

Health Care Reform: The Cost Containment Agenda



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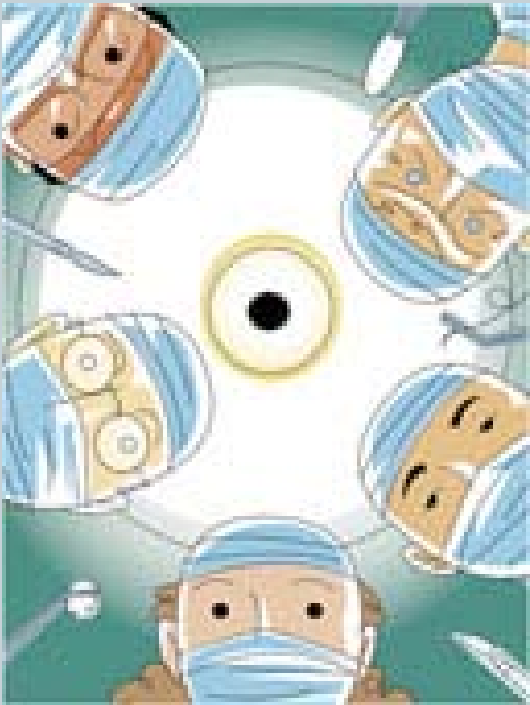
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Improving the value of care

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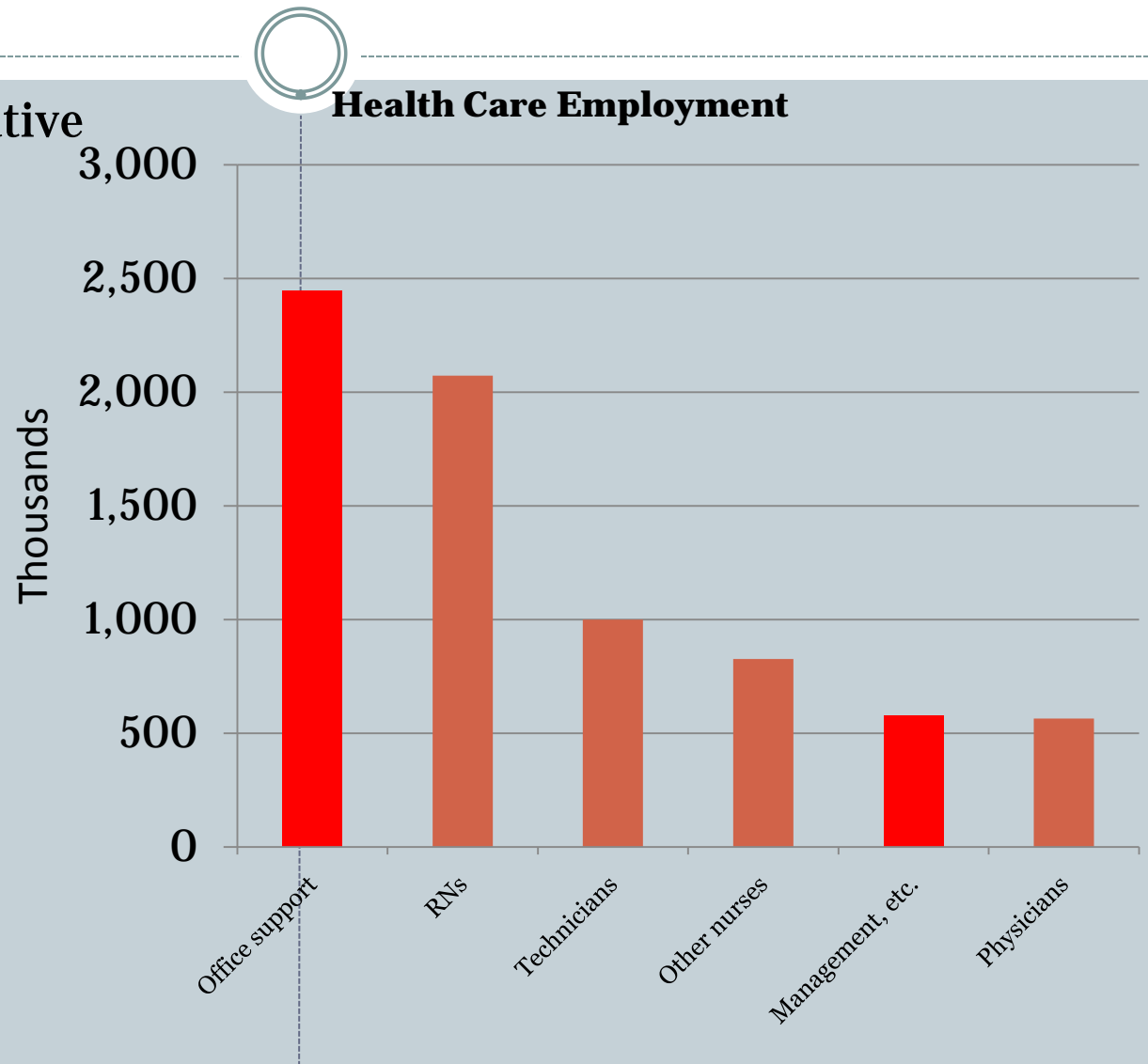
- Premise: Medical care is inefficiently provided, and this both lowers quality and drives up cost.

- Therefore, we should be able to improve quality and save money by *modernizing* the health system.



Examples of low productivity

- Overuse of administrative personnel

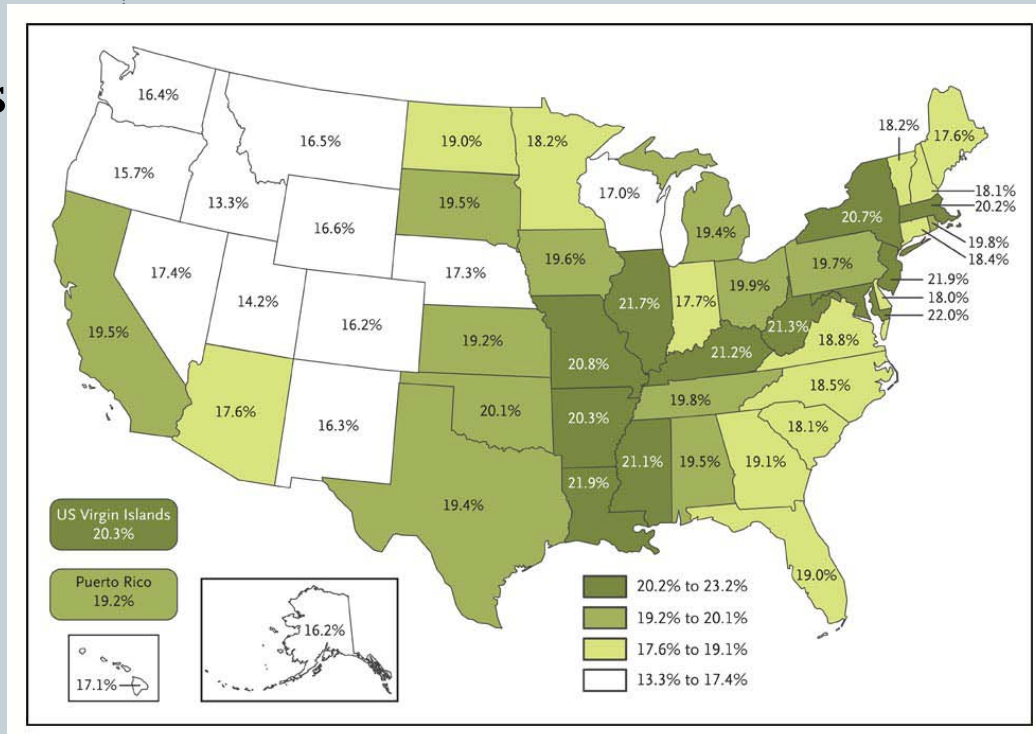


Source: US Department of Labor

Examples of low productivity

- Overuse of administrative personnel
- Too many acute care episodes

Rates of Rehospitalization within 30 Days after Hospital Discharge

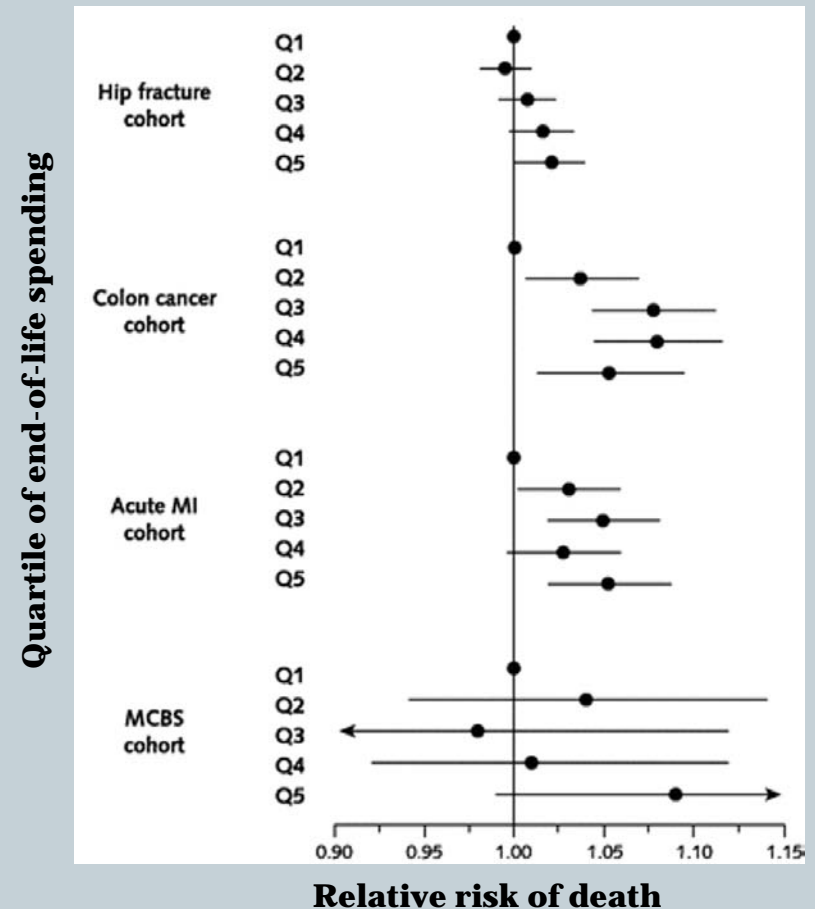


Source: Jencks et al., *NEJM*, 2009.

Examples of low productivity

- Overuse of administrative personnel
- Too many acute care episodes
- Additional spending within episodes is not associated with improved outcomes.

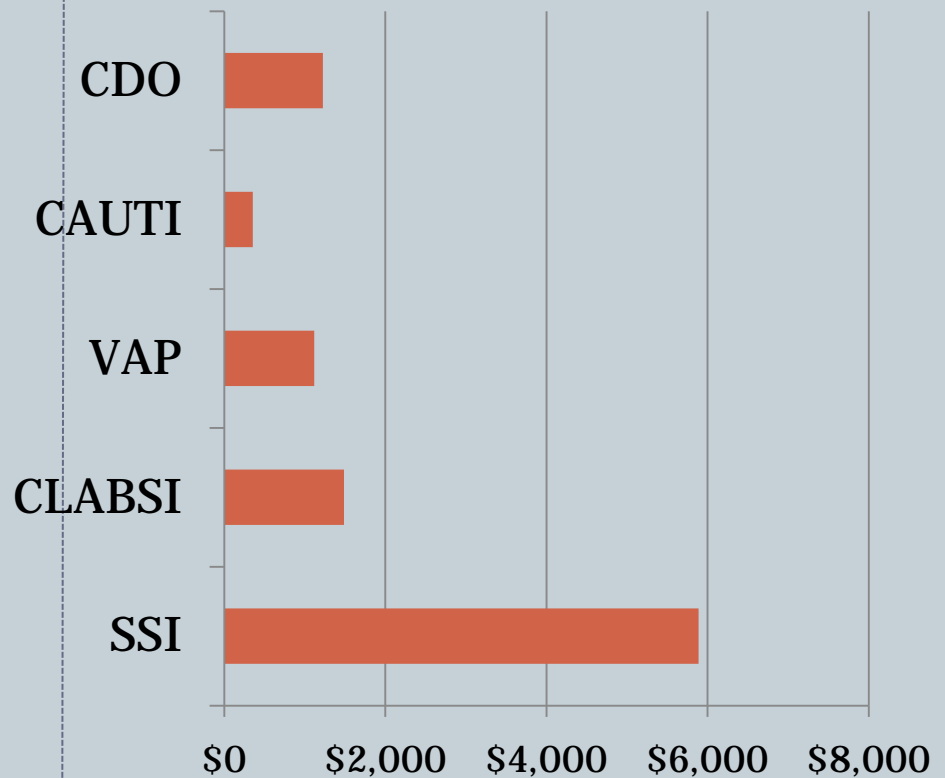
Mortality rate by quintile of area spending



Examples of low productivity

- Overuse of administrative personnel
- Too many acute care episodes
- Additional spending within episodes is not associated with improved outcomes.
- Medical errors waste enormous resources (and lives)

Cost of Medical Errors (\$mn)



Source: Scott, 2009.

Evidence in other industries: People, incentives, and information are key



The Hallmark of Productive Industries

The stimulus bill
in the spring

Appropriate
Information



Compensation
Arrangements

The current bill



Empowered
Workers/
Consumers



Exchanges in
the current bill

How Do The Bills Stack Up?

To provide affordable, quality health care for all Americans and reduce the growth in health care spending, and for other purposes.

To make quality, affordable health care available to all Americans, reduce costs, improve health care quality, enhance disease prevention, and strengthen the health care workforce.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill, which was read twice and referred to the Committee on _____



- **Pretty well, actually**
 - Commitment to payment change, with flexibility to adjust mid-course and lots of experimentation
 - ✦ Bundled payments
 - ✦ Pay-for-performance
 - ✦ Payment for care management
 - Follows on heels of stimulus bill & IT investment

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- **Somewhat weaker on non-payment issues**
 - Workforce issues
 - Sin taxes (esp. directed towards obesity)
 - Integration between providers

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How It Should Proceed



- **Productivity at the local level**
 - Hospitals eliminate HAIs, implement checklists and other processes to improve workflow
- **Integration**
 - Formation of real or virtual care organizations
- **Regional**
 - Coordinate IT, payment reform, administrative issues within regions
 - Work with Federal government as appropriate