

# Ensuring a Healthier Tomorrow

*Actions to Strengthen Our Health Care System and Our Nation's Finances*

## The Problem:

**The current growth rate** for health care spending is a central area of focus for policymakers. A number of factors contribute to the rise in spending, including changing demographics and the aging of the baby boom generation, the growth in chronic illness, advances in medical technologies and system inefficiencies. Achieving a sustainable level of health care spending may require reducing both the cost of individual services and the use of total services. If health care spending is not slowed, the effects will be profound

**Future growth in Medicare and Medicaid represents a serious challenge.**

- **Today, Medicare covers more than 48 million people.** Baby boomers are now reaching the eligible age of 65 at the rate of 10,000 a day.
- **The Medicare program currently costs about \$560 billion annually, and over the next decade, the Congressional Budget Office (CBO) projects Medicare costs will almost double – totaling more than \$1 trillion by 2022.**
- **The 2012 Medicare Trustees Report projects that the ratio of workers-to-beneficiaries will decline from four workers per beneficiary in 1965 (the start of the Medicare program) to slightly less than three workers per beneficiary in 2011, to two workers per beneficiary in 2040.**
- **The Urban Institute reports that the average couple will receive \$387,000 in Medicare benefits but only pay \$122,000 in Medicare taxes over their lifetime.**

**These major demographic shifts and trends create a significant – and unsustainable – burden for future generations.**

and affect everyone – health care providers, the government, insurers and employers, and individuals.

**In times of fiscal crisis,** the federal government repeatedly turns to cutting Medicare and Medicaid spending, almost exclusively through reductions to provider payments. This will not put us on a sustainable path for the future. Numerous studies have found – and the flawed physician sustainable growth rate confirms – that reducing provider payment rates does not result in reduced Medicare spending on services. **Ratcheting provider payments will not put us on a sustainable path for the future;** we need real targeted reforms, not blunt cuts to provider payment.

## The Solution:

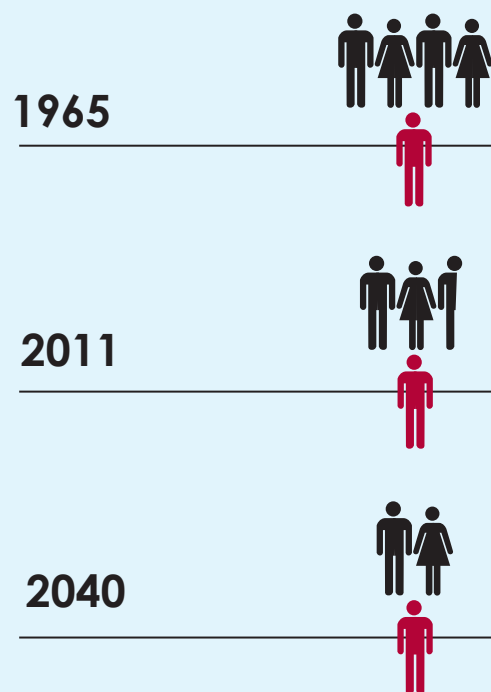
**The AHA's vision** is a society of healthy communities where all individuals can reach their highest potential for health. Health coverage is critical to fulfilling this vision. *The Patient Protection and Affordable Care Act (ACA)* expanded access to health care coverage, enacted significant insurance reforms and put in place opportunities to reform the delivery system. To help expand health care coverage to millions, the hospital field will undergo changes that will stretch Medicare and Medicaid dollars further.

As policymakers grapple to rein in federal spending, they should focus on the following two interconnected strategies that will improve the health care system, ensure the short- and long-term financial viability of the Medicare and Medicaid programs, and tackle the federal debt and deficit:

- **Promote and reward accountability.** We need to re-structure the system in a way that promotes and rewards accountability – to patients, their families and their communities.
- **Use limited health care dollars wisely.** We need to focus on using limited health care dollars more wisely – in ways that eliminate inefficiency and improve quality of care for patients.

Each strategy has six priority recommendations. Each recommendation has a list of suggested actions that providers, the government, insurers and employers, and individuals can take to strengthen our health care system and our nation's finances. Everyone bears some responsibility and everyone must contribute to the solution. To speed success, our efforts must be aligned.

## Ratio of workers to Medicare beneficiaries



Source: Medicare Trustees Report, 2012



## Strategy 1:

### Promote and Reward Accountability

The following recommendations will help ensure that all stakeholders are responsible and answerable for the quality, appropriateness and efficiency of health care provided.

- 1. Accelerate Payment and Delivery System Reforms.** Payment systems need to move away from fee-for-service toward integrated and innovative delivery models, such as medical homes, bundled payments and accountable care organizations (ACOs).
- 2. Eliminate Preventable Infections and Complications.** Healthcare-associated infections and complications are among the leading causes of death and result in unnecessary health care costs. We must eradicate them.
- 3. Engage Individuals in their Health and Health Care.** Unhealthy behavior, such as smoking, poor diet and sedentary lifestyles, accounts for up to 40 percent of premature deaths in the U.S. Involving patients in their health and health care is critical to improving wellness and health outcomes.
- 4. Better Manage Advanced Illness.** We need to ensure that severely ill patients and their families are empowered to make health care decisions and have access to a comprehensive set of health care and social services.
- 5. Advance the Use of Health Information Technology (IT) and Electronic Health Records (EHRs).** EHRs hold the promise of providing clinicians and patients with real-time access to medical information, which can improve medical decision-making, quality and patient safety. We need to standardize these technologies and achieve interoperability.
- 6. Promote Transparency of Quality and Pricing Information.** Patients and clinicians need reliable information about the quality and price of useful health services so they can make informed health care decisions.

Amount of lifetime Medicare benefits received vs. Medicare taxes paid per couple



Source: The Urban Institute, 2012

## Strategy 2:

### Use Limited Health Care Dollars Wisely

The following recommendations can move us toward using resources more appropriately and improving care for patients.

**1. Eliminate Non-value Added Treatments.**

There is ample evidence that more care does not necessarily mean better care. It is estimated that a significant amount of health care spending does not result in improved outcomes.

**2. Revamp Care for Vulnerable Populations.**

According to the Kaiser Family Foundation, historically, about half of all health care spending was used to treat just 5 percent of the population. Better coordinating care for our most complex, vulnerable patients – low-income children, dual eligibles, racial and ethnic minorities, and high utilizers of health care – will help bend the cost curve.

**3. Promote Population Health.** According to the Centers for Disease Control and Prevention, chronic diseases, such as obesity, diabetes and heart disease, are the leading cause of death and disability and account for 75 percent of the nation's health care spending. We need to sharpen our focus on better managing the health of a community.

**4. Modernize Federal Health Programs.** Updating Medicare and the Federal Employee Health Benefit Program to reflect changes in demographics, life expectancy and service delivery could save an estimated \$2 trillion over the next decade.

**5. Simplify Administrative and Regulatory Processes.** Reducing the administrative complexity of health care could save \$40 billion annually. Providers need to spend more time on patients, not paperwork.

**6. Reform the Medical Liability System.** CBO and other deficit reduction committees have found that medical liability reform could save \$17 billion to \$62 billion over 10 years, depending on the policies implemented.

# \$1 Trillion

Projected annual cost of Medicare in 2022 — almost double the current cost of \$560 billion.

Source: Congressional Budget Office

# 10,000

Number of baby boomers turning 65 each day. More than half will have multiple chronic conditions.

Source: Medicare Trustees Report, 2012

**These 12 recommendations offer a roadmap for changing the way care is delivered and for slowing health care spending. This list is not exhaustive, but it is a starting point of initiatives stakeholders can take together. There are many things providers need to do, but we cannot do it alone. We need others to do their part – in many cases to help us, and in others to move aside so that we can forge ahead.**

## Conclusion

Real improvements in health and health care – as opposed to arbitrary cuts to provider payment – have the ability to put our country on a more sustainable fiscal path. But reining in health care spending is only one part of the solution to our nation's fiscal crisis. And, hospitals are just one component of the health care system. Together, we need to create solutions that allow individuals to access the care they need, when and where they need it, and have it delivered in the safest, most cost-effective manner. But, by focusing our efforts and taking responsibility for that which we can control, together we can ensure a healthier tomorrow.





# Examples of Key Actions that Should be Taken by Stakeholders

For a full list, see Ensuring a Healthier Tomorrow at [www.aha.org](http://www.aha.org)

## Promote and Reward Accountability

### Accelerate Payment and Delivery System Reforms

- Providers should actively participate in one or more new care models to develop the competencies for accountable care.
- Government, insurers and employers should establish financial incentives for providers and patients to participate in new care models.

### Eliminate Preventable Infections and Complications

- Providers should actively participate in national efforts to achieve reductions in Central Line-Associated Bloodstream Infections, adverse drug events and preventable hospital readmissions
- Insurers and employers should provide data and information, tools and technologies to identify opportunities to reduce infections and readmissions.

### Advance the Use of Health IT and EHRs

- Insurers, government and vendors should implement interoperability standards that allow providers to share health information.
- Individuals should create a personal health record to maintain a summary of one's medical and health history.

### Promote Transparency of Quality and Pricing Information

- Providers should make consistent and useful quality and pricing information available to patients.
- Insurers and employers should make premium, coverage and cost-sharing information readily available to individuals.

### Engage Individuals in their Health and Health Care

- Government should provide a national web-based repository for patient education materials in multiple languages.
- Providers should use "teach-back" methods to ensure patient/family understanding.
- Individuals should seek health information and knowledge.

### Better Manage Advanced Illness

- Providers should educate physicians, nurses and other caregivers to provide advanced illness management services.
- Insurers should expand coverage and reimbursement of hospice and palliative care.
- Individuals should discuss their goals/wishes with their family, primary care physician and other caregivers early and throughout their lives.

## Use Limited Health Care Dollars Wisely

### Eliminate Non-value Added Treatments

- Government and insurers should reward providers who follow recommended best practices.
- Individuals should show restraint in demanding services their physician says are marginally or not effective.

### Modernize Federal Health Programs

- The government should gradually increase the eligibility age for Medicare.
- The government should modernize the benefit package and Medicare supplemental plans to encourage healthy behaviors and minimize inappropriate utilization.

### Revamp Care for Vulnerable Populations

- Providers should adopt person-centered care practices by placing individuals, their family caregivers, and their advocates at the center of all care planning decisions.
- Government should create data-sharing mechanisms among the Medicare and Medicaid programs, health plans, providers and other government programs to support care coordination.

### Simplify Administrative and Regulatory Processes

- Government should combine all payment audits into one program, and require auditors to improve their accuracy or face financial penalties.
- Insurers and employers should standardize and automate claims submissions, eligibility, claims status, payment and remittance.

### Reform the Medical Liability System

- Government should establish "safe harbor" protections for providers who follow evidence-based clinical practice guidelines.
- Individuals should resist filing unjustified malpractice claims.

### Promote Population Health

- Providers should engage the community to offer health education, outreach and programs.
- Individuals should know and monitor key indicators of health, such as blood pressure, cholesterol and glucose levels.
- Government should modify reimbursement structures to reward primary care.
- Insurers and employers should offer insurance products with lower premiums for patients who receive recommended preventive services or who improve their health.