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APRIL *HEALTH AFFAIRS*: WHAT CAN THE U.S. LEARN FROM INSURANCE EXCHANGES AND HEALTH CARE PAYMENT INNOVATIONS ABROAD?

A New Commonwealth Fund–Supported Series of Articles Highlights International Health System Experiences, with Lessons for the U.S.

New York, NY, April 8, 2013—Countries around the world have realized some success in achieving the "Triple Aim" of health care: better health and better health care at lower cost. A new series of Commonwealth Fund–supported articles in the April issue of *Health Affairs* describes the lessons these successes hold for the U.S. health care system. For example, faced with rising prescription drug costs, Australia instituted a strategy for reviewing and covering new prescription drugs that saved money without compromising quality. When Switzerland and the Netherlands instituted new health insurance exchanges, policymakers were able to quickly adapt to unforeseen effects and ensure the exchanges' success.

"As we accelerate efforts to improve the performance of our health care system and to provide high-quality, affordable health care for all, U.S. health care providers and policymakers should take the opportunity to learn and benefit from best practices in countries that have made progress toward these goals," said Commonwealth Fund president David Blumenthal, M.D.

Highlights of *The "Triple Aim" Goes Global* include:

Health Insurance Exchanges in Switzerland and the Netherlands: Expanding Coverage, Improving Health, and Controlling Costs

Authors: Ewout van Ginneken, Katherine Swartz, and Philip Van der Wees

In the years since Switzerland and the Netherlands overhauled their health care systems to include health insurance exchanges similar to what the U.S. will have under the Affordable Care Act next year, policymakers have had to continually update their strategies to deal with unintended effects. In "Health Insurance Exchanges in Switzerland and the Netherlands Offer Five Key Lessons for the Operations of U.S. Exchanges," Ewout van Ginneken of Berlin University of Technology and colleagues lay out valuable lessons for ensuring that the state- and federally run insurance exchanges in the U.S. expand insurance coverage, improve health outcomes, and slow cost increases. These include:

- Sophisticated risk-adjustment strategies can help to ensure that health plans won't avoid covering the elderly or people with health problems.
- Tax penalties and fines aren't enough to motivate all people who are eligible to enroll in coverage. To improve the odds, policymakers must understand the barriers and design new approaches to maximize enrollment in coverage and make consumers aware of subsidies.
- Insurers must have bargaining power equal to that of health care providers, so they are able to negotiate prices and improve the value of services.
- Both insurers and consumers need meaningful information about providers' costs and the quality of care so they can become prudent purchasers of health services.

Australia Applies 4-Step Review to Link Prescription Drug Prices With Their Quality and Effectiveness

Authors: Ruth Lopert and Adam Elshaug

Australians enjoy universal drug coverage, with patients contributing fixed copayments based on income. Faced with high prices and rising costs in the late 1980s, the government phased in a "fourth hurdle" process to test for cost-effectiveness. After assessing new prescription medicines for safety, efficacy, and quality, the Australian government looks at the value provided, and makes coverage decisions accordingly. The government does not "set" or control prices, instead the drug's manufacturer requests a price and based on this the government assesses the value proposition. If a proposed drug is substantially more costly than existing alternatives, it may only be listed if it offers a clinical advantage to some patients. If it is equally effective to an already listed drug, then it cannot receive a premium price to that comparator, thus price negotiations ensue. In "Australia's 'Fourth Hurdle' Drug Review Comparing Costs and Benefits Holds Lessons for the United States," Ruth Lopert of the Therapeutic Goods Administration in Canberra and Adam Elshaug of Harvard Medical School write that this approach rewards true innovation by indirectly targeting financial incentives to products that can make a significant impact on health outcomes, while subtly discouraging those drugs that do not.

Australia's experience illustrates that comparative effectiveness review in prescription drug coverage is both feasible and useful in identifying value. In the United States, transparent, evidence-based decision-making could help bend the cost curve and improve health outcomes for many.

European Hospitals Improve on Medicare's Model to Pay for Better Hospital Care

Authors: Wilm Quentin, M.D., David Scheller-Kreinsen, Miriam Blumel, Alexander Geissler, and Reinhard Busse

The use of diagnosis-related groups, or DRGs, to classify patients of similar characteristics and comparable costs and pay hospitals a flat fee to treat them, originated with Medicare. However, a number of European countries have imported and improved upon the model, spending less on hospital care than the U.S. does and getting better results. In "Hospital Payment Based on Diagnostic-Related Groups Differs in Europe, and Holds Lessons for the United States," Wilm Quentin of Berlin University of Technology and colleagues describe how, unlike in the U.S., DRG payments in Europe often exist within a global budget that places limits on the volume of activity. In Germany, the total volume of services that a hospital is targeted to provide is negotiated each year. If the hospital exceeds this target, the DRG-based payment is reduced by a certain percentage. England, meanwhile, bases payment for some procedures on best-practice guidelines rather than actual costs, encouraging hospitals to follow agreed-upon standards of care. An early evaluation of such a payment for hip fracture showed that the percentage of patients receiving care according to best-practice guidelines increased from 24 percent in the first quarter of 2010 to 55 percent in the last quarter of 2011. The authors say that adopting some of the payment innovations of European countries may lead to higher-quality care and lower costs for Medicare enrollees.

Using Incentives to Encourage Patients to Make High-Value Health Care Choices

Authors: Sarah Thomson, Laura Schang, and Michael E. Chernew

Countries around the world, including the U.S., have tried various tactics to encourage patients to select cost-effective prescription drugs, providers, and services. In "Value-Based Cost Sharing in the United States and Elsewhere Can Increase Patients' Use of -Value Goods and Services," Sarah Thomson of the London School of Economics and Political Science and colleagues review approaches in the U.S. and 11 other nations.

While the study found that most countries undertake only limited evaluation of value-based cost-sharing, there was evidence that value-based cost-sharing reduced prescription drug costs in some countries and saved money and brought higher quality care to selected groups of patients in the U.S. and Germany. The researchers identified some red flags, including high administrative costs, high up-front investment for little short-term gain, and the risk that using financial penalties to encourage high-value choices could exacerbate inequalities in access to health care and health outcomes. However, if carefully designed and implemented, value-based cost-sharing could encourage patients and providers to make cost effective, high quality health care choices, the authors say.