

By S. Harvey Price



S. Harvey Price is editor of *For Your Advantage*. A health care industry strategist based in Boca Raton, Fla., Mr. Price has worked as an independent consultant since 1971. His clients are community hospitals, hospital systems and major corporations.

### About FYA

FYA - *For Your Advantage*, is a free twice-monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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## It's the Insurance...Stupid

Here are some cold hard facts as this year comes to an end. Private health insurance premiums rose 11.2 percent in 2004—the fourth consecutive year of double-digit growth. Premiums increased at five times the rate of growth in workers' earnings (2.3 percent) and inflation (2.2 percent). And about five million fewer workers were covered by their own employer's insurance compared to 2001.

These are the results of the 2004 Annual Employer Health Benefits Survey released by the Kaiser Family Foundation and Health Research and Education Trust (HRET).

"The cost of family health insurance is rapidly approaching the gross earnings of a full-time minimum wage worker," said Drew Altman, president and CEO of the Kaiser Family Foundation. "If these trends continue, workers and employers will find it increasingly difficult to pay for family health coverage and every year the share of Americans who have employer-sponsored health coverage will fall."

In 2004, premiums reached an average of \$9,950 annually for family coverage (\$829 per month) and \$3,695 annually (\$308 per month) for single coverage according to the survey. Family premiums for PPOs, which cover most workers, rose to \$10,217 annually (\$851 per month) in 2004, up significantly from \$9,317 annually (\$776 per month) in 2003.

"Since 2000, the cost of health insurance has risen 59 percent, while workers wages have increased only 12 percent. This is why fewer small employers (three to 199 workers) are taking -up coverage," said Jon Gabel, vice president for Health Systems Studies at HRET.

These are a lot of numbers to absorb, but they contain an important message.

The survey found that the percentage of all workers receiving health coverage from their employer in 2004 is 61 percent, about the same as in 2003 (62 percent) but down significantly from the recent peak of 65 percent in 2001. As a consequence, there are at least five million fewer jobs providing health insurance in 2004 than in 2001. A likely contributing factor is a decline in the percentage of small employers offering health insurance over this period. In 2004, 63 percent of all small firms offered health benefits to their workers, down from 68 percent in 2001.

"You have to look over the past several years to really understand why Americans are so worried about health care costs. Just for premium contributions alone, families are paying \$1,000 more this year for their health coverage than they paid in 2000." Dr. Altman said. "More than any other factor, these out-of-pocket cost increases are what's driving voter concern about health."

Facing continued premium increases, many employers say they looked to make cost-saving changes in the past year. Among firms offering coverage, 56 percent report that they shopped for a new plan in the past year. Of those firms, 31 percent report changing insurance carriers and 34 percent report changing the type of health plan offered.

When asked, in the survey, about future plans, about half (52 percent) of large firms (200 or more workers) say they are "very likely" to increase employee contributions in the next year. In contrast, just 15 percent of small firms say that they are "very likely" to increase employee contributions next year. Across all firms offering coverage, three percent say they are "very likely" to drop health coverage entirely in the near future.

This is not an encouraging picture, and one we cannot ignore.

**That's my opinion. What's yours? Send it to: [hprice-tmg@worldnet.att.net](mailto:hprice-tmg@worldnet.att.net)**

## When Will We "Get It" On Patient Safety?

*This is a guest column by Martin D. Merry, MD, Adjunct Associate Clinical Professor of Health Management and Policy, University of New Hampshire; and Senior Advisor for Medical Affairs, New Hampshire Hospital Association and Foundation for Healthy Communities. Dr. Merry is expanding on Rick Kneipper's featured column on patient safety in the last issue of FYA.*



What is it about health care that the American public is apparently willing to grant the health care and medical industry a de facto dispensation from accountability? Why is it that our industry itself hasn't yet mobilized around this urgent issue? Why, despite many wonderful efforts since the IOM's 1999 and other reports showing continuing, totally unacceptable levels of iatrogenic (i.e., medically induced) harm to patients, are we as a nation collectively willing to hold the health sector to a far lower safety standard than we would tolerate in any other "high risk" industry? I believe that there are several factors at work here.

1. Health care is the only industry that I can think of in which adverse outcomes, even deaths occur in spite of even theoretically flawless care processes. Modern patient care is very complex, and studies suggest that heretofore much, perhaps most iatrogenic harm hasn't even been recognized as such.
2. As Don Berwick and others have pointed out, iatrogenic death remains a relatively infrequent event at any specific location - hospital, ambulatory care center, etc. Unlike highly publicized air crashes, in which victims die in "batches," iatrogenic harm occurs one patient at a time, and spread among the vast health care delivery system, is a much less visible event to both caregivers and patients.
3. In spite of the magnitude of the health care system, relatively few people actually experience a significant medical intervention in any given year. Most people are thus not in danger of iatrogenic harm, and perhaps the public as a whole is in some form of mass denial. Can we - including health care providers - truly allow ourselves to believe that the annual death toll from medical errors could be larger than total US troop fatalities of the entire Vietnam War? Perhaps the problem is too vast for us yet to properly grasp.
4. Understanding the complexity of modern health care delivery is well beyond the capability of an individual human being. To counter the inevitability of human error in such complex systems, there are management

methodologies designed to guide frontline decision-makers in better avoiding errors, trapping errors before they cause harm, and mitigating the consequence of errors that have already reached the patient. Referred to as team-based error management, crew resource management, etc., these methodologies have been implemented in healthcare with promising results. But very few health care professionals are now familiar with these methodologies, and they are thus not yet widely adopted.

The implications are clear for the likes of Don Berwick, myself, and others who consider health care quality and patient safety to be our absolute and unequivocal professional priority, even passion. We must work tirelessly among health care leaders - health system CEOs, trustees, physician and nurse leaders - to dedicate ourselves absolutely to remedying this public health disaster that is iatrogenic harm to the very people, patient after patient, that we seek to care for and cure. We must develop more Gordon Sprengers (former CEO of the Allina Health System) who once declared, "My first 'aha' was about my own complacency. It wasn't until I started attending the Harvard Executive Program (on patient safety) that I was hit square between the eyes . . . I believe we must start talking of managing to zero defects, not reducing errors by some percentage. If you are a patient one error is too many."

I invite your comments. [merrymd@comcast.net](mailto:merrymd@comcast.net)

### ~ Quotable Quotes ~

- "No one is useless in this world who lightens the burdens of it for another."  
– Charles Dickens
- "When I hear somebody sigh that Life is hard, I am always tempted to ask, Compared to what?"  
– Sydney J. Harris
- "Before you try to convince anyone else be sure you are convinced, and if you cannot convince yourself, drop the subject."  
– John Henry Patterson

### [BOOK CONNECTIONS]

*A service of FYA*

Imagine having answers to questions like: How do CEOs lead in times of crisis or instability? Why do some hospitals stay on top while others flame out? How can hospitals identify, attract, develop and retain their best and brightest talent?

Wouldn't it be valuable to engage successful leaders and learn from them?

Meredith D. Ashby and Stephen A. Miles, business analysts at the executive search and leadership services consulting firm, Heidrick & Struggles, give us this opportunity. They interviewed men and women at the top of the world's leading companies of our time. The result is their very readable book, *Leaders Talk Leadership-Top Executives Speak Their Minds*. It is an anthology and the collective wisdom of people who head up companies like American Express, FedEx, Pfizer, IBM, Charles Schwab, PepsiCo, PBS, Cap Gemini, Bank of America, Dell, Goldman Sachs, Proctor & Gamble, Siemens, California Public Employees' Retirement System (CalPERS) and others.

The concerns of these business giants are the same concerns of hospital leaders. They learned to navigate the storm set off by the Internet in the late 1990s. They became skilled at the challenges brought on by environmental concerns, the new era of terrorism within our borders and an economy that has lost its exuberance. They not only reinvented themselves, they reinvented their companies and in some cases reinvented the markets they serve. Along the way,

they redefined the role of their boards.

A theme that emerges from each of the interviews is that the greatest asset of any organization is its human capital. Since the healthcare industry is especially labor intensive, there are many valuable lessons to be learned from these business leaders.

The reader of this book can also expect to learn how business leaders establish competitive advantages for their companies in today's market environment of demanding customer expectations. Business leaders also talk about the shortened shelf life of market strategies and the transformation that technology has imposed.

This book is divided into five sections: leadership, managing human capital, establishing competitive advantage in today's market environment, strategic change and transformation, and the stakeholder's view. Between eight and 14 executives are interviewed in each of these categories.

Professor Jay Conger sets the tone of the book in the foreword, "Like most of us, you may feel lost at times. Perhaps some advice from one of America's greatest explorers, Daniel Boone, will come in handy. Boone was once asked, 'Have you ever been lost?' 'No,' he replied. 'But I have been bewildered for a few months.' In the end, he always found his destination as an explorer."

Read this book and it will help you explore your challenges.

### About

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FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

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