



# Board of Directors Statement Bringing Down Health Care Costs March 2013

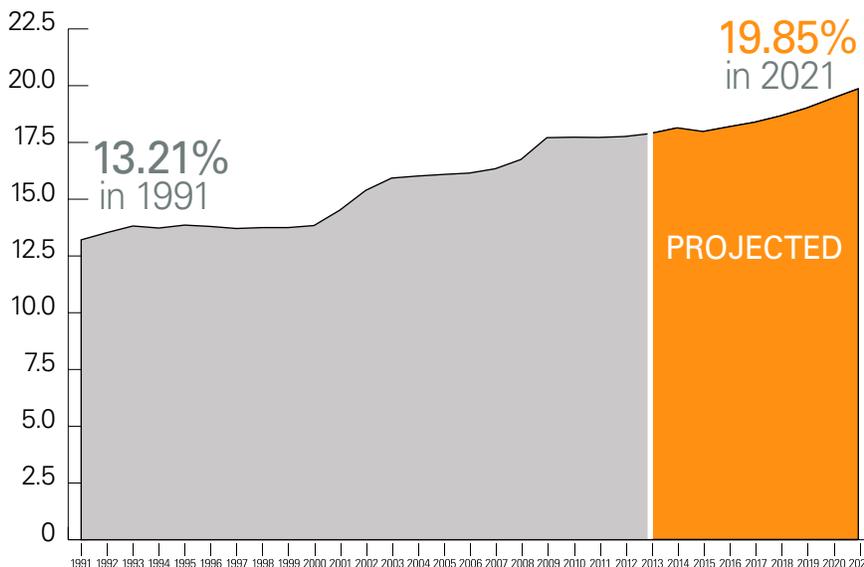
## THE PROBLEM

While the Affordable Care Act makes important strides in expanding coverage, more must be done to rein in a fundamental problem: the soaring costs of health care. Increased access to care cannot be sustained without addressing costs. More than one-sixth of the U.S. economy is devoted to health care spending and that percentage continues to rise every year. Of equal concern is that as much as 20 to 30 percent of the \$2.7 trillion spent annually in our health system goes to care that is wasteful, redundant, or inefficient.<sup>1</sup>

Soaring health care costs punish our nation on multiple fronts. Working families and seniors face difficult choices between the basic necessities of living and needed health care. Small businesses as well as larger employers find it more difficult to hire new employees, retain retiree coverage, and compete in the global economy. Federal, state, and local governments, faced with increasing Medicare and Medicaid costs, are forced to reduce funding on other priorities such as infrastructure, education and public safety.

<sup>1</sup> Institute of Medicine. "The Health Care Imperative." 2011. Available at: <http://www.iom.edu/Reports/2011/-/media/Files/widget/VSRT/healthcare-waste.swf>

### U.S. HEALTH CARE SPENDING RELATIVE TO GDP



Source: 1960-2010: BEA; 2011-2020: CMS National Health Expenditures Data, [https://www.cms.gov/NationalHealthExpendData/03\\_NationalHealthAccountsProjected.asp#TopOfPage](https://www.cms.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage); US Health Care Spending 101 App

## THE SOLUTION

Health plans continue to lead efforts to bring innovative delivery system reforms to consumers. To do so, plans are increasingly using a dual strategy aimed at (1) redesigning how providers are paid through greater use of prospective payment and other unique strategies and (2) creating new benefit designs aimed at encouraging consumers to use high-performing providers and take advantage of care coordination and case management programs for chronic conditions.

Examples of these game-changing initiatives include:

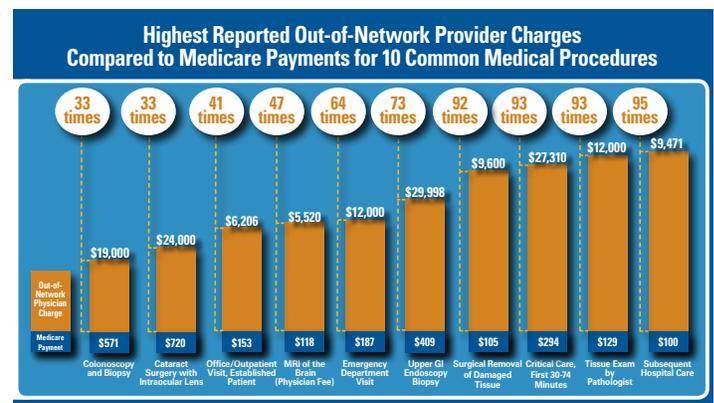
- ▶ Linking payment changes to new benefit designs that provide information on high performing clinicians and hospitals
- ▶ Offering intensive case management for high risk patients
- ▶ Working with primary care physicians to expand patient-centered medical homes
- ▶ Utilizing the latest technology and real-time data to assess patients
- ▶ Helping patients navigate the increasingly complicated health care system through innovative care coordination programs

Efforts such as these, however, will never reach their full potential unless the nation addresses key barriers and embraces the next generation of bold ideas. Further, a simple but key principle must be kept in mind: strategies aimed at addressing soaring health care costs must focus on bringing **total costs** of care under control. Without such a focus, cost containment aimed at one market segment will simply result in cost shifting to another market with no beneficial impact on the overall health care system.

## STRATEGY #1: TACKLING BARRIERS TO TRANSPARENCY

Action must be taken to eliminate barriers that prevent stakeholders from understanding how markets are (or are not) working. Increased transparency—with a concurrent focus on quality—will lead to a greater awareness of specific market dynamics and give consumers and purchasers a better line of sight into the drivers behind the growth of health care costs in their community as well as an understanding of the impact of dynamics such as provider consolidation. With this type of objective data, stakeholders will have a strong foundation for developing solutions unique to their circumstances. Steps aimed at increasing transparency include:

- ▶ Investing in studies, commissioned by the Federal Trade Commission or other appropriate entities, to analyze linkages between prices (as reflected in new metrics and otherwise) and market power (as informed by market share and other considerations), as well as the implications of such linkages for consumers and policymakers
- ▶ Creating a new “*Cost Shifting*” metric to help stakeholders understand how costs are shifted from one market segment (e.g., Medicare) to another (e.g., commercial) and developing strategies to tackle this dynamic
- ▶ Requiring hospitals and other providers to disclose out-of-network rates to ensure that consumers are protected from exorbitant charges, particularly in non-routine medical situations where a provider’s network status may be unknown



- 
- ▶ Ensuring that consumers can obtain information about provider cost and quality by ending contractual terms and other practices that prevent such transparency

---

## **STRATEGY #2: FACILITATING BENEFIT MODERNIZATION**

---

Today, a range of legal, regulatory, or operational barriers often prevent plan innovations from being realized in local communities. To address these barriers, cost containment strategies must modernize these “rules of the road” to ensure that innovative plan designs—aimed at decreasing costs while ensuring safe, high quality care—can thrive. Facilitating benefit modernization includes:

- ▶ Modernizing scope of practice requirements for key personnel, such as nurses, and promoting new care delivery sites, such as retail or virtual clinics, to encourage the development of innovative, cost-saving models of care
- ▶ Accelerating the use of health information technology (Health IT) and encouraging interoperability of electronic health records (EHRs) to promote high quality, cost-effective care delivery
- ▶ Promoting preventive care and wellness programs while integrating these programs with Health IT strategies where feasible
- ▶ Promoting laws or regulations that support the formation of, and remove impediments to, tiered networks, shared savings programs or other innovative delivery structures
- ▶ Eliminating “Any Willing Provider” laws or excessive network requirements that prevent plans from forming lower cost, higher quality networks

---

## **STRATEGY #3: ADVANCING BOLD, STRUCTURAL REFORMS**

---

Strategies to address soaring health care costs need to include fundamental, structural changes in the health

care system. Further, action needs to be grounded where health care is delivered today—at the state and local levels. States play a critical role in shaping the health care delivery systems within their borders, from licensure of providers to regulation of the marketplace to implementation of reform initiatives. There are unique opportunities to encourage providers and payers within states to work together to develop innovative strategies that can lead to lower cost, higher quality care.

While states have the potential to significantly impact spending in the long term, little progress will be made until states are recognized and rewarded for efforts to encourage the collaborative action required to reduce total costs and stop cost shifting.

The opportunity is significant—by the year 2021, federal spending will total \$17 trillion for Medicare, Medicaid, health care tax expenditures, and the new exchange subsidies under the Affordable Care Act. Allowing states to benefit from even a modest portion of the savings they help generate offers a catalyst for further development. This would direct hundreds of billions in needed incentives to cash-strapped states, while at the same time bending the total cost curve and having a productive impact on the economy as a whole, as well as family, corporate and government budgets.

Launching such a state-federal shared savings, or “gain-sharing” initiative would involve convening public and private sector stakeholders to develop a spectrum of strategies unique to a state, from wellness and public health initiatives to payment reform and provider-specific strategies. Such an approach would differ markedly from blunt efforts to cut spending and would instead be designed to push states to make meaningful, system-wide reforms that bend the health care cost curve once and for all.

Our community will work to encourage innovative approaches that are commensurate with the problem and build on the progress being made in the areas of payment reform and value-based benefits.