



CASCADE POLICY INSTITUTE

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## Summary

Administrative and insurance billing costs add dramatically to the expense of health care. To reduce these costs, and thus offer more affordable care for the insured and uninsured, all 62 doctors of the McMinnville Physicians Organization have become SimpleCare providers. This innovative program is gaining the attention of doctors, patients and businesses across the country.

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***“Implementing the SimpleCare program helped to reduce Dr. Mike Jaczko’s administrative costs and allowed him to offer more affordable health care.”***

## SimpleCare helps cut health care costs

**By Kurt T. Weber**

A few years ago McMinnville, Oregon family physician Mike Jaczko, D.O., attended a lecture sponsored by the American Association of Patients and Providers (AAPP), whose mission is to develop health care solutions. Dr. Jaczko was struggling to keep his doors open. However, implementing AAPP’s SimpleCare program helped to reduce Jaczko’s administrative costs and allowed him to offer more affordable health care. His clinic began to stabilize financially.

Jaczko says the SimpleCare program “gave me the motivation to continue working in health care and serve others.” His goal now is to persuade city administrators and employers “to switch to this model.”

Other local physicians have observed his success. Dr. Erik E. Swensson, president of the McMinnville Physicians Organization (MPO), brought in AAPP co-founder Dr. David MacDonald to address MPO members and area business owners about ideas for a comprehensive transformation of their health care delivery system. The ideas espoused made sense; in September all 62 members of the McMinnville Physicians Organization became SimpleCare providers.

SimpleCare works on a basic premise: patients pay for routine medical care at the time of service, thereby drastically reducing the administrative and billing expenses that inflate the cost of health care; those cost reductions are passed along to patients. MacDonald says SimpleCare providers “can usually reduce their rates by 30 to 50 percent.”

Such cost reduction claims are supported by a 2000 survey sponsored by the Washington State Medical Education and Research Foundation. The survey reported, “Today over 50 cents of every dollar received by medical practices goes to the cost of running the practice and dealing with insurance plan requirements, not to patient care.”

AAPP co-founder Dr. Cherewatenko knows the success of SimpleCare firsthand. He used to charge patients \$79 for a 10-minute office visit, but he was only reimbursed \$43 by an HMO. After factoring in administrative expenses of \$20 and overhead of \$30, his practice experienced a \$7 net loss. Cherewatenko and

his Renton, Washington group practice, Primary Care Providers went broke as a result of receiving less-than-cost payments from commercial insurers, the state's workers' compensation program, Medicaid and Medicare.

Primary Care Providers filed for Chapter 11 reorganization a year ago. In his reorganization plan submitted this past July, Cherewatenko says Primary Care Providers "intends to develop the SimpleCare side of the practice until we no longer are in need of insurance company contracts." Doing so, he says, is the ultimate solution for "trimming the administrative burden that is killing many physician offices today." More than half of Cherewatenko's current patients are SimpleCare members; his practice now charges them only \$35 for that same \$79 visit described above—but it now makes a *profit* of \$5.

To the benefit of health care consumers, some 600 physicians in 38 states have become SimpleCare providers. McMinnville's Dr. Swensson said SimpleCare is capturing the attention of physicians for reasons beyond cost-savings and reduced prices. "We can spend more time with patients when we spend less time on paperwork. Furthermore, insurers can't interfere with the doctor-patient relationship when patients pay for their own services. Final decisions about the kind of treatment and who will give it are made by the patient."

Other health care providers in McMinnville are joining the parade. According to MPO executive director Anne Hamilton, Willamette Valley Medical Center, the local hospital, is working to adjust its system to accommodate SimpleCare patients and providers. MPO is also seeking a pharmacy to join the program.

Area insurance agents are working on ways to bring more major medical, high deductible policies to the community to help individuals, families and businesses that wish to employ SimpleCare as a way to bring down health care costs. In doing so, the agents will help return insurance to its original purpose: protect individuals against unforeseen catastrophic events. As Dr. Cherewatenko puts it, "Insure for the big stuff, pay cash for the small stuff—just like you do with your car."

The question of how to help make health care more affordable is being answered in McMinnville through the adoption of the SimpleCare model. Keep your eye on that Oregon city as local doctors and other health care providers work to implement this creative solution.

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*Kurt T. Weber is vice president of Cascade Policy Institute, a Portland, Oregon think tank. For more information about SimpleCare visit [www.simplecare.com](http://www.simplecare.com).*

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