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A Health Care Dilemma

by

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It was an important meeting and the formalities were quickly dispensed with as the eleven member board of directors, for Elmira Community Clinic and Hospital, sat down to conduct the urgent business that had been placed on the agenda for what was otherwise to be a routine monthly meeting. Dr. Howard Tyson, chair of the board, was fully conversant with the fact that health care costs were being ratcheted up annually, and that double-digit inflation had now become the norm, both at the regional and national level.

The newspaper headlines on the impending health care crisis literally screamed out for attention and executives in all three economic sectors wondered if the "…cutbacks were getting out of hand?". Tyson knew full well that nearly 40 percent of the companies that had self-funded insurance programs were reducing the benefits they provided and that insurance coverage, over the past several years, had rocketed up nearly 30 percent for a typical single person according to national studies. He also was cognizant that fewer and fewer companies were offering mental health insurance coverage and that some firms were actually eliminating health benefits for new hires or retirees. This represented to him, a negative trend, since he had fought for the expansion of health care coverage over the years, while many of his peer executives adamantly opposed its broadening. Of course he had read the reports that paid paternity leave was increasingly being dropped, while at the same time, employees were nearly mutinous in their anger over their benefits being cut or eliminated, while the perks and salary increases for executives working on "Walnut Row" were rising at an unconsciously high rate. This was a "Prisoner's Dilemma," and he now needed to tackle the problem in his own organization. How, he wondered, would he deal with meeting the health care exigencies while watching the "bottom-line?"

In his usual direct manner, Dr. Tyson presented to the board and to the other officers present, the seriousness of the health care problem in America, and especially the devastating impact that it was having on the Elmira Community Clinic and Hospital. As he leaned into the issue, he noted with unusual clarity, how health care costs needed to be reined in and how alternative ways of dealing with the provision of health care benefits had be identified and evaluated. He said, "The insurance premiums for health care are ruining our chances of survival. What is at stake here is the existence of a vital community-based organization that has served a regional area well for nearly fifty years. We are not going to be able to meet our

creditors' demands if something isn't done now to resolve the run-a-way costs associated with insuring our workers and giving them other benefits."

"Dr. Tyson, why do you believe that we can lower the premiums we pay for health insurance when the inflationary rate for health and medical insurance continues to spiral upwards?" exclaimed Marge Packer, director of the Human Resources Department. The tone of her question reflected not only a sense of urgency, but also one of bewilderment! "We have not been giving away the store in terms of health care benefits. In actuality, Elmira Community Clinic and Hospital now lags behind what our market competition is providing to their people," she insisted. The health care dilemma was now placed squarely in front of the board and there did not appear to be much "wiggle room" for those who would remain disengaged.

"We absolutely can't continue to provide full coverage for all employees if the costs are not either contained or reduced," Dr. Tyson responded. "I well know, given my many years of experience in this business, that health care costs in America are directly associated with the type of plan we subscribe to, the comprehensiveness of the coverage given, the co-payment amount, and the deductible levels." As he made eye contact with every person in the room, the board and staff knew that this was an issue that he wanted addressed and that only those ideas and comments that seriously addressed the issue should be given voice. As he paused to collect his thoughts, Dr. Tyson resolutely stated that, "If the costs are not reined in soon, we will face financial problems that will eventually force us into bankruptcy or some kind of receivership. He lamented, "Excuses that costs of health care are rising nationally serve no purpose at this time. We not only can do better, but we must align the costs for employee health care with our revenue stream. This is an emergency, I repeat, and I want the Human Resources Department to provide a full report to this board at our next scheduled meeting in two weeks. Time is at a premium and we must have a new contract negotiated and ready to be signed by the board at our next monthly meeting. The time is now and now is the time to get our health plan and associated budget in order. Failure at this critical juncture to contain these run-a-way health care costs will be disastrous to this organization and may mean that draconian measures may have to be taken in order to reconcile the projected gap that now exists between the twin streams of income and expenditures."

Marge Parker knew the board meant business this time. She had met with her staff on many prior occasions and literally beseeched them to come up with a solution to the health care dilemma that she was saddled with resolving. Once more, she felt that the staff would come up with a perfectly predictable litany of suggestions. As the thoughts raced through her mind, she felt that some of the ideas that the staff would present would be tired and worn, and that some of the facts and trends noted would be obvious to the informed manager. The need to develop a comprehensive wellness program that addressed all of the human dimensions — physical, social, psychological, emotional, financial, and spiritual — would be

heralded as potentially yielding a high return on investment (ROI) including: the expansion of the Employee Assistance Program into areas that would be accessible to employees, family members, and retirees, especially in the area of alcohol and drug counseling, effective parenting, and smoking cessation; increasing the floor on deductibles from $250.00 to $750.00 per household; inauguration of screening programs that would identify early stage cancer detection, monitor blood pressure, cholesterol levels, and even psychological stress; to begin evaluating the workplace for all forms of occupational and safety-related hazards and develop a plan to correct deficiencies immediately; to examine the workstations and equipment used in order to better assess where ergonomics could assist in reducing work related injuries; and to examine safety violations or failure of employees to comply with recommended techniques for heavy lifting and equipment use.

As Marge Parker reviewed in her mind what the staff would likely come up with as potential solutions, she couldn't help but also think about some of the most salient health care facts in the United States. An increase in unemployment rate is associated with an increased number of uninsured Americans. The 41 million or so Americans who are without health care on any single day was not only a daunting statistic, but one that was repeated by some politicians like it had become sort of a "mantra." Cost shifting was certainly going on in the health care industry, between those who could and could not afford treatment and prescriptions. People who were uninsured were more than likely uninsured because of job loss, or were uninsured because they were ineligible for family or public coverage, or perhaps, many simply could not afford to pay the high premiums associated with health care coverage. The fact that Blacks and Hispanics were uninsured in percentages disproportionate to their distribution in the general population, and that those with lower incomes (under $30,000) comprised nearly 55 percent of the non-elderly, uninsured population in America, and that a greater percentage of younger workers and new immigrants were all too willing to take jobs that did not carry health care coverage as a perk also were troubling.

As Marge Parker reflected about some of the health care facts and trends, she was most alarmed about the fact that children and working adults made up nearly 80 percent of the uninsured. Working adults without employer based health care coverage reflected what businesses were doing with health care coverage, she thought, and it did not paint a pretty picture in her policy manual. Yes, these statistics were troubling enough, she reflected, but recounting this listing as if it were a completely memorized recipe would only serve as arguments for maintaining the *status quo*. It was now time to get down to the basics. As she pondered the problem she faced, she wondered what the implications would be if she recommended that Elmira Community Clinic and Hospital discontinue its employee health care coverage, or even provided a "patch-quilt" solution by shifting a larger percentage of the health care costs to employees. This was truly a "double-edged sword" and either side, if indelicately touched, would draw the "blood" of employee distrust, resentment, and anger! Was health care part of an earlier psychological contract that was associated with the "Old Deal? Was it a luxury

only to be given to the fortunate few — those who already had tasted success? Or, would physicians, hospitals, clinics, and insurance companies have to curtail costs and "bite-the-bullet" if widespread or universal health care coverage was to become a national reality?

Surely, Marge Parker thought, these questions and facts cried out for attention, but in the interlude between an impending crisis and needed changes in national health policy, what should she recommend? It served no purpose now to argue for tax credits for employers who provide health care benefits, or to suggest that prescription drug policies for the elderly be put into place, or that COBRA policies for those employees who have lost their jobs be extended. No, this was not the time to recommend that Medicaid and the State Children's Health Insurance Program (SCHIP) be extended, or that businesses show a sense of social responsibility and not relocate to states that do not mandate employee health care coverage. The list of other policy initiatives that might be proposed at either the state or national level would have to wait. There would be time later to seriously discuss the ethical and financial implications of those employees who are at high risk, but who cannot afford the prevailing market prices for insurance; or perhaps, just maybe, the issues associated with health care rationing that finally had come of age in several of the states.

"These policy suggestions seem so 1990's," she muttered to herself. "A new millennium requires a much bolder imagination and a visionary response," she told her staff. "With an increasing percentage of middle and higher-income families falling into the uninsured cohort in America, perhaps the long-standing, lower-income, younger worker, and immigrant worker coalition will find a new ally in their effort to attract national attention and a possible remedy to the health care disaster," she said.

For now, Marge Parker would wait for a response from her staff who she had charged with the task of coming up with feasible and practicable solutions. Would wellness and EAP programs meet the demands placed on her by the board of directors, or had the double-digit inflation price tag that had attached itself to health care costs become a constant in the formula used for calculating future health care costs and financing?

Questions and Instructions:

1. If you were given the task of coming up with health care cost containment proposals, what would you propose and why? Please be specific.

2. Given the frustrations that Marge Parker feels, and especially given the political and administrative pressures she must deal with now, do you think she should have done more than to simply charge her staff with the job of developing health care solutions for Elmira Community Clinic and Hospital? What might she have alternatively done to facilitate the staff's development of a suitable and workable plan?

3. Does the worn strategy of high health care and prescription co-payments and deductibles combined with reduced benefit coverage a solution when unemployment looms large for many employed in the manufacturing and telecommunication industries and inflationary pressures in health care remain a double dip phenomena? Please explain.

4. Does it make any sense for employers to pay lower wages or salaries with the rationale that the benefit portfolio offsets the basic level of pay? Or, is it a better recruitment and retention method to provide higher wages and salaries and have a reduced benefit portfolio? Please elaborate.

5. How would Disease State Management (DSM) techniques help reduce the cost of health care? Please explain.

i. In reality, to fund the escalating costs of providing essential governmental services and employee health care meant that a property tax increase of $45.00 would need to be levied on a home valued at $175,000 with a 10 percent valuation increase.

ii. State mandated programs, no general inflation adjustment, hold costs below those associated with the current level of service delivery, submit for funding only those requests that had been assigned the highest priority ranking.

iii. Proposed cuts in home health care or increase the county portion of property taxess (which are levy dependent). In another instance, the county commissioners had proposed the addition of 16 new full-time positions, but in reality, one of the existing positions would now need to be slashed, which in turn would require about 120 clients, would now have to obtain, if possible, services from privately operated home health agencies.

Timeline of Events:

Mental Joggers:

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Additional Notes and Observations:

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Personal Reflections (topics or concerns that you want to address in other case analyses):

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Case 10: A Health Care Dilemma

Name:

Case Log and Administrative Journal Entry

This case analysis and learning assessment is printed on perforated pages and may be removed from the book for evaluation purposes.

Case Analysis:

Major case concepts and theories identified:

What is the relevance of the concepts, theories, ideas, and techniques presented in the case to that of public management?

Facts — what do we know *for sure* about the case? Please list.

Who is involved in the case? (people, departments, agencies, units, etc.) Were the problems of an "intra/interagency" nature? Be specific.

Are there any rules, laws, regulations, or SOPs identified in the case study that might limit decision-making? If so, what are they?

Are there any clues presented in the case as to the major actor's interests, needs, motivations, and personalities? If so, please list them.

Learning Assessment:

What do the administrative theories presented in this case mean to you as an administrator?

How can this learning be put to use outside the classroom? Are there any problems you envision during the implementation phase?

Several possible courses of action were identified during the class discussion. Which action was considered to be *most practical* by the group? Which was deemed *most feasible*? Based on your personal experience, did the group reach a conclusion that was desirable, feasible, and practical? Please explain why or why not.

Did the group reach a decision that would solve the problem on a short-term or long-term basis? Please explain.

What could you have done to receive more learning value from this case?