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OPINION

State needs to learn hard lessons from Steward debacle

'Trusting profit-making in health care is like believing in the tooth fairy'

by ALAN SAGER
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THE STEWARD HEALTH CARE crisis reveals a dozen years of missteps by both Steward and Massachusetts state government.

Pursuing profit, Steward has run hospitals into the ground. Lacking the political support or the tools to stabilize needed hospitals, the state has trusted Steward. Observing the results, we should learn some lessons.

1. Financial and political decisions have to be made with a careful eye on actual health care that the citizens of the Commonwealth need – and on the health of our hospitals and other caregivers. Embrace durable remedies and avoid patchwork expedients.

2. It was a delusion for many in state government to hope that for-profit health care could rescue needed hospitals. That's because we lack a functioning competitive free market in health care, one that bestows legitimate profits on those who lower cost of care and deliver what people want to buy.

We lack a market that converts greed into innovation and efficiency. Not one of the seven requirements for a competitive free market is close to being satisfied—or can be satisfied—in the real world of health care. Without free market competition, profit-making doesn't serve the public interest. Instead, it's a rhetorical smokescreen for pillaging and plundering.

Trusting profit-making in health care is like believing in the tooth fairy.

3. Hospitals are not chips in a game of strip poker—where the hospitals are stripped of their valuable assets. Hospitals are indispensable foundations for medical security for all 7 million of us.

4. Without a functioning competitive free market, and with state government sleepwalking on the sidelines, health care descends into anarchy. Anarchy means higher costs, unequal care, and loss of essential caregivers—primary care doctors, accessible hospitals, long-term care, mental health care, and pharmacies.

5. Nationally, health spending is five times US defense spending. Just saying.

Here in Massachusetts, hospitals will spend about $45 billion this year, and total health spending will approach $125 billion, or an average of $18,000 per citizen.

6. So we already have the money to finance affordable medical security for all of us. Great sums are wasted. We can do much better with what we have.

7. In health care, state government has long been seduced into a posture of "watchful waiting" that became an excuse for dozing off on the job. That's why state government has had to play catch-up to cope with the Steward crisis.

8. State government has great numbers of terrific people working on health problems, but the Steward crisis shows that essential tools—knowledge, legal authority, and money—are all lacking.

9. State government has taken cosmetic steps that look good but do nothing. If a hospital wants to cease offering maternity service or close entirely, it is supposed to give 90 days' notice. The Department of Public Health holds a hearing, writes a report, but nothing happens. This is just going through the motions.

10. For 30 years, proposed legislation has sought to give the state three essential tools—knowledge, legal power, and money. Those bills have been opposed by the Massachusetts Health and Hospitals Association and won no support from legislative leaders or past governors. They didn't think state government needed to be accountable for survival of needed hospitals.

11. Even today, state government is much clearer about what it doesn't want and won't do than it is about what it does want and will do. The governor wants Steward to go away. And she doesn't want to spend state money. But will needed Steward hospitals be durably protected?

12. It's not too late.

13. State government needs to gain knowledge, legal authority, and money.

A. State government needs to compile a list of which hospitals, services, and capacities—at which locations—are needed to protect the health of the public.

B. The Legislature should quickly enact a sound receivership law to spell out when and how responsible officials—like the commissioner of public health or the attorney-general—could or must petition a court to appoint a receiver to take control of a needed but failing hospital—or health center, or nursing home, or other needed facility—to conserve its assets and put it back on its feet financially.

Hospitals should be recognized in law as essential to our health and safety, as vital community resources—not as chips in poker games. To complement receivership, the Legislature should outlaw new for-profit hospitals. It should provide for compensating the owners of existing ones for their invested equity.

C. We already have enough money. The Legislature could enact a law creating a new Hospital Stabilization Trust Fund, financed by a .25 percent assessment on all hospitals' actual patient care revenues plus a 1 percent assessment on their unearned income from interest, dividends, and capital gains. This would raise about $100 million annually. New inflows into the Trust Fund would cease when it reached a target like 1 percent of yearly hospital costs.

The trust fund would finance short-term financial assistance to stabilize needed but distressed hospitals. And it would pay for managerial and technical assistance to put revenue and costs into balance.

The trust fund resembles a mutual aid compact. It recognizes that hospitals depend on one another. If a needed hospital closes, patient care is disrupted. Many doctors retire or relocate. And other hospitals' emergency rooms and other services can be swamped.

D. But what if a hospital is in financial trouble even though it enjoys good quality, reasonable costs, and good management? Then, inadequate revenue is to blame. Right now, no payers are accountable for making sure that needed hospitals have the revenue they require to efficiently deliver needed care.

The Legislature should therefore require an existing state agency to analyze how much revenue each needed hospital requires to efficiently deliver care patients need. And that agency should recommend steps to boost revenue earned by under-financed hospitals—without raising total spending.

14. Our health care depends on enough money and good political decisions. The money's already there. Now, the politicians have to get to work.

The alternative is more Stewards, higher insurance premiums and taxes, and steady deterioration of hospital care, primary care, long-term care, and mental health services.

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