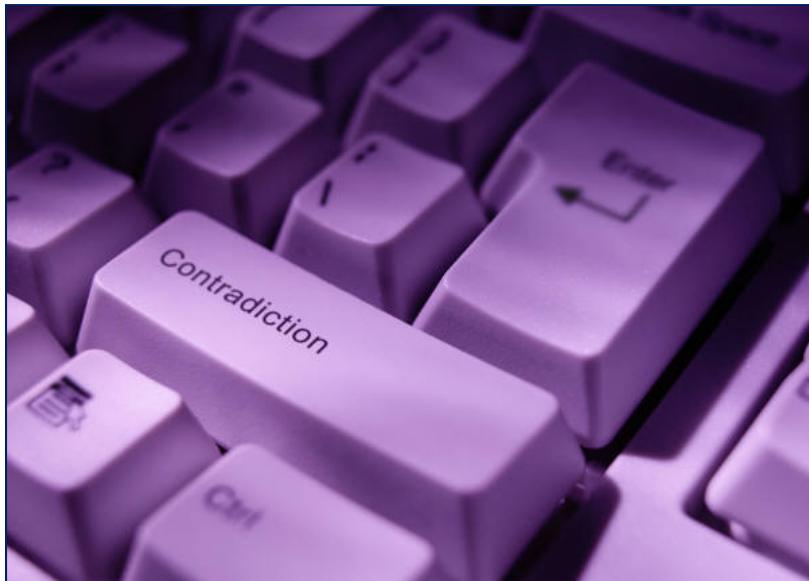


# Estimate of the Situation

*Critical Information for Critical Times, Edition of Wednesday, June 4, 2014*

---



## How's That Again?

Regular readers know that my two favorite (and probably overused) aphorisms are “words mean things” and “first we must call things by their right names”.

It is amazing how many management problems arise simply because of the misuse of words. If we don't share a common agreement on the meaning of the words used to describe an issue, those words can't be used to resolve the issue. The more complex the issue, the more important this becomes.

Think about how this principle applies when “health care costs”, one of the most important, complex and problematic issues of the day, is under discussion.

What do the words, “health care costs”, really mean? Everyone uses these words. There is universal agreement, for example, that “health care costs” are out of control. Monumental efforts have been undertaken to control those costs. Economy-changing national legislation has been passed to that end. Billions of dollars are being expended.

Health care to most people means the physician-directed diagnosis and treatment of an illness or injury, either in a doctor's office or a hospital. On the other hand, what politicians and business owners are talking about when they talk about “health care costs” is the total cost to government or business of insurance. Insurance coverage is not the same thing as health care. For all practical purposes (VA and Public Health Hospitals excepted), government programs such as Medicare and Medicaid and employer-provided insurance programs never pay the actual cost of a single episode of care to a real person.

The result is a classic example of what happens when we fail to call things by their right names. The cost of an episode of care and the cost of insurance are related, but not in the way that most people think. We will have much more on this in future issues. Properly understood it is a very big deal.

FJB



7667 N.W. Prairie View Road, Suite 204  
Kansas City, Missouri 64151  
(816) 587-2120  
<http://bradyinc.com>