

> **SECTION 1:** **How Did We Get Here?**

We are all paying more for our healthcare today than we have ever before. We as individuals are now responsible for much of our own spending on day-to-day healthcare needs and are finding it an expensive proposition. Why is this suddenly costing so much? How do we find ourselves in this position? Will things get better? These and other important questions are addressed in the first section of this book.

Our goal is to help you understand what has brought us to this point and the forces that are shaping the future. We also want to arm you with some of the knowledge that you will need in order to navigate the new world of Healthcare 2.0.

1 Who, What, When, Where & Why?

We stand at the brink of the most significant change to our healthcare system to occur in the past 30 years. The legislative process of healthcare reform will change the system in ways that may not be fully understood for many years. As in any significant change there are bound to be both positive and negative aspects. It is also likely that not all groups will be equally impacted.

Events in recent years have already shown us that times are changing. Our employers can no longer afford the heavy burden of health insurance and they have been modifying how they offer this benefit to us. For most of us that means we pay more for our healthcare personally than ever before. We are starting to take notice of the cost of care and are becoming concerned. It is becoming clear we need to be good healthcare consumers if we are to prosper in the future.

To be a good consumer of healthcare and related services, you need a basic understanding of how we came to be in our current situation. This first section of the book is designed to give you the who, what, when, where and why of our healthcare crisis. This background information will set the foundation that you need to be a strong consumer of healthcare products and services moving forward.

We note that we are now entering a second generation in healthcare. This is a new generation of healthcare itself as well as the way it is delivered. Suddenly we are paying attention to the details. We are concerned about cost, value and outcome. Even though we sense that healthcare quality in the U.S. is generally good, we understand it is expensive and that we must take control of our situation and our health if we are going to be good consumers.

While the changes seem to have happened very suddenly, you will learn that it has taken us 40 years to get here. There was a time in the 1920's when there was no health insurance industry because people did not see the need. Healthcare spending was generally less than 4% of income. Today it is on track to push 30% or more of income and we have come to believe that healthcare and related coverage is a right for all citizens in the U.S.

Healthcare now is different because for the first time in recent history we are spending enough of our own money on care that we are changing the way we use services and make decisions. Before this, the employer bore more of the

burden of healthcare costs. With our insurance card and a small co-pay, we would get whatever services were needed. We seldom questioned the need nor concerned ourselves with the costs.

Healthcare had what is known as a third-party payer system. This meant that providers offered services; they were used by patients, and indirectly paid by employers through health insurance companies. Healthcare had been one of the only systems where the user of the product or service did not pay for it. That set up a unique situation that may have created some of the problems we are dealing with today. While we still technically have a third-party system, we are moving quickly to a direct-pay model. This is especially true for the first level of expenses before meeting a deductible.

The real issue driving the new healthcare is one of financing. Who is going to pay for our care and treatment moving forward? That answer used to be the employer, the government or both. We are now seeing that the employer can no longer afford to provide the care. There are signs that government sponsored Medicare could be bankrupt by 2017. This means that we need to change the cost of delivery, the model for financing or both.

So who bears the blame for out of control healthcare costs? Is it the providers whose costs have increased at a rate far ahead of earnings and inflation? Is it the insurers who have passed along these costs with their administrative costs, which are the largest contributor to increases in insurance

costs? Is it the employers who were unsuccessful in controlling costs? What about medical manufacturers and the high costs of medical technology? What about malpractice attorneys and multi-million dollar settlements? Is it we as consumers who were not good at purchasing services? The reality is that there is plenty of blame to go around. We will all have to work together to change the future.

Read on to learn how to make this the turning point for you and your family. We hope that our book will give you the knowledge and tools that you need to live a healthier life and leverage your healthcare spending to generate a stronger financial future.