



**American Hospital
Association**

How Can America Make Health Care More Affordable?

There are many opportunities to reduce costs without compromising care. Hospitals and physicians are pursuing these opportunities in variety of ways.

Creating a Better Alternative to Today's Liability System

The high costs associated with the current medical liability system not only harm hospitals and physicians, but also patients and their communities. Across the nation, access to health care is being negatively impacted as physicians move from states with high liability costs and stop providing services that may expose them to a greater risk of litigation. The increased costs that result from the current flawed medical liability system not only hinder access to affordable health care, they also threaten the stability of the hospital field.

Specific Actions That Can Be Taken:

- Cap non-economic damages.
- Allow the courts to limit lawyers' contingency fees.
- Model federal proposals on proven state models of reform.
- Make each party liable only for the amount of damages directly proportional to its responsibility.
- Enact a reasonable statute of limitations after the date of the manifestation, or discovery, of an injury.

Reducing the Regulatory Burden

Hospitals are highly regulated at the federal level and, at times, those regulations place impediments in their path as they continue to provide both jobs and health care to their communities. Excessive regulations, outdated laws and a lack of clear federal guidance can combine to inhibit the innovation and cooperation essential to realizing the promise of better care delivery to which America's hospitals are committed. They also drain time, funding and attention that could more effectively be focused on patient care. While the Affordable Care Act (ACA) took major strides towards simplifying the workings of public and private insurance, today's health care system is choked with paper. Hospitals face duplicative regulations and compliance burdens and myriad insurance plans, each with different claims, processing and record keeping requirements. Health care will be more affordable if health care professionals spend more time at the bedside and less on paperwork. Studies have found that approximately one quarter of spending on hospital care goes to administrative functions — roughly \$190 billion in 2009.

Specific Actions That Can Be Taken:

- Reexamine the barriers to clinical integration by creating user-friendly antitrust guidelines and seek legislative refinements to existing laws.
- Modernize laws and regulations to allow these providers to work together more closely.
- Simplify the regulatory requirements for meaningful use of certified EHRs.
- Use standard quality measures across the public and private reporting systems.
- Consolidate payment integrity audit programs. Hospitals are currently subject to duplicative, redundant audits by myriad government programs.

Adoption of IT

Information technology has increased efficiency in banking, manufacturing, government and other sectors of the economy. The Medicare and Medicaid EHR Incentive Programs provide incentives for providers to adopt and use health IT. Congress intended these payments to support adoption, but the regulatory requirements are posing a challenge for implementation. As we move from digitizing records to sharing information across settings of care, we will need an infrastructure to support information exchange, more consistent use of standards and ways to accurately match patients to their records.

Specific Actions That Can Be Taken:

- Take steps to ensure that small and rural hospitals benefit from the EHR incentive programs.
- Establish unique patient identifiers to link people to their health records while also ensuring confidentiality.
- Continue working to develop the infrastructure and standards needed to support coordinated exchange of information among hospitals, doctors and others as necessary to meet patient needs.
- Ensure that hospital systems with multiple facilities organized under a single Medicare provider number are treated fairly.

A Focus on Wellness

A substantial portion of health care spending is for care of chronic conditions, some of which are preventable. Informal 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 America an estimated \$300 billion. Obesity leads to hypertension, heart disease, diabetes, stroke and many types of cancer. Helping people maintain a healthy weight would substantially reduce this cause and effect.

It is estimated that three out of every four health care dollars are spent to care for individuals with chronic conditions. As a nation, we can no longer spend all our resources to treat disease while ignoring disease prevention. The ACA created the largest national investment in public health by focusing significant resources in prevention and wellness, including allocating \$12.9 billion over 10 years to a Prevention and Public Health Fund. In addition, the law requires public and private insurers to cover recommended preventive services, immunizations and other screenings at no cost to patients. It also initiates policies to encourage wellness in schools, workplaces and communities, and takes steps to modernize the public health system. While a tremendous start, more can be done.

Specific Actions that Can Be Taken:

- Increase the nation's investment in primary care services, and ensure we have the workforce necessary to deliver these services.
- Enhance health professions education to include a focus on wellness.
- Ensure that America's public health system remains appropriately funded.
- Provide incentives to encourage healthy choices and behaviors, and the support and coaching needed to change unhealthy behaviors.
- Focus on chronic care management.
- Emphasize chronic disease prevention and management in health education and training programs.

Better-Coordinated Care

Anyone who has helped an elderly relative sort through treatment of a medical condition 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 multiple chronic conditions who often get duplicative tests and suffer complications when their care is not coordinated. 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.
- 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.

Encouraging Performance Excellence

Hospitals and physicians that receive high marks in the delivery of care also reduce patients' time in the hospital, and avoid complications and readmissions. Following specific care guidelines and protocols can reduce variation in care by ensuring that patients get all of the care they need and only the care they need. Yet the current system of paying providers for care does not reward these behaviors.

Specific Actions That Are Under Way:

- 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 new 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 Are Under Way:

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