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Bending the Curve: Options for Achieving Savings and Improving Value in Health Spending

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Report Context and Goals

- Context

- U.S. National Health Spending projected to double from \$2 trillion to \$4 trillion and increase from 16% to 20% of GDP over 10 years
- Rising numbers of uninsured and underinsured
- Wide variations in quality, efficiency, and low performance

- Goals

- To illustrate that it is possible to reduce national health expenditures while also improving access, quality, and population health
- To spur and inform debate and stimulate action to address national health care costs in a manner that would yield greater value



Contribution of Report

- Examines impact on total national health expenditures – all sectors, not just federal costs
- Focuses on federal options with potential to moderate spending growth and improve value
 - Savings plus better access, quality and health outcomes
- Illustrates potential of combining system reforms with affordable insurance for all



Overall Report Findings

- It is possible to insure everyone while achieving substantial savings and better value
 - Strategic options combined with coverage for all could save \$1.5 trillion compared to projected spending growth over the next decade
- Savings could offset the federal costs of health insurance
- “Bending the curve” is possible and it is urgent to start now, because savings accumulate over time

Strategic Approaches for Improving Value

- Producing and Using Better Information
- Promoting Health and Disease Prevention
- Aligning Incentives Quality & Efficiency
- Correcting Price Signals in the Health Care Market

Analysis

- Report examines 15 options aimed at achieving savings and increasing value
- Estimates by the Lewin Group, 2008-2017
 - Year-by-year impact on total national health expenditures
 - Effect on spending by federal government, state and local governments, private purchasers and households
 - Cumulative savings over ten years
- Also estimates combined effect of multiple options with affordable coverage for all
 - *Insurance Connector* approach with mixed public and private group insurance



Fifteen Options that Achieve Savings Cumulative 10-Year Impact

Producing and Using Better Information

- Promoting Health Information Technology - \$88 billion
- Center for Medical Effectiveness & Health Care Decision-Making - \$368 billion
- Patient Shared Decision-Making - \$9 billion

Promoting Health and Disease Prevention

- Public Health: Reducing Tobacco Use - \$191 billion
- Public Health: Reducing Obesity - \$283 billion
- Positive Incentives for Health - \$19 billion

Aligning Incentives with Quality and Efficiency

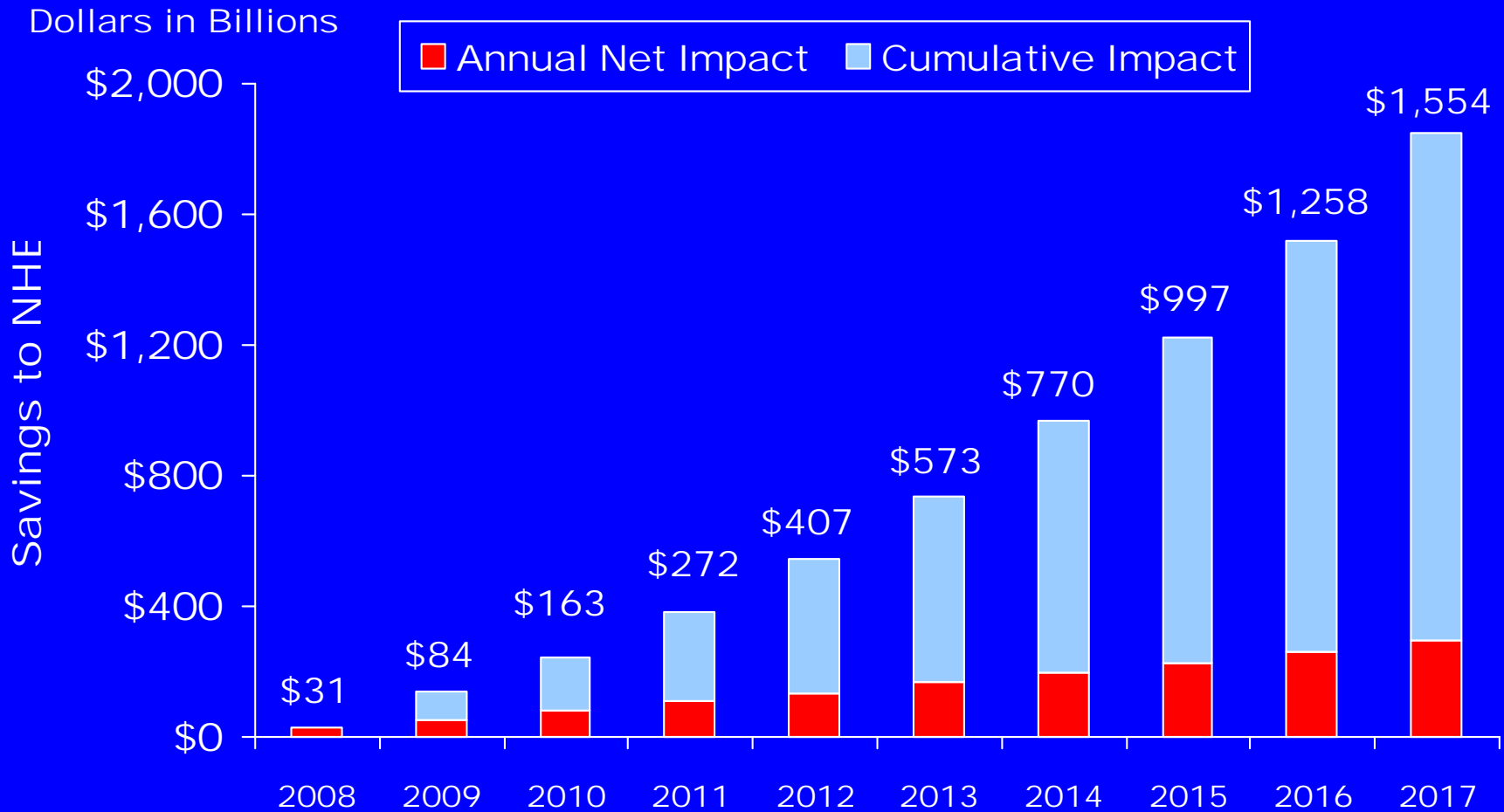
- Hospital Pay-for-Performance - \$34 billion
- Episode-of-Care Payment - \$229 billion
- Strengthening Primary Care & Care Coordination - \$194 billion
- Limit Federal Tax Exemptions for Premium Contributions - \$131 billion

Correcting Price Signals in the Health Care Market

- Reset Benchmark Rates for Medicare Advantage Plans - \$50 billion
- Competitive Bidding - \$104 billion
- Negotiated Prescription Drug Prices - \$43 billion
- All-Payer Provider Payment Methods & Rates - \$122 billion
- Limit Payment Updates in High-Cost Areas - \$158 billion



Cumulative Impact on National Health Expenditures of Insurance Connector Approach plus Selected Individual Options



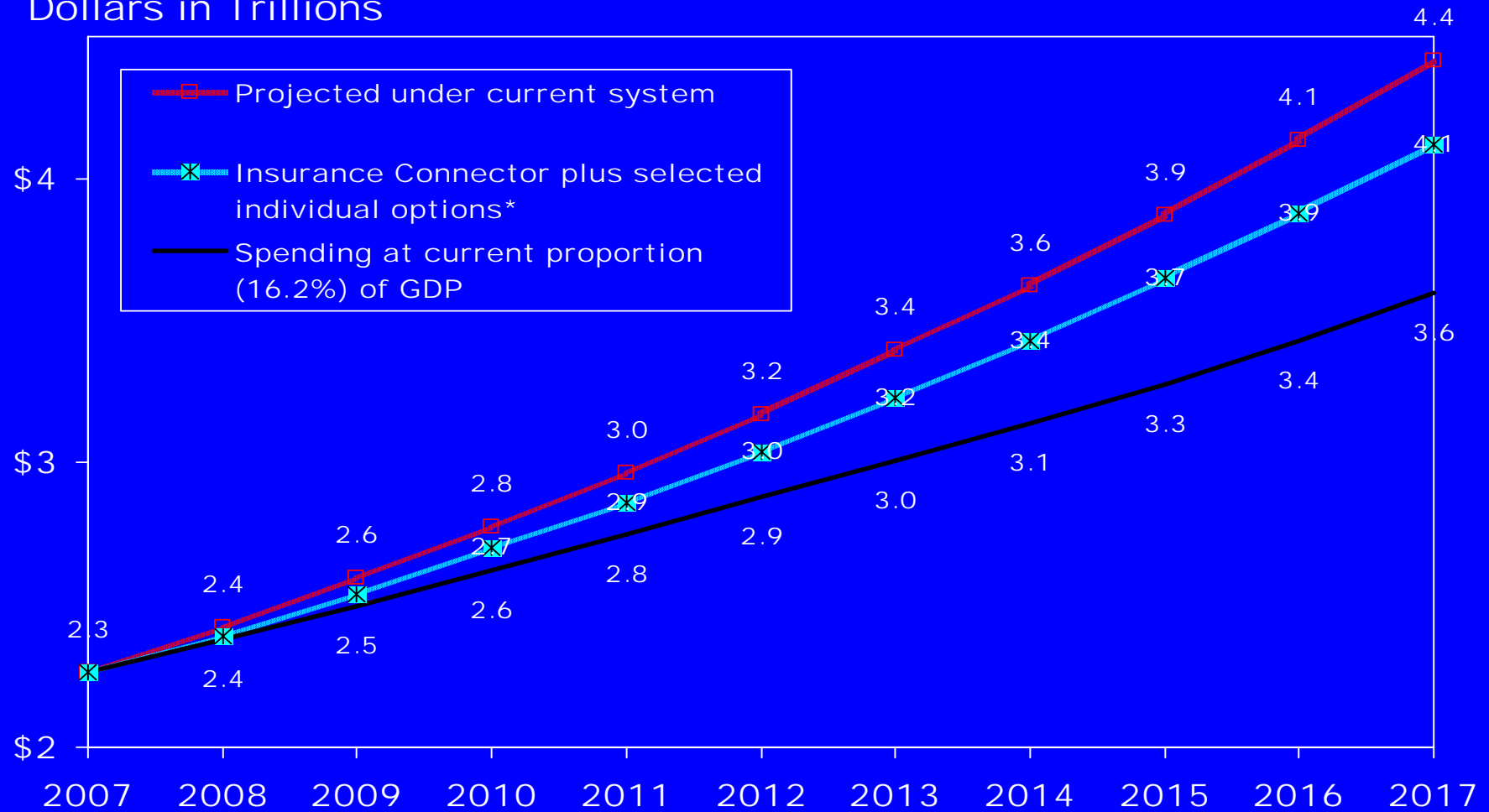
Savings options include: Health Information Technology, Center for Medical Effectiveness, Public Health, Episode-of-Care, Strengthening Primary Care, Benchmark Rates, and Prescription Drug Prices.

Source: *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, Commonwealth Fund, December 2008



Total National Health Expenditures, 2008 – 2017 Projected and Various Scenarios

Dollars in Trillions



*Savings options include: Health Information Technology, Center for Medical Effectiveness, Public Health, Episode-of-Care, Strengthening Primary Care, Benchmark Rates, and Prescription Drug Prices.

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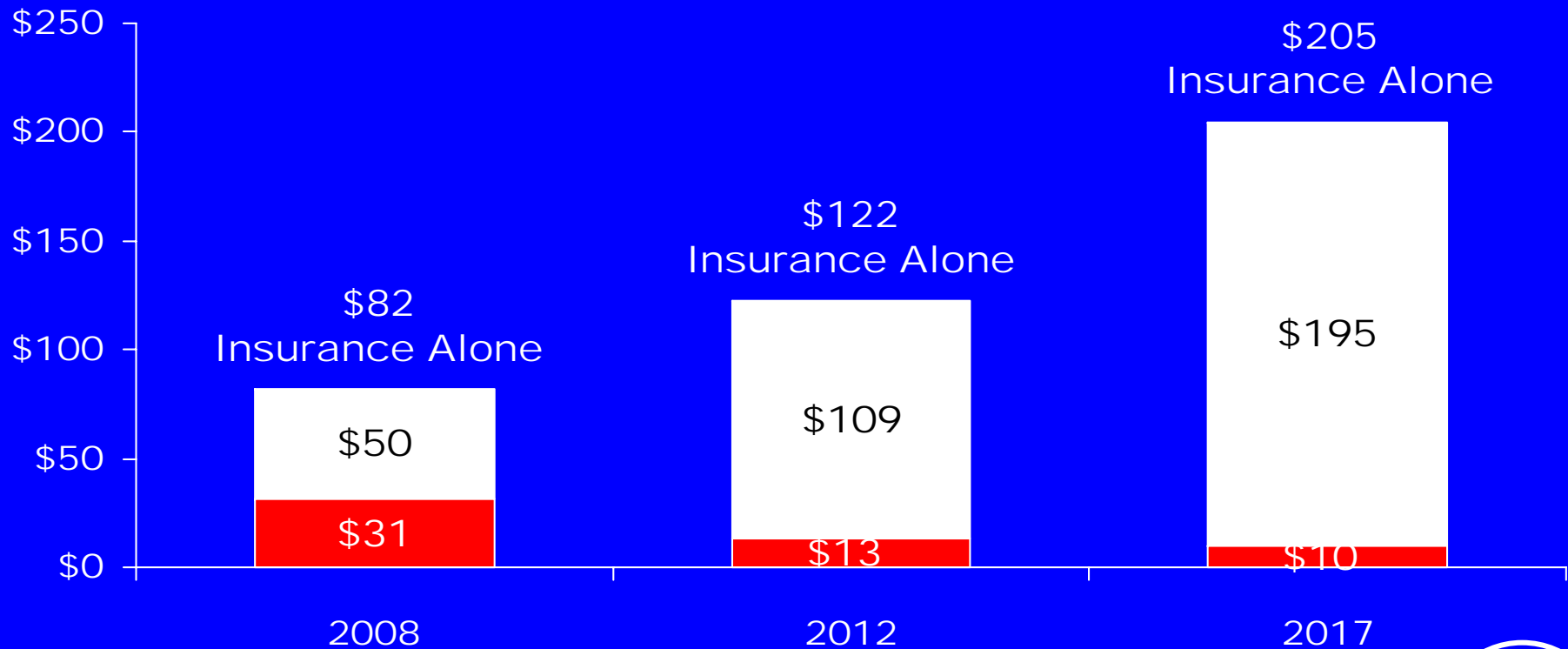
Source: *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, Commonwealth Fund, December 2008



Savings Can Offset Federal Costs of Insurance For All: Net Change in Federal Spending with Insurance Alone or Insurance Plus Savings Options

Dollars in billions

■ Federal spending offset
■ Net federal with insurance plus savings options*



* Selected options include improved information, payment reform, and public health.

Data: Lewin Group estimates of combination options compared with projected federal spending under current policy..

Source: *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, Commonwealth Fund, December 2008.



Cross-Cutting Themes and Conclusions

- Covering everyone and achieving savings with improved quality and health outcomes should be possible
- Addressing total health system costs, not shifting costs, will be key to long term improvement
- There are no “magic bullets” that alone fully address rising costs and inefficiency
- It will take a multi-faceted approach combined with well-designed insurance to substantially improve performance
- Value means more than just savings – some investments yield substantial gains safety, quality, and health
- Achieving high performance will mean that every stakeholder must share in the solution and focus on the potential *national* gain
- Leadership to build consensus is critical



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