"The health care industry is badly in need of new business models and systems thinking. *The Company That Solved Health Care* incorporates some of the best management discipline as it proves health and health care costs can be improved dramatically at the ground level."

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The Company That Solved Health Care

How Serigraph Dramatically Reduced Skyrocketing Costs While Providing Better Care, and How Every Company Can Do the Same

John Torinus Jr.

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PRAIS FOR *THE COMPANY THAT SOLVED HEALTH CARE*

“JOHN TORINUS is a national treasure. Every business can learn from what he did at Serigraph.”

—REGINA E. HERZLINGER,
Nancy R. McPherson Professor of Business Administration
at the Harvard Business School, author of *Who Killed Health Care?*

“THE HEALTH CARE INDUSTRY is badly in need of new business models and systems thinking. *The Company That Solved Health Care* incorporates some of the best management disciplines as it proves health and health care costs can be improved dramatically at the ground level.”

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“TORINUS HAS SOUGHT OUT the best innovators in Wisconsin for delivering more value in health care, and he put them to work at Serigraph. His company has proved that purchasers of health care can manage their costs and control their destiny far more effectively than ‘command and control’ government approaches. He has pushed the industry hard to improve, and it has helped us get better. His prescription is on the mark.”

—STEVE BRENTON,
President, Wisconsin Hospital Association

“WHILE MUCH OF THE COUNTRY is focused on the attempts to reform health care in Washington, there is a revolution going on under their noses. This book describes the real-world revolution that is transforming health care into a cost-efficient, accountable system through empowering consumers. John Torinus is no dreamer. He shows us how his company has walked the walk and actually made it happen. This is must-reading for every employer who is concerned about staying in business in a difficult economy.”

—GREG SCANDLEN, Editor, *Consumer Power Report*

“MANITOWOC COUNTY took a page directly out of the innovations for managing health care costs spearheaded by John Torinus at Serigraph, and it worked. We

convinced our non-represented employees and six employee bargaining units to work with us in making these changes, putting millions of dollars into the pockets of our four hundred employees while capturing significant savings for taxpayers. Consumer-driven health care changes EVERYTHING!"

—BOB ZIEGELBAUER,
Wisconsin State Representative (D)
and Manitowoc (WI) County Executive

"TORINUS HAS SUCCINCTLY CHRONICLED the remarkable success at Serigraph in controlling company health care costs. This story serves as evidence to U.S. employers and the government that it's possible to bend the health care expense curve. His prescription? Work with employees to help them become better consumers by providing price and quality data on doctors, hospitals, and prescription drugs so they can take responsibility for their own health, and by creating benefit incentives that encourage the right behaviors. This isn't academic theory. Torinus has made it work."

—JOHN TOUSSAINT,
CEO, ThedaCare Center for Healthcare Value

"PREVENTION, WELLNESS, and chronic disease management have to be foremost if the nation is going to dramatically improve health and significantly lower costs of care. Serigraph's business model proves those initiatives work in a very real way. The book is a must for every business as it deals with health care."

—TOMMY THOMPSON,
former Governor of Wisconsin and
Former U.S. Secretary of Health and Human Services

"ANYONE HOPING to sit quietly on the sidelines until John Torinus tires of his campaign to change health care in our country would do well to remember that John rode his bike across America at age 71 and skis through the hilly and frigid course of the American Birkebeiner. John brings the focus and energy of an endurance athlete to his work to keep his company competitive by changing the way we buy and, more importantly, think about health care.

Since I met John in 1996, he has been an active participant in health reform debates and a relentless voice for change. We were at the table together when a small group of Wisconsin providers started down that path of transparency as part of the Wisconsin Collaborative for Health Care Quality. Those initial steps were a leap of faith as providers began to share quality and cost data with customers and each other. This work set a path for larger initiatives, like the Wisconsin Hospital Association's Price Point and Check Point. Wisconsin is now considered a national leader, due in some measure to that early work.

His book offers the reader a bird's-eye view of the changes and innovations John

shepherded at Serigraph. Like all good innovators, John keeps experimenting and has hits and misses. While I am not in total agreement with all that John has proposed for his workers (for example, I share his co-workers' skepticism about medical tourism), clearly his focus on staff engagement is key to any health reform effort. This is a critical point whether at the work area or in the national reform agenda. His prescription offers insights into the winning strategy of empowering individuals to take an active role in managing their health. The focus on wellness, prevention, and end-of-life planning yield more impressive benefits than cost savings: some of John's co-workers will no doubt live longer and live better because they were offered the right incentives and support to catch disease early or take steps to prevent it altogether.

John and I will continue to debate and argue over the best methods for lowering overall costs in the years ahead, but John's heart is in the right direction. What he is looking for is what every CEO should be focusing on—how do we improve the health status of our workers while improving the cost and quality of health care services. I look forward to the thought-provoking discussions, and his readers will enjoy a thought-provoking book."

—WILLIAM D. PETASNICK,
President and CEO, Froedtert & Community Health and
Former Chair of the American Hospital Association

"SERIGRAPH'S FOCUS, organizational commitment, and collaboration with its health plan administrator, Anthem Blue Cross and Blue Shield, and providers of value in health care proves that there are innovative solutions for getting the hyper-inflation in health care under control. It's not a blame game; it's about individual engagement, transparency, and effective management."

—STEVE MARTENET,
President of WellPoint Specialty Products and
Former President of Anthem Blue Cross and Blue Shield in Wisconsin

How Serigraph dramatically reduced skyrocketing costs while providing better care, and how every company can do the same

THE COMPANY THAT SOLVED HEALTH CARE

John Torinus Jr.

BENBELLA BOOKS, INC.
DALLAS, TEXAS

Dedicated to the pioneers in the bottom-up reform of health care economics in the United States, including Linda Buntrock, Ellen Lidtke, Carol Eady, David Kracht, Scott Fuller, Jo Thompson, Regina Herzlinger, Jim Mueller, Len Quadracci, John Toussaint, and Jerry Frye, and to Kine Torinus, my beloved wife and most stern editor.

INTRODUCTION: REAL REFORM OF HEALTH CARE STILL TO COME

THE TOP-DOWN REFORMS of health care that barely made it through Congress will have little impact on my company.

The major thrust of the Democrat-driven legislation was to improve access for the uninsured. Their concoction was mostly about who's covered and who pays. In one dimension, the national reforms are a form of wealth redistribution from the well-off to those in need.

In stark contrast, the major issue for businesses at the ground level has been the costs that have relentlessly escalated for decades. That pattern of a doubling of costs every eight years justifies the term "hyper-inflation." It continued into 2010 with premium increases for businesses of at least 10 percent and often more than 20 percent.

So the challenge for private payers has been to get some kind of grip on out-of-control health care charges. Congress and President Obama paid scant attention to the cost side of the equation. Worse, most of the insurance reforms, such as eliminating pre-existing conditions and barring lifetime caps on coverage, will serve to raise premiums in insured plans.

This book is a story of the development of a business model that brings sanity back to the economic side of medicine. It is a road map for private payers.

Further, the lessons learned in the private sector contain answers for insolvent public programs like Medicare and Medicaid. Politics in America has become so polarized and so bought-and-paid-for by entrenched interests that meaningful congressional reform of the public sector's health programs has proved near impossible.

But large-scale change often starts small. Remember welfare reform? It started in two counties in Wisconsin and then spread across the nation and to other parts of the industrialized world.

Grassroots reforms can catch fire and prove more powerful than mandates from the mountaintop. That is because ground-level concepts and experiments are put to the test of reality. Do they work or don't they?

This book is about the innovations that have worked. The collection of these initiatives adds up to a new business model for the delivery and purchase of health care in America.

These ideas come none too soon. The healing side of medicine is usually caring and often brilliant. But the economic side is breaking the bank at all levels of society: national and state budgets, company profit-and-loss statements, and personal wallets.

No less than the national solvency is at stake.

There's a huge irony in all of this. The reason access became a major issue in the first place was that costs and prices got so high that growing numbers of Americans couldn't afford that access. Individuals and small companies dropped coverage because they couldn't afford it. The higher the costs moved, the larger the uninsured population became.

The root cause of the problem has been ineffective cost management. Unlike effective businesses, which try to find and fix the root causes of problems, Congress has attacked the symptoms. It turned a blind eye to the underlying cost structure in the largest industry in America. It attempted what Congress does best: toss more money at the problem. Congress raised billions in new money through taxes and cost-shifting to buy access for those who had been priced out of coverage.

Most Americans would agree that covering the uninsured is the right thing to do. But most taxpayers wish that Congress and the Obama administration would devote more attention to the ways and means of paying for universal access.

If our political leaders had listened to the pioneers in health care delivery, the huge bill for universal coverage could have been paid for with savings from better business models. America is the citadel for business model innovation, and that talent is just as vigorous in health care as in other economic sectors.

Serigraph has sought out those new approaches and has put them to work to manage health and health care. The company has been a hothouse incubator for private sector reforms.

Not all have worked, but many of them have proved effective. They have driven down the cost enough that co-workers at Serigraph have seen only three small premium increases in the last seven years. The average increase in total medical costs for Serigraph and its co-workers has been 2.8 percent per year, far below the national average of 7 percent.

Serigraph co-workers deserve that premium relief because they have been full-fledged partners in making the company's new strategy work. Indeed, no human organization can succeed without the full engagement of the people in the system.

Therein lies the philosophical gulf between ObamaCare and Serigraph. The national legislation relies largely on mandates from Washington, D.C. In addition, recipients of the governmental largesse are essentially passive players. In one sense, people using entitlements become wards of the state.

In contrast, the private sector reforms rely on the intelligence and responsibility of the people receiving and purchasing care. Serigraph's reforms are at the grassroots level, not from the top down.

This book will take you along the learning journey that enabled Serigraph to tame the runaway beast of health care cost inflation. We have learned from many smart operators, some cited in this book. We continue to learn about promising developments in the incredibly complicated world of health care.

The potential improvements in human health and the potential cost savings remain enormous. They constitute gold-plated answers, and we will continue to mine them to offset future inflationary pressures.

For the sake of clarity, I have chosen to group the successful reforms in the private sector under three platforms:

- Consumer Responsibility
- Centers of Value
- Prime Role for Primary Care

CONSUMER RESPONSIBILITY

Companies that have used what are called consumer-driven health plans have enjoyed savings of 20-40 percent. That's because their employees have their own skin in the game. Behaviors change on a dime when companies give their people personal accounts that are tied to high deductibles and co-insurance. They become more personally responsible.

Employees act as if it were their money being spent on their health care, because it is. Over-utilization disappears; utilization drops to appropriate levels. People shop around for value—the combination of better price, service, and quality. They take a sharpened interest in their own health.

This brand of reform has been proven to work over the past decade, and the savings are beyond debate. Yet the Democratic reformers shunned consumerism in their legislative gyrations, even as the number of high-deductible plans continued to grow rapidly and the savings mounted. Instead, the national reformers have opted for essentially free plans. They thankfully left personal health accounts largely alone.

Blank checks are usually costly, and most government programs that eschew incentives and disincentives are headed for fiscal crisis. That is not an exaggeration. The best-run public programs cost two to three times what cutting-edge private sector plans are paying.

Getting to consumer responsibility is not just about monetary incentives and disincentives. It's also about getting the right information in front of health plan members, such as comparative prices for treatments at area health providers. Think of what Travelocity does for airfare. Employers also need to disseminate quality ratings and reports on a broad range of medical treatments.

Communication and education must be clear, consistent, and easy to access.

CENTERS OF VALUE

The second platform for reform helps people find the best providers. That means

identifying and promoting what Serigraph calls “Centers of Value,” where value means the best combination of service, quality, and price.

Most Americans have almost no idea whether their doctor or hospital system is good, bad, or average for performance. The information has been nearly impossible to track. In contrast, Serigraph makes available to its co-workers the quality ratings that are available. The performance variation is huge.

So is price variation. The same operation can vary in price by a factor of two to three times. We make such comparisons available on our intranet site.

We then set up rewards to steer our co-workers to the best-in-class providers. That includes providers outside our region and as far away as Bangalore, India. Huge savings result.

Some of these world-class medical providers are using the same lean disciplines that helped Asian carmakers ascend in the world of automobile manufacturing. By emulating their high-quality, low-price model, lean medical centers have eliminated thousands of errors and cut millions of dollars in costs. Their prices reflect their lower cost structures. (Toyota’s problems in 2010 resulted from a retreat from those disciplines.)

There is even a moral ingredient to using the best doctors and hospitals. How can we justify benign neglect and condone an under-informed selection of sub-par providers by our people?

PRIME ROLE FOR PRIMARY CARE

The third reform platform is a model that centers on primary care, a little like it was in the good old days when doctors and patients had a personal relationship, both for care and for the economics of care.

A large swath of costs can be cut by re-establishing the role of primary care. Big, complex medical systems have homed in on the higher reimbursements offered by the government and insurance companies for specialty care. They put high-priced specialists at center stage.

As a business strategy, the big corporations have hired or acquired primary care physicians to feed patients upstream to their monstrously expensive specialty units.

The cost meters run wild when a specialist sends a patient to a hospital. An overnight stay in the best hotels in the world goes for $1,000 to $1,500. An overnight stay in an average hospital can run $5,000.

Further, care in these complex organizations invariably becomes fragmented and piecemeal. People are fixed for their symptom of the moment and sent home.

Companies that have brought primary care back into the forefront have cut their health budgets by as much as one-third below national averages. Often they have

doctors, nurse practitioners, and nurses on site.

Such primary health care is more intimate and more integrated. Prevention, wellness, and chronic disease management become personal, proactive, and real, instead of a token effort on a Web site or brochure. The primary providers collaborate with their patients and keep them out of hospitals, and the savings accumulate.

These three platforms could have been woven into the national reforms, but only small bites were taken of each. That optimism notwithstanding, the private sector reforms are so powerful that they inevitably will be baked into future reforms in both the private and public sectors.

The savings will be needed, because many employers will continue to offer coverage to stay competitive for the best talent. However, no one can accurately project how many will choose to pay the low fines for not offering coverage under ObamaCare, in effect defaulting to government plans.

Those who continue coverage will need to learn to play the health care game better, because the hyper-inflation continues.

The following chapters will walk the reader through the grassroots initiatives of Serigraph and other innovators as they developed these better business models for health care delivery in America. Readers will get a first-hand look at reform from the bottom up.

Co-workers from Serigraph help to tell the story through their experiences in seeking value in health care. (These fellow reformers have all given permission to cite their examples.)

It has been a rewarding, exciting journey for Serigraph and its engaged people. We hope you will put these powerful innovations to work in your organizations.

1
RAMPANT HEALTH COSTS CAN BE CONTROLLED

IN 2003, I came to the realization that wildly out-of-control health costs could take down my company. We ended that year with a total health care bill of $5.5 million for employer and employees combined, up almost 12 percent from 2002 and 23 percent from 2001.

Further, we were looking at a 15 percent hike in 2004, an increase of more than $800,000. We had other expenses under control, but our health costs were metastasizing. We could not afford hyper-inflation in this major cost bucket. We had to do something about it and do it fast.

Serigraph is a mid-sized company that sells graphic parts, like the face of your car's instrument cluster. We sell to major consumer products manufacturers. We are two layers down the supply chain. So we lack leverage and are unable to pass on cost increases through higher prices.

Worse, our reality is heavy pressure to lower our prices each year of a multi-year contract. These "price-downs" mean we live in a world of deflation. We have to match the "China price" or the "India price" through high productivity and cost control. That makes us particularly vulnerable to hyper-inflation in any major cost sector.

Health costs are our third-largest expense after payroll and raw materials, and in 2003 they were heading to second-largest. We had no choice but to tame this runaway beast. Gaining control of medical expenditures had literally become a matter of survival for our manufacturing operations in the United States.

We had tried all the obvious tactics to lower health costs. Those included a wellness and fitness program; an annual quoting and bidding process to land a percentage point or two more in discounts from health providers; some rationing (only one Viagra pill per week, for example), and a standard plan that shifted some costs to co-workers with a deductible of $300 and 20 percent co-insurance. These anemic attempts throughout the 1990s may have mitigated the rate of increase, but at the end of each year, we still showed staggering cost hikes.

Several alarmed CEOs and I had formed a coalition of sixteen major employers in Washington County, Wisconsin, where my business is located, to aggregate more buying power. With 18,000 lives combined as leverage, we negotiated hard and won a few percentage points of better discounts from hospitals, clinics, and doctors. Nonetheless, our costs kept escalating all through the decade, and a couple months of health care inflation wiped out the wins on improved discounts. Trying to use our buying power against the larger selling power of increasingly consolidated providers did not work. It was very frustrating. We seemed powerless.

LITANY OF EXCUSES

I went to dozens of sessions on the economics of medicine, only to hear the rationale for why the rise in health costs was inevitable and unstoppable. I listened to the political dialogue at the state and federal levels and came to the realization that most

experts endlessly stated the obvious: health costs were rising fast and were taking an economic toll on everyone. They talked mostly about who would or should pay for the escalating costs, not about controlling them. That remains largely the case. Meanwhile, more and more Americans were being priced out of health care coverage.

The litany of excuses for relentless health cost inflation sounds like this:

- The population is graying, and that means more medical conditions.
- Trial lawyers have caused a litigious environment that necessitates defensive and unnecessary medicine.
- New technology, which drives costs down in most industries, drives up costs in health care.
- Medicare and Medicaid under-pay providers, who are then forced to shift costs to payers in the private sector.
- Insurers and their executives make too much money.
- Doctors make too much money.
- Hospitals and their executives, including nonprofits, make too much money.
- Shortages of medical professionals drive up wages.
- Drug companies spend too much on advertising.
- Hospital systems are required to do charity care.
- Americans are too fat, eat and drink too much, don't exercise enough, smoke too much, and don't follow treatment regimens.

Serigraph did not have the luxury of bowing to those excuses. We could not take a duck on the double-digit inflation. And I did not want to cost shift to my co-workers.

About that time, I discovered a book by Regina Herzlinger, a Harvard business professor, titled *Consumer-Driven Health Care*. In it, she prescribed a strong dose of marketplace dynamics and employee empowerment, the kind of breakthrough thinking we had been seeking.

Her ideas made a lot of sense, especially since Serigraph had a long tradition of asking its co-workers to fully engage in solutions to complex problems. We have always said to our people: "Help run the company." They pitched in when we moved to total quality management. They bought in when we set a goal of customer intimacy. They took ownership of the results when we launched a lean journey. So why wouldn't they help with taming health costs—if we gave them the right incentives and tools?

Besides, individual responsibility is the American way.

A handful of pioneer companies had already embarked on consumer-driven options a year or two earlier and were reporting success. Humana, a large national health insurer, took the leap with its own people as guinea pigs. It reported a less than 5 percent cost increase for its own employees in 2003. That was a lot better than the double-digit inflation we and the rest of the country were experiencing.

We needed triage, so we moved fast. We took the plunge to a consumer-driven health plan on January 1, 2004. The decision carried considerable business risk.

We had to invest money up front—about $2,300 per family or $2 million company-wide—on the bet that consumerism and empowerment would save that much and more during the upcoming year. We were uncertain of the outcome and nervous about the up-front payouts to co-workers. At the heart of it, the gamble was that those new

costs would be more than offset not only by the higher deductibles and co-insurance but also by individual behavior changes. We were hoping for improvements in utilization, purchasing, lifestyles, and improved personal regimens for dealing with chronic diseases.

Further, we decided to not just rely on incentives and disincentives but to offer a holistic approach to keep our people healthy and out of the hospital. That was based on the obvious premise that managing health and health costs must be done concurrently.

It did not take long to see that the reform was taking hold. Our people started shopping for better value in terms of quality and price. They started asking their doctors and clinics what treatments were going to cost. Most providers responded, "What do you care? Your insurance covers it."

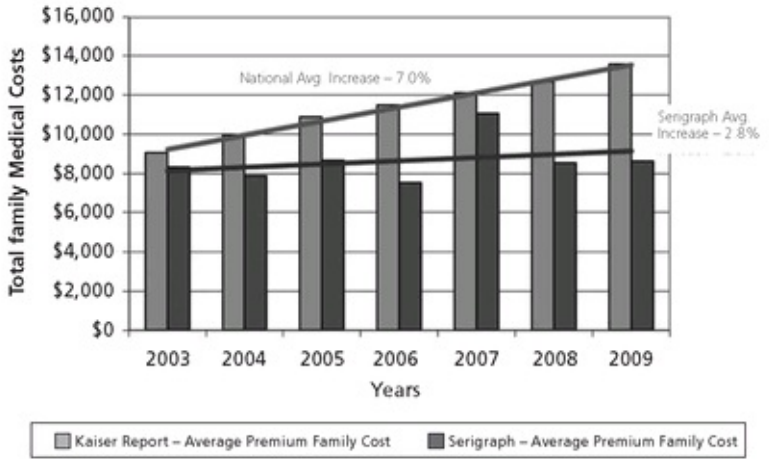
Our people replied, "No, it's our money, too."

Total costs for 2004, including our up-front incentives, dropped—repeat *dropped*. That outcome was far, far better than the 15 percent increase we had projected under the old plan. Consumer-driven health care reform was working. More than six years later, it is still working. (See Appendix for plan outline.)

In 2003, Serigraph's medical costs averaged $8,302 per family. Health insurer Kaiser Permanente calculates the U.S. average each year and put it at $9,068 per family, so we were running 8.5 percent lower than the national average. In 2009, Kaiser put the U.S. average at $13,591. We came in at $8,631 per family, 36 percent below the national average (see Exhibit 1-1). The gap has grown wider and wider.

EXHIBIT 1-1

Serigraph Health Care Cost Trend vs National Trend



Serigraph and its people made that happen and learned many lessons along the way. We also learned from innovations at vanguard companies that have informed our health care journey.

Our hope is that our experience will encourage other companies and organizations to empower their employees as informed consumers and responsible patients. If enough payers do so, order will emerge from the chaos in the form of individual responsibility and marketplace disciplines.

Since Serigraph spends about one-third less than the national average for health care per employee, we save more than $1.5 million per year.

Let's extrapolate those savings. The annual national health care bill is $2.4 trillion, so a one-third reduction would save Americans $800 billion per year. That is enough savings to cover the uninsured in this country many times over. What has taken place on the ground level in our pilot program and elsewhere has major implications for the national health care policy. Ours is a ground-level solution rather than a stratospheric prescription from Washington.

Lastly, I would make a class-action apology for all CEOs. We allowed the mess on the economic side of health care to happen. We did not use the "Golden Rule"—he who has the gold rules. We are the payers, and we let loose the beast of hyper-inflation in health care. We did not trust and empower people to help. We did not put incentives and disincentives into place. We did not create a marketplace, the best form of price discipline. In the absence of strong leadership from business, we defaulted to government to take the lead on pricing policy and procedures.

I have been embarrassed for all of us who should have been in charge. But no more. Many private executives are no longer passive victims and complainants. Instead, we are beginning to manage our health care bills aggressively. Our hope is that Serigraph's journey toward proactive management of health costs provides a useful road map for others seeking to join us in taming the beast.

2
GET EMPLOYEES' HEADS IN THE GAME

I KNEW WE WERE STARTING to win the battle against runaway health costs in 2004 when Serigraph employee Robin Reis came into my office incensed at what a local clinic would have charged for the removal of a small mole on his nose.

Before Serigraph converted to a consumer-driven health plan, he never would have asked the price. But because he had voluntarily selected a version of our health care plan with a $1,000 deductible and 30 percent co-insurance, he asked.

Predictably, the doctor did not know the answer. But Robin persisted. He elicited the list price for the forty-five-minute procedure, and he was flabbergasted. It retailed at $8,900!

Instead of passively accepting the quote, he decided to do some shopping. Another plastic surgeon, thirty minutes away, quoted $565 for removing the mole under a local versus general anesthetic. Robin would have to go back for a second procedure if the removed tissue appeared suspicious for cancer. That proved to be the case, so he had a second $565 procedure to remove the rest of the suspect tissue. It was successful, so the final bill came to $1,130. That was still a savings of $7,770. Because Serigraph is self-insured and pools and shares health costs on a 75/25 percent split with its co-workers, Robin helped us all. He saved money because his co-insurance charge was lower, the company saved, and Robin's fellow workers saved, too, because of the lower shared cost.

By 2010, six years into the new plan, annual premium savings per co-worker have grown to $1,250 from where they would have been had we not converted from our old health plan.

He recounted the outcomes, medical and economic, to his primary care doctor at the local clinic, and the surprised doctor responded, "You moved the business? Your company is one of our biggest customers."

In that instant, the marketplace started to work. Moving business, or threatening to move business, as anyone in business knows full well, often produces amazingly positive responses in a vendor.

Robin's example captures much of what needs to happen for health care delivery to become affordable, not only for Serigraph, but for the country.

What we have learned is that the winning formula for moderating health cost inflation comes down to:

- behavior change by individually responsible users of health care;
- aggressive and intelligent management by the company;
- creation of marketplace dynamics to help people find good value; and
- keeping people out of hospitals.

A WINNING FORMULA

Think of the winning formula in Robin's case:

First and foremost, Robin's behavior changed. He acted like a responsible individual, as he does in other parts of his life. He took charge. He behaved like an intelligent consumer and performed like an engaged co-worker. He helped not only his own wallet but also the company's treasury and its competitiveness.

Second, it was the first time this provider had *ever* referred to my company as a "customer." Because we are self-insured, we pay most of the medical bills. Usually the payer in any rational economic system is regarded by the payee as a customer. Only in health care is this not the case because we rely on the middleman, the third-party insurer, or administrator to pay the bills.

Third, the lack of concern about prices on the part of most providers was laid bare. They charge whatever they want because there is generally little discipline to require them to do otherwise. There is neither marketplace competition nor effective government regulation.

Fourth, a small piece of transparency came into play. Robin insisted that he be provided with a price estimate, much as if he were buying a car, a house, or a refrigerator. Ideally, he would have been able to view comparative prices for a mole removal at all area facilities. Ideally, those prices would be a bundled price for the complete procedure. There wouldn't be added charges for anesthesia, radiology, lab work, etc. The bill would show one inclusive total, clinic and doctor charges combined, net of discounts. It would be a bundled versus unbundled price.

Ideally, Robin should have been able to view comparative quality as well. Data on health care quality was not available in 2004; that information is just starting to appear.

Fifth, in this one small transaction, the market dynamic worked in health care. If everyone behaved like Robin, order would emerge from the chaos in health economics. If millions of consumers demanded better value from health care providers, broad reform would happen in short order at the grassroots level. A tipping point would be reached. The providers would have to compete on value: the combination of service, price, and quality. All providers would have to move to the lower price point to compete and stay in business. The $8,900 price originally quoted Robin would be history (see Exhibit 2-1).

Providers now compete on the number and size of their edifices, on technology breakthroughs that may or may not advance the cause of good medicine, and on the profiles of their specialists. Do we need 128-slice scanners when most doctors say they haven't figured out how to get full measure from 64-slice machines? The expensive scanners make sense for research but not for clinical practice.

The health care companies use billboard advertising that stresses the service component of value but never the price component and only indirectly the quality ratings.

Typically the big health systems consolidate selling power by buying competitors, so they can enjoy the benefits of lessened competition. In big parts of Wisconsin, there is either a monopoly or duopoly. In the Milwaukee area, there are only four main providers. Few independent operators remain. Innovative start-ups, such as the Heart Hospital of Milwaukee, are often bought out or crushed by the big systems, which shut down referrals to new entrants. In the face of that kind of selling power, how do