some things right in Santa Cruz County. Our expenditures per Medicare enrollee are lower than the national and California averages. This suggests we have made progress in tilting toward primary care and prevention. It also suggests there's more progress to be made. The high (and expensive) reliance on technology and procedures varies a great deal around the country and even within California, but it doesn't necessarily lead to better health outcomes. Despite the difficult national picture, there's more to be done to battle spiraling health care costs locally — in our hospitals and clinics, within HIP's collaborative, and by everyone in Santa Cruz — and that's the subject of our next column. Stay tuned!

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