Confronting the Costs of Healthcare

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U.S. Health Spending is Larger Than the GDP of Most Nations

Notes: Data from 2011, adjusted for differences in cost of living
What We Could Have Saved if We Had Matched the Next Highest Country (Switzerland)

With $15.5 trillion we could:

- Transform our $11.6 trillion federal debt into a $3.9 trillion surplus
- Send 175,401,721 students to a four-year college
- Cover an area the size of South Carolina with solar panels
- Buy everyone in the world 4 iPads

The cumulative difference in health spending between 1980–2010 is nearly $15.5 trillion

Note: Per capita spending amounts adjusted for differences in cost of living, total U.S. savings adjusted for inflation
Eliminating Waste in US Health Care

![Graph showing the increase in national health care expenditures as a percentage of GDP from 2011 to 2020. The graph illustrates the contributions of various types of waste, including failures of care delivery, failures of care coordination, over-treatment, administrative complexity, pricing failures, fraud and abuse, and growth in national health care expenditures that matches GDP growth. The graph indicates a significant increase in expenditures, particularly in the latter years.]

Total Medicare Spending Under Various Scenarios for Per Capita Increases, 2012 and 2023

Note: CBO May 2013 baseline. Total outlays (mandatory + discretionary). Medicare spending / federal spending in parentheses.
Improving Performance

Microsystems

Macrosystems

Health System Performance
Improving Performance

Microsystems

Macrosystems

Health System Performance

Affordable Care Act
The Affordable Care Act

- Reduced Payments for Avoidable Complications
- Medicare Advantage Plan Bonuses
- Bundled Payments
- Physician Quality Reporting System
- Value Based Purchasing
- Accountable Care Organizations
- Hospital Inpatient Quality Reporting
- Medical Homes
- Meaningful Use
- The Affordable Care Act
Synergistic Policies to Stabilize Costs and Improve Outcomes

• Goal: Create incentives and structures for better care and lower cost throughout the continuum of health care services

• Bite the Bullet: National per Capita Cost Target

• Three pillars:
  – Payment Reforms to Accelerate Delivery System Innovation
  – Policies to Expand and Encourage High-Value Choices
  – Other Actions to Improve How Health Care Markets Function
One of Many Frameworks
Shared Approaches to Confronting Costs

• Provider payment reform
  – Repeal Medicare sustainable growth rate formula
  – Move from paying for volume to paying for value
  – Enhance support for primary care

• Delivery system reform
  – Tie payment reform to improvements in health care delivery
  – Encourage development and implementation of innovative delivery models

• Medicare reform
  – Improve financial protection for beneficiaries
  – Provide positive incentives for choosing high performing providers

• Consumer/patient engagement

• Enhancing performance of health care markets
  – Increase transparency of quality and cost information
  – Eliminate administrative inefficiency
Update on Health IT
MU Registration and Attestation

• Registrations as of March 2013:
  – More than 390,357 providers have initiated the registration process
  – New registrations at 6,000/month

• Meaningful use attestation became possible mid-May 2011
  – As of March 2013:
    • $13.7 billion in payments to 259,000 unique providers
    • 244,655 are eligible professionals
    • 206,879 of the eligible professionals are physicians
EHR Adoption Among Office-Based Physician Practices, 2006-12

EHR Adoption Among Hospitals, 2008-11

Question and Answer