

Health Care Reform: What Happens Next?

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Guest Contributor

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NEW YORK (TheStreet) --Washington has spoken. National health insurance is now a reality, adding 32 million additional Americans to the health care system and putting the U.S. on par with other developed nations in requiring health care for most citizens. But will it actually work to provide effective health care across our population without bankrupting the nation? Or have we won the battle but set ourselves up to lose the war?

Many critics say we simply can't afford such an expensive health care reform program, and they may be right. The new law -- the Patient Protection and Affordable Care Act -- focuses primarily on health care access and insurance reforms. It does virtually nothing to address the underlying costs and structural issues that have pushed the health care inflation rate to 2 ½ times the overall inflation rate. Adding 32 million insured people will place additional stress on a health care system that was already on pace to grow from about 16% of GDP in 2009 to more than 19.5%, or roughly \$4.5 trillion annually, by 2017. Our health care economy is bursting at the seams and putting pressure on the overall economy, limiting our global competitiveness.

The current health care system, hamstrung by a 30% rate of waste and errors, simply isn't sustainable. The U.S. must find ways to reduce the cost trajectory of health care. Health care rationing, the inevitable upshot if the issue is not addressed, isn't a concept our nation will embrace. Americans won't accept a financial model intentionally designed to let some people die while others live.

The answer to this challenge is better care, not more care. As health reform moves from policy to practice, it's critical that health care and supportive industries step up to the plate to finally embrace the widespread use of information technology and other key productivity measures that improve quality and that have transformed almost every other American industry.

Here are seven specific suggestions to bring about the change needed: * An efficient system to prevent and manage chronic illnesses, such as diabetes and hypertension, which accounts for 78% of all health care expenses in Medicare. Technology can help incentivize consumers to live healthier lifestyles and

prevent disease and can also improve care management for those who live with costly chronic illnesses.* Error reduction in inpatient, ambulatory, and post-acute care. These errors -- a staggering 19% error rate in medication administration errors at hospital bedsides alone -- are the result of poor information flow and fallible human behavior. Innovative technologies to help care administrators avoid costly and tragic mistakes have begun emerging and have demonstrated positive clinical outcomes.* A concentrated focus on diabetes. We must adopt improved early diagnostics and focused health care management programs to deal with the diabetes epidemic, which costs an estimated \$170 billion annually in the U.S.* New medical technology to enable earlier and better diagnosis and thus earlier intervention to mitigate the impact of high-cost, high-morbidity diseases. Continued innovation around technologies that help identify diseases earlier would have a vital financial and clinical impact.* Medical devices to foster less invasive and more effective surgical interventions. New minimally invasive surgical technologies enable care givers to provide treatment options that reduce inpatient use, result in fewer negative side effects and produce better clinical outcomes. A number of these technologies have already been developed successfully adopted, but much more can be done.* Expanded adoption and investment activity in health care information technology, including delivery of important and updated patient information at the actual point of care. Personal medical records must become ubiquitous. Beyond digitizing medical records, a portable electronic personal health record must be provided to patients and their caregivers so that an integrated and updated view of their health status is available and decisions about optimal treatment can be made. This would enable providers to readily identify high-risk patient behavior, reduce the risk of medical errors and eliminate redundant testing at the point of care. This is particularly important to coordinate treatment for patients with multiple conditions.* Lastly, venture capitalists must recognize and sponsor entrepreneurs committed to developing solutions for most of the previously mentioned challenges. Some already are doing this, which is why some of the required technology already exists, but we have a long way to go. There is increasing interest, but especially in health care IT, we must make a concerted effort, as health care IT currently comprises less than 1% of venture capital investment. Venture capitalists must assume a leadership role in spurring the innovation needed to save not just America's health care economy but its overall economy.

Embedded in all of these points is the need to bring consumers into the active management of their own care. A serious commitment to better diets and more exercise is an essential part of improving public health. People must also be provided with the tools and incentives to make good decisions. Some believe that consumers aren't smart enough to participate in the management of their health care, but that isn't the case. Consider, for example, their extensive use of the Internet to acquire health care information. The problem is that this information isn't customized to people's specific needs or delivered to them in a timely fashion.

Health care has become the biggest drag on America's prosperity. The U.S. spends a greater percentage of its GDP on health care than any other country by factor of nearly two, yet it ranks only 25th in global life expectancy. The good news is that our nation has long been a leading light in the quest for innovation, and the venture industry has been a primary source of fuel for that innovation. That's why the venture industry has a major role to play in responding to our current economic challenge.

The passage of landmark health care legislation creates significant impetus to develop and market sound ideas and technologies to improve the health of our health care system. I'm optimistic this scenario will evolve and that our country will ultimately be reinvigorated through industrial innovation.

Lisa M. Suennen is a co-founder and managing member of Psilos Group, a health care-focused venture capital firm with over \$577 million under management. Ms Suennen has headed Psilos' West Coast

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