



## NEWS RELEASE

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# HEALTH CARE SAVINGS OPTIONS COMBINED WITH INSURANCE COVERAGE FOR ALL COULD REDUCE SPENDING BY \$1.5 TRILLION OVER 10 YEARS, ACCORDING TO NEW COMMONWEALTH FUND REPORT FOR COMMISSION

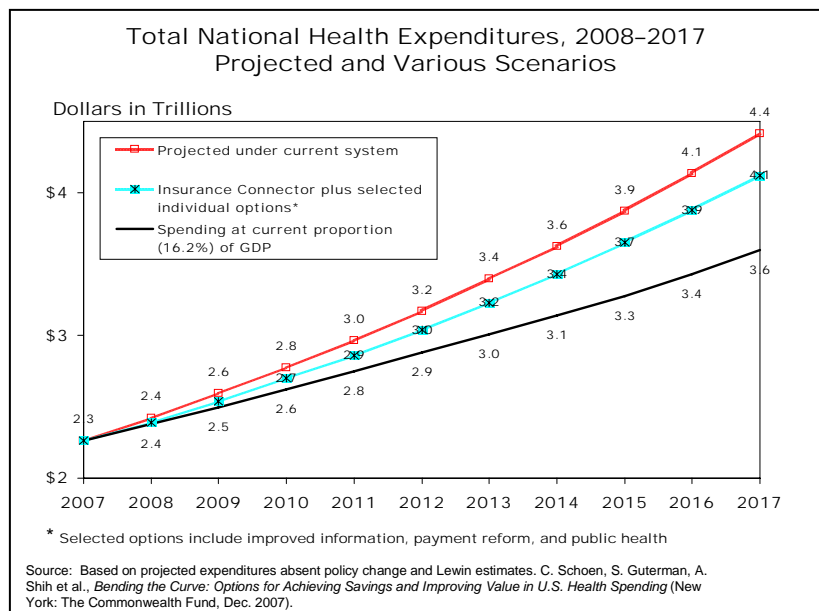
*New Report Analyzes 15 Federal Policy Options and Estimates Significant Short and Long Term Savings and Greater Value, if Enacted Now*

December 18, 2007, New York, NY—Guaranteed health insurance for all combined with several federal policy options to achieve health care system savings could result in \$1.5 trillion in reduced spending over 10 years, according to a new Commonwealth Fund report prepared by Fund staff and the Lewin Group for study by the Fund's Commission on a High Performance Health System.

*Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health*

*Spending*, analyzes 15 federal health policy options (see attached full list of reviewed policies) for their potential to lower spending over the next 10 years and yield higher value for the nation's investment in health care. Specifically, authors reviewed policies related to health information technology and improving knowledge for clinical decision making; public health measures such as reducing smoking and positive incentives for health;

financial incentives aligned with quality and efficiency such as hospital pay-for-performance and strengthening primary care; and policies that use the health care market to increase efficiency, add value, and reduce costs.



The report also examines combining policy options targeted towards slowing health care cost growth with affordable health insurance for all. Combining universal coverage with policies aimed at achieving health care savings could have a significant impact because improvements in delivery and financing would apply to a larger number of people, could lower insurance administrative costs, and lead to a more integrated health care system, according to the authors, Commonwealth Fund Senior Vice President Cathy Schoen and colleagues. Additionally, savings from improved efficiency would substantially offset the federal cost of expanding coverage.

“This report is unique in that we focused on total national health spending, not just one aspect of spending,” said Commonwealth Fund President Karen Davis. “The report illustrates there are policy solutions out there that will save money, *and* ensure that Americans get improved value for their health care dollars—but we need to start now.”

Currently, health spending in the U.S. is predicted to increase from \$2 trillion to more than \$4 trillion over the next 10 years, and to consume one out of every five dollars of national income as increases outpace income growth by a wide margin. According to the report’s findings, it is possible to curb health care spending, and simultaneously enhance the overall performance of the health care system. And the sooner policy changes addressed at reducing spending are enacted, the greater the cumulative savings for families, businesses and public health insurance programs. In fact, even modest changes can quickly add up to billions. However, authors caution that in order to see real savings and higher value, policies must address overall health system costs and not shift cost from one part of the health care system to another.

“The report illustrates that it is possible to insure everyone and achieve savings,” said James J. Mongan, M.D., Commission Chair and President and CEO of Partners HealthCare System. “The Commission hopes the report will stimulate constructive discussion, on the pros and cons of these options as well as others that could move the nation on a path to higher value, toward a health system that provides access to all, higher quality and better outcomes, in addition to savings.” While the Commission is not endorsing any specific options, it will be reviewing several in greater detail and plan to issue recommendations in 2009.

### **Examples of Savings Over 10 Years:**

- **Promoting Health Information Technology:** With an initial increase in investment, **\$88 billion** could be saved by accelerating health care providers’ adoption of health information technology that would allow them to share all patient health information with the other health care providers involved in the patient’s care.
- **Center for Medical Effectiveness and Health Care Decision-Making:** Investing in the knowledge needed to improve health care decision-making; incorporating information about relative clinical and cost effectiveness into insurance benefit design; and including incentives for providers, payers and

consumers to use this information. An estimated **\$368 billion** could be saved by all payers over ten years.

- **Public Health—Reducing Tobacco Use:** Increasing federal taxes on tobacco products by \$2 per pack of cigarettes, with revenues to support national and state tobacco programs, could yield an estimated **\$191 billion** savings over 10 years, shared by all payers.
- **Strengthen Primary Care and Care Coordination:** Improving Medicare reimbursements to primary care physician practices to support enhanced primary care services, such as care coordination, care management, and easy access to care. Such a "medical home" approach could result in net health system savings of **\$194 billion** over 10 years if all Medicare fee-for-service beneficiaries were enrolled. Estimated national savings would be larger if this approach were adopted by all payers.

“If we continue down this path of escalating costs and eroding health insurance coverage we will pay an enormous human and economic price,” said Commission member Glenn Hackbarth. “Building consensus to move in a healthier direction will require leadership, private and public collaboration, and a shared aim at improved access, quality and cost performance.

### **Methodology**

The Commonwealth Fund contracted with the Lewin Group to estimate the potential effect of each option with a focus on total national health expenditures and the distribution of expenditures across payers – the federal government, state and local governments, private employers, and households. The Lewin Group is one of the leading health care and human services consulting firms in the U.S., with more than 35 years of experience serving organizations in the public, non-profit, and private sectors. The estimates include incremental and cumulative spending effects over a 10-year period, from 2008 to 2017.

**The Commonwealth Fund Commission on a High Performance Health System**, formed in April 2005, seeks opportunities to change the delivery and financing of health care to improve system performance, and will identify public and private policies and practices that would lead to those improvements. Commissioners are a diverse group of leading health policy experts from government, private industry, health care delivery organizations, academia, and professional associations.

The Commission members are: **James J. Mongan, M.D.** (Chair), Partners HealthCare System, Inc., **Maureen Bisognano**, Institute for Healthcare Improvement, **Christine K. Cassel, M.D.**, American Board of Internal Medicine and ABIM Foundation, **Michael Chernew, Ph.D.**, Department of Health Care Policy, Harvard Medical School, **Patricia Gabow, M.D.**, Denver Health, **Robert Galvin, M.D.**, General Electric Company,

**Fernando A. Guerra, M.D., M.P.H.**, San Antonio Metropolitan Health District, **George C. Halvorson**, Kaiser Foundation Health Plan Inc., **Robert M. Hayes, J.D.**, Medicare Rights Center, **Glenn M. Hackbarth, J.D.**, Consultant, **Cleve L. Killingsworth**, Blue Cross Blue Shield of Massachusetts, **Sheila T. Leatherman**, School of Public Health, University of North Carolina, **Gregory P. Poulsen, M.B.A.**, Intermountain Health Care **Dallas L. Salisbury**, Employee Benefit Research Institute, **Sandra Shewry**, State of California Department of Health Services, **Glenn D. Steele, Jr., M.D., Ph.D.**, Geisinger Health System, **Mary K. Wakefield, Ph.D., R.N.**, Center for Rural Health, University of North Dakota, **Alan R. Weil, J.D., M.P.P.**, National Academy for State Health Policy **Steve Wetzell**, HR Policy Association.

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**The Commonwealth Fund is an independent foundation working toward health policy reform and a high performance health system.**

Policy Options Reviewed for *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*

<b>Producing and Using Better Information</b>
1. Promoting Health Information Technology
2. Center for Medical Effectiveness and Health Care Decision-Making
3. Patient Shared Decision-Making
<b>Promoting Health and Disease Prevention</b>
4. Public Health: Reducing Tobacco Use
5. Public Health: Reducing Obesity
6. Positive Incentives for Health
<b>Aligning Incentives with Quality and Efficiency</b>
7. Hospital Pay-for-Performance
8. Episode-of-Care Payment
9. Strengthening Primary Care and Care Coordination
10. Limit Federal Tax Exemptions for Premium Contributions
<b>Correcting Price Signals in the Health Care Market</b>
11. Reset Benchmark Rates for Medicare Advantage Plans
12. Competitive Bidding
13. Negotiated Prescription Drug Prices
14. All-Payer Provider Payment Methods and Rates
15. Limit Payment Updates in High-Cost Areas