



## How Perverse Incentives Drive Up Health Care Costs

by ZOE CHACE

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**Morning Edition**

**5 min 14 sec**

Medical treatment in the emergency room is expensive, but there's a perverse incentive at work which encourages EMS workers to send more people there. Medicare reimburses for 911 calls only if the patient is transported to the ER. A pilot program at Mt. Sinai Hospital in New York City tries to keep patients from coming back to the ER.

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STEVE INSKEEP, HOST:

Emergency medical technicians, EMTs, are trained to save your life and aim to get you to a hospital as quickly as possible when needed. One thing they are usually not asked to do is to find ways to save money.

NPR's Zoe Chace explores one experiment in New York City that is trying to cut emergency care costs and cut return trips to the E.R.

ZOE CHACE, BYLINE: I'm in an ambulance, and we're on the way to the emergency room.

PETER DERMODY: How long have you been feeling like this, Michael?

MICHAEL: Like, two days.

DERMODY: For two days? Is there anything that hurts?

CHACE: Michael's diabetic, hasn't eaten in two days, sweaty, pale. Closest emergency room on a Friday afternoon, it is packed.

UNIDENTIFIED MAN: Excuse me. Excuse me. No. No. No. No.

UNIDENTIFIED WOMAN #1: You can't go in that way.

CHACE: Peter Dermody, the EMT, he can't even get his patient through the double doors. There are so many stretchers and police officers and firefighters and paramedics and doctors. He grabs the first nurse he sees, trying to get his patient to the front of the line.

DERMODY: He's been feeling sick for two days now.

UNIDENTIFIED MAN #2: All right, OK. I'm not taking a report on you.

DERMODY: Oh, I'm sorry.

UNIDENTIFIED MAN #2: I'm just trying to get a stretcher.

DERMODY: I'm sorry. I thought you...

UNIDENTIFIED MAN #2: But you're in line for triage.

CHACE: This whole thing happening around me is very expensive: the ambulance ride, minimum \$350, median emergency room stay, varies a lot, but is regularly over \$1,000. But the way this system is set up, the EMT has few choices about this expensive decision, because of who picks up the bill.

For instance, if someone calls 9-11, Medicare will only pay for the ambulance and the treatment if the patient takes that ambulance to the emergency room. So that sets up this incentive for the way emergency service works. There is really only one destination, because...

KEVIN MUNJAL: You only get paid if you bring that patient to the emergency department.

CHACE: This is Dr. Kevin Munjal. He's in charge of EMS at Mt. Sinai, a big hospital in New York. And he's totally obsessed with this perverse incentive that drives up the cost of healthcare.

MUNJAL: The way we practice is so often affected by the incentives that are created in the system. And the incentives are often about what gets reimbursed and what doesn't get reimbursed.

CHACE: The incentives are the same for the hospital Dr. Munjal works at. Still, he is trying to change this system. He can't stop people from getting sick, from calling 911. But he thinks maybe he can do something about people who use ambulances over and over again: the frequent flyers.

Dr. Munjal says that 22 percent of the patients released from his ER come back within 30 days. I heard about this phenomenon from David Konig, the guy who runs the ambulance company. He says he sees it all the time.

I've done plenty of calls where I walk in at three o'clock in the morning, 'cause someone's fallen, and they literally still have the hospital wristband on their wrist from eight hours before when they got dropped off.

Dr. Munjal's thinks maybe these guys, the EMTs, maybe if they do their jobs a little differently, this is a place where he could start to fix the problem.

Back in the ambulance, this time the EMTs are doing something different. They're bringing a patient home from the hospital, who'd been sick with pneumonia.

She has nebulizer.

Right.

You set here pressure...

Yeah.

And she's also got a glucometer for the IV.

OK.

This is the kind of patient who could easily end up back in the emergency room. She's elderly, she's weak, she could trip and fall and come right back. So part of the new protocol, designed by Dr. Munjal is for EMTs like just Josenia Reese to talk with the patient in the ambulance, find out if their home is as safe as it can be.

So as far as like in your house, you have nightlights and stuff, OK. What about the bathroom, does it have like, the grab bars and the heat adjuster?

Yes. That's - they have two. That's (unintelligible).

OK.

And once the EMTs arrive in someone's home, they're being asked to check the apartments for wires and rugs that someone could trip over.

We got up there, and there's rugs everywhere. I mean, there's rugs on top of rugs.

Everything was blocking the way, like we had to move furniture to get into the room.

Lisandro Rosario basically redecorated this elderly woman's house. You have to lose the rugs, he told her.

She was a little hesitant at first. She was like, no, my apartments been like this for years, I've never fallen. I'm like well, yeah, I'm trying to prevent that from happening.

It's a different way of looking at emergency care, but one that the EMTs seem ready for.

Dave Konig, the guy who runs the ambulance company, he and used to be an EMT himself.

I mean traditionally, we, as the emergency medical services, have been focused on the acute, something happens, get you to the hospital, definitive maintenance, and so on. So now we're moving away from that and more towards sort of preventive care - preventive maintenance.

Back at Mt. Sinai, Dr. Munjal is tracking this experiment, to see if any of this advice has an effect on the number of people who end up back in the emergency room.

Eventually, he hopes EMTs and ambulances can make more decisions - bring the patient to the most efficient place, like their primary care doctor or the dialysis center - rather than de facto, one of the most expensive ones.

Zoe Chace, NPR News.

Apple has agreed to compensate consumers who bought more than they realized from the company. The company will also fix a problem that led to some unauthorized spending.

The problem they have to fix here requires some explanation. Owners of iPhones and iPads know that Apple has an app store. Press a button and you can shop for applications, those specialized programs to use in your device - playing games, recording videos, whatever.

You were supposed to enter a password to prove that you really want to make the purchase.

But apparently, some kids were exploiting a vulnerability in the security system. Your kid asked to download some game for \$1.99.

You - the conscientious and seemingly attentive parent say, OK, and enter the password.

But for 15 minutes after you give that approval, the system allows additional purchases without entering the password again. Kids took advantage of that 15 minutes to buy hundreds or even thousands of dollars worth of extra stuff. They made so many purchases that Apple has now agreed to pay back \$32 million.

The Federal Trade Commission says Apple must also change its billing methods. So, from now on your kid will have to peer over your shoulder and memorize your password.

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NPR's business news begins with a GM comeback.

General Motors announced this week that for the first time in nearly six years, it will begin to pay cash dividends to its shareholders. GM stopped paying out dividends back in June of 2008 as it struggled to save money through the recession, bankruptcy and a government bailout.

This week, the automaker - which is the largest in the U.S. - approved a quarterly dividend of 30 cents per share on its common stock. The first payment is set for the end of March.

There's another comeback happening in Detroit. Some car makers are making significant investments in a fuel that is not new at all - diesel.

The newest diesel engines are far cleaner than their predecessors and they get many more miles per gallon. The question is what's holding customers back from switching gas pumps.

NPR's Sonari Ginton reports from the floor of the North American International Auto Show in Detroit.

When you look around the auto show, there's a lot of energy. There's a lot of money being spent, again, and there's one topic that keeps coming up - fuel economy.

Scott Yackley is with General Motors.

Yeah. As you could see around the auto show, it's a major driver. Everywhere you go there's fuel economy numbers. Even on the sports - ultra-luxury sports cars, they're talking about fuel economy. So fuel economy overall is very important.

Now Yackley should know, for the past seven years or so, he's been living and breathing fuel economy. He's one of the engineers who engineered an engine for GM's all new mid-size trucks. It's diesel. And if the auto show is report card day for engineers and designers, you can hear Yackley puff up with pride when he describes his recent work.

It's got a capability beyond the other two gasoline engines - with respect to towing, torque, payload and it's really fun to drive. So you get all those additional benefits, it's fun to drive, and above all, this diesel is expected to be the most fuel-efficient truck in the industry.

GM is not the only carmaker launching diesel trucks. Chrysler announced it's putting diesel into its Ram truck. And while the American car companies are rolling out diesel engines slowly, Volkswagen is expanding its portfolio in the U.S. with second and third generation diesel.

Diesel is our technology for fuel efficiency.

Oliver Schmidt is head of Engineering and Environment with Volkswagen Group of America. He says diesel is still getting a bad

rep from a terrible try 30 years ago. He says people still ask if their loud or smelly.

And they ask if they are smoky because they've been on this school bus when they were kids. But with current emission regulations, this is gone. All the stinky, smelly stuff, that is gone. The diesel is as clean as a gasoline car today. And with future emission regulations that are coming up, they are getting even cleaner.

Schmidt says Volkswagen is selling a lot of diesels. And they're selling them in the middle of the country where drivers are doing a lot of highway miles. Diesel engines get much better mileage on the highway.

But what accounts for the slow adoption - or re-adoption? Margaret Wooldridge is a professor of engineering at The University of Michigan.

I mean diesel - small diesel engines for passenger vehicles are agile, they meet emissions regulations. But the fear is that people just won't buy them.

There is some worry about refueling a diesel. Diesel is not nearly as ubiquitous as gas, they are about a quarter as many stations. However, they tend to be grouped on highways and interstates. And in real world driving, diesel owner report getting as much as 50 miles per gallon. But a diesel doesn't come with a, you know, a little green leaf or a emblems saying hybrid, so drivers don't get the street cred they might get with say, a Prius. Again Margaret Wooldridge.

I think primarily, that's cultural, and that's the U.S. bias against diesels. So all those automakers sell diesel engines, diesel passenger cars in Europe, for example, at very high production amounts, production volumes.

Wooldridge says in order to get to the new fuel efficiency standards, American car companies will have to get over that bias because they can't leave out any technology - even an old one - like diesel.

Sonari Glinton, NPR News, Detroit.

Big banks' control of commodities, like aluminum and oil, is drawing more scrutiny. The Federal Reserve is considering restricting banks' ability to trade and warehouse physical commodities.

And NPR's Yuki Noguchi reports, Democrats on the Senate Banking Committee believe the Fed isn't moving fast enough.

Under normal circumstances, the Fed bars bank holding companies from trading or owning commodities. The idea is a bank might be able to hoard a commodity to lower the supply and force up the price.

But when Goldman Sachs and Morgan Stanley became holding companies during the financial crisis, they were permitted to grandfather in their existing commodity trading operations.

And that is raising concerns - especially among Democrats - that this could lead to problems, for both consumers and companies that rely on those commodities. Here, Oregon Democrat Jeff Merkley.

Would you say this is a good policy to allow these two activities to take place, where a firm with enormous assets can control the supply and demand of a product while at the same time, trading on the product?

Norman Bay, director of enforcement at the Federal Energy Regulatory Commission, says there is a potential cost to that kind of set up.

Anytime there's fraud or manipulation, there is an impact on the end user. And invariably, that cost is born by consumers.

Ohio Democrat Sherrod Brown raised another issue. In light of disasters like the Exxon Valdez or BP oil spills, what's the risk to the safety and soundness of the financial system if big banks are on the hook to clean up such disasters?

You know, if it's owned by an oil company, it's an oil tanker and there's a terrible problem, that's tragic for everybody involved, but it doesn't have the potential damage to our economy. These do.

The Fed is soliciting public comment on new restrictions through March 15th. But some banks are already selling off their commodities units ahead of any new rules.

Yuki Noguchi, NPR News, Washington.

And our last word in business is: Surveillance, not from the NSA, but from a store near you.



Retailers have long tracked activity in stores with video cameras. Now they have an option to track you. Security tech company 3VR has unveiled an in-store video camera that allegedly uses facial recognition to gauge your age, gender and mood.

Retailers could use real-time information to customize digital signs - just as you are passing.

They might even warn a nearby sales associate of your facial expression as you head toward the counter.

Maybe you're looking cranky or maybe ready for an impulse buy.

No word though, on how the software analyzes the guy in sunglasses or a kid sticking out her tongue. And that's the business news on MORNING EDITION from NPR News. I'm Renee Montagne.

And I'm Renee Montagne.

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