

---

# **Board of Directors' Statement on Setting a Goal to Achieve a More Affordable and Effective Health Care System**

*March 2009*

---

## **Introduction**

Health care reform has eluded our nation for nearly a century. But today, a broad consensus is emerging that comprehensive reform of the system – that covers all Americans and provides safer and more effective care – is possible if the growth in health care costs can be brought under control. Health care costs are rising at an unsustainable rate and adding a burden on families and small businesses, and hampering our competitiveness as a nation. In order to confront these issues, all stakeholders need to be challenged to innovate, perform better, and come to the table with solutions.

Health plans are doing their part by pioneering disease management and care coordination programs; promoting prevention, wellness and early intervention; and implementing innovative payment strategies that reward performance and outcomes. We are committed to working with the Administration, Congress and other stakeholders to advance strategies that promote effective, efficient, and high-value health care.

## **Setting a Goal**

Although comprehensive reform will require new funding, the most expensive course of action is to do nothing at all. Government officials estimate that health care spending will total \$2.5 trillion (17.5% of our GDP) in 2009, and will soar to \$4.4 trillion (20.3% of GDP) by 2018 if nothing is done to contain costs.<sup>1</sup> For the sake of our nation's health, competitiveness and long-term prosperity, Congress's highest priority should be a plan to reduce this unsustainable growth in health care costs.

We have proposed that Congress first set a broad national goal of reducing the future growth of health care costs. The Centers for Medicare and Medicaid Services (CMS) estimates that health costs will grow by approximately 6.7% from 2008 to 2018. Reducing the rate of growth by even a few percentage points results in vast savings. For example, slowing health care cost growth by 1.5 percentage points would save up to \$3 trillion from 2008 to 2018.

Such savings would free up scarce resources to provide coverage to all Americans, make the system affordable, and put Medicare on a strong and stable foundation. To achieve this goal, a public/private advisory group should be established that would facilitate the setting of sector-by-sector goals and challenge key stakeholders to lead the conversation in its respective area. Health plans would welcome this shared challenge and will continue to play a leadership role in addressing administrative efficiencies and offer suggestions to reduce the future rate of growth.

---

<sup>1</sup> <http://www.cms.hhs.gov/NationalHealthExpendData/Downloads/proj2008.pdf>

## Addressing Underlying Cost Drivers

Sustainable approaches to reducing the cost trend require the country to confront the following issues:

- **Safe and Appropriate Use of Technology:** There is a lack of information about what technologies work best, for which patients and at what cost. All stakeholders, including consumers, providers, employers and health plans need the tools to be able to assess whether the cost of technology is commensurate with the value delivered to the patient. By building a better base of evidence, we can reduce regional variation, promote best practices, and empower patients and their doctors to make informed decisions.
- **Optimizing the Healthcare Workforce:** The nation's workforce and payment systems do not promote optimal care, early intervention, and chronic care management. Care payment models need to be restructured to reward physicians for intervening early, improving health outcomes, and following medical best practices. There should also be an emphasis on reforming medical education to emphasize the value of, and encourage more physicians to go into primary care.
- **Collective Action to Address Public Health Needs.** Chronic disease is a significant and growing driver of underlying medical costs leading to a decline in the long-term health of the nation. There is a need to create behavioral and environmental incentives to encourage healthier lifestyles and all stakeholders must collaborate and do their part to make that happen.
- **Paying for Value, Not Volume:** Fee-for-service payment systems reward volume instead of value, often paying for more expensive care without regard to the quality, appropriateness, or effectiveness of services. Payment systems are needed that reward physicians to practice in more efficient ways, consistent with clinical practice guidelines, and rewarding high-quality care, instead of volume of services.
- **Providing Transparent and Actionable Information:** Consumers lack access to the information they need to evaluate the performance of the health care system. Data-driven knowledge of probable outcomes of care can help consumers understand how providers and institutions may perform in the delivery of patient care.
- **Integrating the Delivery of Care:** Fragmented, uncoordinated models of care lead to a focus on body-part-by-body-part medicine. Integrating care with a holistic approach will improve continuity and treatment ensuring that care is patient-centered. Coordinated models also enable practitioners to deliver more efficient care in certain settings such as coordinating palliative care plans or managing chronic diseases.
- **Addressing Consolidated Provider Markets:** Provider consolidations and mergers reduce choice and increase prices for consumers. We need a new approach to measure health sector consolidation, the resulting impact on competition and spending, and most importantly, patient care.
- **Ensuring Adequate Funding of Public Programs:** Studies have shown that public programs' underpayment to health care providers, hospitals, and physicians result in a

cost shift to health plans, employers, and consumers. As a result, working families are paying a “hidden tax” to subsidize the true costs of Medicare and Medicaid. A study by Milliman estimates that cost shifting is responsible for 10.7 percent of families’ total spending on health care, or an additional \$1,788 per family per year.

## **What Our Community Brings to the Table**

Health plans offer strategies and tools to consistently improve quality and drive down the cost of care delivered to patients across all care settings:

- **Tools to Coordinate Care Across a Variety of Settings for Specific Patient Populations:** Health plans have a wealth of administrative and clinical information which can be integrated to help clinicians have a comprehensive view of a patient’s clinical history. For instance, plans may evaluate this data to identify preventable medical errors, providing clinicians with this information to address gaps in care and help make efficient, informed patient-care decisions.
- **Incentives for an Interconnected Electronic Health Care System:** A fully integrated, electronic health information exchange is essential to ensuring that high-value health care is delivered to the right patient, at the right time, and in the right setting.
- **Clinical Decision-Making Based on Best Evidence:** Health plans encourage clinical practices that rely on best data and best evidence. A strong base of evidence can help evaluate whether the costs of services, devices, and drugs are commensurate with the value of care delivered.
- **Innovative Payment Models That Drive Real Delivery System Change:** Health plans have experience with and are committed to innovative payment models that reward improved clinical outcomes and overall health status, and optimize the patient experience, such as an enhanced medical home, paying for episodes of illness, and shared risk models that promote comprehensive care management.
- **Benefit Design:** Plans can implement benefit design strategies to encourage consumers to choose the safest, highest quality and most cost-effective drugs, devices, and procedures. These strategies include offering lower cost sharing for those procedures and technologies that are proven to be the safest, higher in value and lowest in cost.
- **Administrative Efficiencies:** Health plans, in concert with providers and consumers, can drive down administrative costs and by doing so, improve efficiency and care delivery.

A financially sustainable and affordable health care system can only be achieved by bringing under control underlying medical costs. If health care costs are allowed to continue rising at rates far exceeding economic growth, they will severely limit the nation’s ability to expand coverage and improve care. Meeting specific affordability goals will require leadership from all stakeholders and health plans are prepared to meet that challenge.