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THE BATTLE TO CONTAIN COSTS AND IMPROVE HEALTH OUTCOMES

In 2006 Massachusetts, under then Republican Governor Mitt Romney, passed a law requiring every resident who can afford health insurance to obtain it – either through their employer, a private plan, or – for low-income people – a new subsidized state program, or face a fine. The penalty is about \$1,000 for those who are uninsured for an entire year. Older residents get their health insurance through Medicare, and the very poor get cover through Medicaid.

This is very similar to the requirements in the Obama health care reform plan, and they work. Currently 97 percent of Massachusetts residents are in health plans and out-of-pocket costs and medical debt are falling.

However there have been problems, some predictable (there are not enough primary care doctors to accommodate the sudden surge of people who now could afford primary care) and some not (the current financial crisis has increased the number of enrollees in the state program at a time when state tax revenues are plummeting). Still, health care costs have not risen more than in other states.

The key lessons from the Massachusetts experiment for federal lawmakers are: DO require that everyone has health insurance, DO get employers to help pay for employers' cover, DO ask taxpayers to subsidize insurance for the poor, but DON'T ignore rising costs, the single greatest threat to the sustainability of the system.

Legislators in Massachusetts and on Capital Hill must now wrestle with how to keep costs down so that reforms are sustainable in the long-term, ensure that patients have choice and quality care, and keep everyone reassured that the government is not taking over the management of health care. Despite the nay-sayers, this is not an impossible task.

As Atul Gawande pointed out in a recent essay in the New Yorker, good health care is not necessarily expensive care, and indeed, there seems to be an inverse relationship between overall cost and improved health outcomes. Studies have shown that the care for patients in the highest-cost regions of the US tends to be very fragmented, with considerably more diagnostic tests, hospital admissions, operations, and specialist visits, but less low-cost preventive services and primary care, and equal or worse survival, functional ability, and satisfaction with care.

Nearly thirty per cent of the costs of the US Medicare system could be saved without negatively affecting health outcomes if spending in high- and medium-cost areas could be

reduced to the levels in areas like Rochester, Minnesota, or Seattle, Washington, or Durham, North Carolina - all of which have world-class hospitals and costs that fall below the national average.

While the funders of health insurance - the federal and state governments and the private companies - will all have to do more to reign in costs, the primary lesson from these studies is that there must be a dramatic change in culture among both health care providers and patients if the whole of the US is to experience the same quality of care. That will certainly require carrots and probably a few sticks too.

Massachusetts is now weighing changes in the way doctors are reimbursed to reward them for keeping patients healthy, not for performing more tests. In a report released this month, the state's Special Commission on the Health Payment System found that fee-for-service rewards service volume rather than outcomes and efficiency and recommended a risk-adjusted global payment system that will prospectively compensate providers for all or most of the care that their patients require over a contract period.

It is proposed that this change is done in conjunction with mechanisms to ensure better integration and continuity of care, provider incentives such as common performance measures and pay-for-performance programs, appropriate consumer incentives to manage their health and to seek and use care efficiently, and a mechanism to protect providers from catastrophic financial loss.

Many of these approaches are already incorporated into the health reform bill currently under consideration in the House of Representatives, albeit as pilot and demonstration programs.

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