

HOW CAN AMERICA MAKE HEALTH CARE MORE AFFORDABLE?

Just as there are challenges to making health care more affordable, there are many opportunities to reduce costs without compromising care. Hospitals and physicians are taking advantage of these opportunities in a variety of ways.

A **FOCUS ON WELLNESS.** Much of the cost of health care is tied to chronic conditions that are preventable. Simple lifestyle choices and early detection and management of risk factors can go a long way toward making America healthier. Every year, for example, obesity costs this country an estimated \$117 billion in health care spending alone, and results in 300,000 lives lost. Obesity leads to hypertension, heart disease, diabetes, stroke and many types of cancer. Simply helping people maintain a healthy weight and stay well would substantially reduce this cause and effect.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Increase the nation's investment in primary care services.
- Promote healthy pregnancies and newborns.
- Ensure that America's public health system is appropriately funded.
- Provide incentives that encourage healthy choices and behaviors.
- Provide wellness information and education to the public.
- Encourage school and community-based health programs.

BETTER-COORDINATED CARE. Anyone who has filled out health insurance forms knows that today's health care system is fragmented and complex. Navigating this system can be difficult and make it hard for patients to get the right care, at the right time, in the right place. Coordinating care is especially critical for those with chronic conditions who often, for many reasons, do not get the care they need. When chronic diseases are not appropriately managed, complications can lead to costly emergency care or even a hospital stay. Care coordination, with the broad participation of various community resources,

also can make a difference for patients facing end-of-life care. The Commonwealth Fund estimates that strengthening primary care management and care coordination in the Medicare program alone could save \$60 billion over five years.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Provide incentives for hospitals, doctors and others to work together to coordinate care.
- Modernize laws and regulations to allow these providers to work together more closely.
- Modify reimbursement structures to support the development of patient-centered "health care homes."
- Emphasize chronic disease prevention and management in health education and training programs.
- Expand options for palliative and hospice services at home.

REWARDING PERFORMANCE EXCELLENCE. Hospitals and physicians that achieve top standards in the delivery of care also reduce patients' time in the hospital, avoid complications and readmissions, and improve patient satisfaction. Following specific care guidelines and protocols can reduce variation in care by ensuring that patients get only the care they need. Yet the current system of paying providers for care does not reward these behaviors. The Premier Hospital Quality Incentive Demonstration, a program that recognizes and provides financial rewards to hospitals that demonstrate high quality performance in specific areas, has shown that doing what it takes to increase quality can actually *lower* costs. Premier estimates that achieving ideal standards of care nationwide for six conditions could not only save \$4.5 billion, but also save 70,000 lives over a one-year period.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Make available meaningful information on the quality and price of health care services.
- Invest in efforts at the national level to identify what care is most effective and create incentives to speed the adoption of these methods.
- Reward quality, measure performance and share the resulting information with the public.

ANALYZING THE COMPARATIVE EFFECTIVENESS OF DIAGNOSTIC AND TREATMENT OPTIONS. Medical innovation improves health outcomes but is, of course, expensive—more than 50 percent of the growth in per capita health spending can be accounted for by medical technology. Yet, people who make health care decisions often have little information about what treatments are most effective. Evaluating the risks and benefits of current and new technologies, medicines, practices and procedures, and making this information readily available, can improve treatment decisions. When this information includes the cost of these innovations, it also can be used to help increase the value of every dollar spent.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Create centers whose responsibility is to assess the relative risk, benefit, and cost of diagnostic and treatment options.
- Make comparative effectiveness information available on a public Web site in a way that is easily understood.

SPEEDING ADOPTION OF IT. Information technology has increased efficiency in banking, manufacturing, government and other sectors of the economy. Speeding the adoption of IT in health care will improve patient care, quality and efficiency. RAND estimates that the widespread adoption of IT in health care could yield \$77 billion in annual savings from improved efficiency, but significant upfront investment would be required.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Speed the development of electronic health records by creating interoperable standards that allow providers to share health information.
- Establish unique patient identifiers to link people to their health records while also ensuring confidentiality.
- Create incentives to encourage the adoption of IT by providers, suppliers and insurers.

- Reward the coordinated exchange of information among hospitals, doctors and others as necessary to meet patient needs.

REDUCING ADMINISTRATIVE COSTS. Today's health care system is choked with paper. Hospitals face duplicative regulations and compliance burdens and a myriad of insurance plans, each with different claims processing and recordkeeping requirements. Health care will be more affordable if health care professionals spend more time at the bedside and less on paperwork. Administrative costs—costs not associated with the delivery of patient care—comprise as much as \$294 billion of our nation's annual health care spending.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Standardize and automate the processing of health insurance claims and other administrative processes.
- Simplify the workings of public and private insurance.
- Streamline the government regulations that affect health care delivery.

CREATING A BETTER ALTERNATIVE TO TODAY'S LIABILITY SYSTEM. Hospitals and physicians face skyrocketing costs for professional liability insurance. Unaffordable insurance is affecting access to care as physicians leave states with high insurance costs or stop providing services that expose them to higher risks of lawsuits. Particular areas of concern include obstetrics, neurosurgery and emergency services. In addition to the rising costs of insurance, physicians also practice "defensive medicine"—providing extra care, often unnecessary, to minimize the risk of lawsuits. Estimates place the national cost of defensive medicine at between \$50 billion and \$100 billion per year.

SPECIFIC ACTIONS THAT CAN BE TAKEN:

- Use administrative compensation systems and health courts to determine when an avoidable, preventable event has occurred.
- Provide prompt compensation to injured patients and families based on agreed-upon payment schedules when an error takes place.
- Adjust providers' liability insurance premiums based on the occurrence of preventable errors.