Why Single-Payer Advocates Should Consider the Balanced Choice Proposal for Physician Fees

Balanced Choice is a variant of single-payer that employs an integrated two-tier system for physician payment, with both tiers included in the publicly funded system (i.e. no private insurance companies). Benefits in both tiers are comprehensive and cover "all medically necessary services." The "standard option" works exactly like single-payer, except that physicians are allowed to bill a small co-pay, perhaps 5% of charges, and the co-pay may be waived at the physicians' discretion for patients who have trouble affording it. The "independent option" allows physicians to balance bill for "perks" such as prime time appointments, expanded access via e-mail, longer visits, etc. The proposal employs a balancing mechanism to keep the two tiers in balance and to keep the "independent" tier from undermining the "standard" tier. For more detailed information on the idea and how it would work, see Ivan Miller's book, *Balanced Choice: A Common Sense Cure for the U.S. Health Care System*, my article, *A Better idea for US Health Care – The Balanced Choice Proposal,* and my monograph, "*Cost Control under Balanced Choice*."

My current vision for Balanced Choice would restrict use of the idea to fee-for-service payment for office-based doctors only. In all other respects, I would follow HR 676, including global budgeting for hospitals. I am assuming hospital based physicians (ER physicians, intensivists, hospitalists, radiologists, anesthesiologists, pathologists, etc.) would be paid salaries within the hospital global budgets. Integrated HMO's like Kaiser would be allowed, as in HR 676, but these would pay all their physicians on salaries and would probably not use the Balanced Choice idea.

The "Balanced Choice Governing Board," should not be a monolithic agency in Washington, but a network of regional and State Boards, following the model in HR 676. The State level Boards would manage maintaining the 70-30 funding split for office-based services subject to Balanced Choice, in addition to their other functions specified in HR 676.

Advantages of the Balanced Choice proposal include:

1. Increased physician buy-in.
   A key implication of the Balanced Choice proposal is that it gives physicians some control over their fees, subject to market forces at the doctor patient level for their wealthier and more demanding "Independent Option" patients, making this variant of single payer much more acceptable to many physicians who would otherwise be adamantly opposed to single-payer. (I have had extensive discussions of the concept with the Hawaii Medical Association leadership, with positive feedback from several conservative Republican members who hate "government controlled health care," but would find Balanced Choice acceptable.) It does this without sacrificing the ability to apply systemic cost controls, and it includes built-in checks to prevent the "Independent" tier from undermining the "Standard" tier.

2. Minimal administrative costs.
   All "eligibility determination" decisions (choice of SO or IO, whether or not to waive the SO co-pay) are made voluntarily between doctor and patient, not centrally, minimizing administrative costs. The only administrative cost of the proposal would be the time the State Boards spend on managing the 70-30 funding split between the Standard and Independent Options, and this would be very minimal.
3. Encourages doctors to think about cost-effectiveness of care.
   Balanced Choice would bring discussions of cost into doctor-patient discussion of treatment options for IO patients, managing care and keeping it cost-effective without any need for centralized "managed care" as with private insurance and privatized government plans under our present "non-system."
4. Preservation of private practice of medicine.
   Like other forms of single-payer, Balanced Choice makes independent practice of medicine administratively simple. It also encouraged doctors to think about cost-effectiveness of care without new, expensive, untested reorganization of medical care delivery (ACO's), and it does this at almost no cost to the system.
5. Enhanced physician morale and professionalism.
   By giving physicians some control over their fees, minimizing central management of professional decisions, and encouraging physician to patient discussion of cost-effectiveness in choice of treatment, Balanced Choice enhances physicians' sense of professionalism. I believe the Independent Option would actually enhance the Standard Option because improved physician morale and improvements in patient service would spill over to the SO patients seen in the same offices as IO patients.
6. "Doubly progressive" funding.
   The tax based financing of the single-payer system would of course be progressive. Having the rich voluntarily choose to pay higher co-pays for "perks," while allowing and encouraging waiver of co-pays for those with financial hardships, make the funding even more progressive and skewed toward the wealthy.
7. Lower cost.
   Balanced Choice should be cheaper than straight single-payer, because the publicly funded system pays less for Independent Option services than for Standard Option services.
8. Built-in "red flag" if the system is becoming under-funded.
   The requirement to maintain a 70-30 funding split between the Standard and Independent Options means that if the ratio falls below 70-30, the Regional and State Boards need to consider that the system may be under-funded. Of course the other possibility is unreasonable physician greed, and the Boards would have to make a judgment call on this, but they would have the tools to correct the problem either way (see "Cost Control under Balanced Choice.")

Stephen Kemble, MD
Jan. 2, 2011