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An Intriguing Path at a Critical Time

By David W. Johnson
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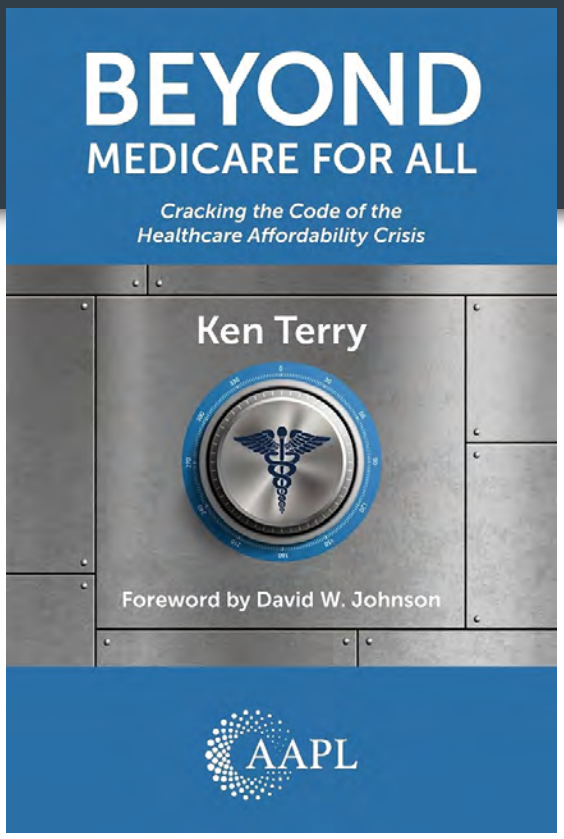

Editor's note: 4sight Health contributor Ken Terry recently published "Beyond Medicare for All: Cracking the Code of the Healthcare Affordability Crisis." Below is the foreword by 4sight Health's David W. Johnson.

American healthcare rarely changes quickly. For decades, the system has absorbed criticism, reform attempts, political battles and economic shocks. Each time, the structure bends but does not break. Costs rise. Complexity deepens. Access remains uneven. Yet the underlying architecture stays largely intact.

Until it doesn't. Ernest Hemingway famously described bankruptcy as occurring "gradually and then suddenly." Healthcare transformations follow the same pattern. Systems weaken slowly. Pressures accumulate. Then the tipping point arrives. American healthcare is approaching this moment.

Ken Terry's book begins with a blunt assessment: The United States healthcare system is experiencing structural failure. Costs continue to outpace wages and economic growth. Employers struggle to provide coverage. Government programs strain under long-term fiscal pressure. Patients increasingly delay care because they cannot afford it.

Parts of the system in low-income urban and rural communities are already collapsing. Increasingly, middle-class Americans are struggling to cover their medical costs. Concurrently, the forces driving change are growing stronger.

In our recent book, "The Coming Healthcare Revolution: 10 Forces That Will Cure America's Health Crisis," Paul Kusserow and I describe 10 macro and market forces that are pushing American healthcare toward inevitable transformation. Together, these forces are reshaping healthcare faster than many incumbents realize.

Ken Terry's work fits squarely within this emerging conversation. His analysis tackles a central question confronting healthcare reformers today: Who should control the incentives that drive healthcare? His answer is equally clear: physicians.

HEALTHCARE'S INCENTIVE PROBLEM

American healthcare does not lack expertise, technology or clinical talent. It suffers from misaligned incentives as these bedrock features of U.S. healthcare illustrate:

- Hospitals make money when beds are full.
- Specialists are paid more than primary care physicians.
- Insurers earn profits by managing risk rather than improving health.
- Investors search for financial returns inside a $5-trillion healthcare economy independently of whether their investments create value.

Each of the above participants behaves rationally within healthcare's financial incentive structures. Unfortunately, the whole is less than the sum of its parts. The structure itself produces expensive and fragmented care.

The results of this dysfunctional incentive structure are visible for all to see. Healthcare spending approaches one-fifth of the U.S. economy. Yet Americans experience shorter life expectancy, higher rates of chronic illness, and greater barriers to care than people in other advanced nations. The system generates extraordinary medical innovation but struggles to deliver affordable, coordinated care.

The U.S. system excels at rescuing people when they're drowning but never teaches them to swim. This paradox defines American healthcare. Our nation possesses the world's most sophisticated medical capabilities and one of the least efficient healthcare delivery systems.

A TRANSFORMATIVE IDEA

Ken Terry proposes a different path. His argument is simple but disruptive: Physicians — particularly primary care physicians — should regain control over healthcare delivery and assume responsibility for managing the financial resources associated with patient care.

This proposal goes beyond traditional calls for physician leadership. Terry argues that physicians must assume greater financial accountability for the care they deliver. In effect, physicians would function as stewards of healthcare resources, responsible for managing both clinical decisions and cost outcomes.

For decades, physicians have operated primarily within fee-for-service reimbursement systems that reward volume rather than value. Hospitals and insurers have absorbed most financial risk. Physicians have focused on delivering individual services rather than managing population health.

Terry proposes reversing that dynamic. Under his model, physician-led organizations — especially those centered on primary care — would coordinate care, manage budgets and accept financial responsibility for outcomes.

Terry's goal is straightforward: Align incentives so that physicians succeed financially when patients become healthier, safer and better served.

Physicians sit at the operational center of healthcare. They diagnose disease, order tests, prescribe treatments and coordinate referrals. Their decisions trigger the majority of healthcare spending. No group understands clinical workflows better.

Primary care physicians, in particular, occupy a critical position. They see patients early in the course of illness. They manage chronic disease. They determine when specialty care is necessary and when preventive interventions can avoid more expensive treatment later.

Strong primary care systems consistently produce better outcomes at lower cost. Yet the American healthcare economy undervalues primary care. Only a small portion of healthcare spending flows to primary care services. The system's imbalance between pro-health expenditures and treatment-focused expenditures is breathtaking.

Terry's restructuring model attempts to correct that imbalance. By shifting responsibility and financial authority toward physician-led organizations, the system could reward prevention, care coordination and population health management.

Done correctly, such a shift could reduce unnecessary utilization, improve patient outcomes and stabilize healthcare spending. In theory, physician stewardship could create a more rational healthcare economy.

THE RISKS

Theory is not reality. Transferring financial risk to physicians carries substantial challenges.

Most physicians are trained as clinicians, not financial managers. Running risk-bearing healthcare organizations requires expertise in actuarial analysis, capital management and population health analytics. Many physicians understandably prefer to focus on patient care rather than corporate operations.

Scale also matters. Healthcare risk pools work best when they cover large populations. Small physician groups may struggle to absorb the financial volatility associated with expensive medical cases. Without adequate infrastructure and capital reserves, physician-led organizations could face financial instability.

There are ethical considerations as well. Physicians must always place patients' interests first. If physicians assume financial risk for the cost of care, conflicts could arise between financial stewardship and clinical decision-making. The perception of such conflicts could erode trust between physicians and patients.

Healthcare reform must tread carefully here. Aligning incentives is essential. Undermining clinical integrity would be disastrous. A refinement of Terry's proposal might be requiring all hospitals and health systems to divest or separate their primary care personnel from their organizations. Health and healthcare are not synonymous. As the system does a better job of health promotion, preventive care and disease management (primary care's core elements), there will be less need for expansive acute care treatment.

A NECESSARY CONVERSATION

Ken Terry's book does not offer easy solutions, but it nails the essential dilemmas confounding the policy debate for how best to reform America's broken healthcare system. As such, Terry challenges readers to reconsider fundamental assumptions about how healthcare should operate. His proposal to shift greater financial responsibility to physicians raises important questions about incentives, governance and professional responsibility.

Some readers will find his ideas compelling. Others will view them as impractical or risky. Both reactions are valuable. Healthcare reform requires open debate about new models and alternative approaches. The stakes are too high for complacency.

The coming decade will determine whether the U.S. can build a healthcare system that delivers better outcomes at sustainable cost. The forces driving change are already in motion. Demographic pressures will intensify. Technology will accelerate care redesign. Consumers will demand greater transparency and value. Financial constraints will force difficult decisions.

Healthcare transformation is not optional. It is inevitable.

Ken Terry's contribution pushes the reform conversation forward. By exploring the possibility of physician-centered restructuring, he invites us to rethink the incentives that govern healthcare delivery.

Whether his model ultimately proves correct is less important than the dialogue it sparks. Healthcare's future belongs to organizations capable of aligning clinical excellence, financial discipline and patient trust. Achieving that alignment is the central challenge of our time.

Ken Terry offers an intriguing path toward achieving that goal. The conversation he begins could not come at a more critical time.

AUTHOR

David Johnson is the CEO of 4sight Health, a thought leadership and advisory company working at the intersection of strategy, economics, innovation, and capital formation. Dave wakes up every morning trying to fix America's broken healthcare system. Prior to founding 4sight Health in 2014, Dave had a long and successful career in healthcare investment banking. He is a graduate of Colgate University and earned a Master's in Public Policy from Harvard Kennedy School. Employing his knowledge and experience in health policy, economics, statistics, behavioral finance, disruptive innovation, organizational change, and complexity theory, Dave writes and speaks on pro-market healthcare reform.

His first book, **"Market vs. Medicine: America's Epic Fight for Better, Affordable Healthcare,"** *and his second book,* **"The Customer Revolution in Healthcare: Delivering Kinder, Smarter, Affordable Care for All"** *(McGraw-Hill 2019), are available for purchase on* www.4sighthealth.com. Get his new book with Paul Kusserow, The Coming Healthcare Revolution: 10 Forces that Will Cure America's Healthcare Crisis, now.