

Reviewing the Targets and Strategies

The Healthcare Imperative: Lowering Costs, Improving Outcomes
Roundtable on Evidence-Based Medicine
Institute of Medicine
September 2009



U.S. Healthcare Spending

- Estimated \$2.5 T in 2009
- \$643 B *more* than other OECD countries after adjustment for wealth

Understanding the Targets

May 16-17, 2009

- Unnecessary services
- Inefficiently delivered services
- Prices that are too high
- Excess administrative costs
- Missed prevention opportunities

Unnecessary services

- Overuse of services (recommended)
- Overuse of discretionary services
- Choice of higher cost services
- Mistakes (errors, avoidable complications)

Inefficiently delivered services

- Care fragmentation
- Unnecessary use of higher cost providers
- Inefficiencies in physician offices
- Inefficiencies in hospitals

Prices that are too high

- Provider service pricing (beyond benchmarks)
- Hospital service pricing (beyond benchmarks)
- Product pricing (beyond benchmarks)
 - » Pharmaceuticals
 - » Devices
 - » Durable medical equipment

Excess administrative costs

- Insurance and billing-related excess costs
- Plan marketing and sales cost duplications
- Unnecessary broker commissions
- Regulatory compliance

Missed prevention opportunities

- Primary prevention
- Secondary prevention
- Tertiary prevention

Strategies that Work

July 20-21, 2009

- Knowledge enhancement-based strategies
- Care culture and system redesign-based strategies
- Transparency of cost and performance
- Payment and payer-based strategies
- Community-based and transitional care strategies
- Entrepreneurial strategies and potential changes in the state-of-play

Knowledge enhancement

- Comparative effectiveness research
- Evidence-based clinical protocols
- EHRs with decision support

Care culture and redesign

- Improved provider profile and use
- Care site efficiency and productivity
- Care site integration initiatives
- Antitrust interventions
- HIT interoperability
- Service capacity restrictions

Transparency of cost and outcomes

- Transparency in prices
- Transparency in comparative value
 - of treatment options
 - of providers
 - of hospitals & integrated systems
 - of health plans

Payment and payer-based strategies

- Bundled payments
- Managed competition
- Value-based insurance design (drugs)
- Value-based insurance design (providers)
- Administrative simplification

Community & transitional care

- Care management for medically complex
- Palliative care
- Wellness and community programs



Entrepreneurial state-of-play change

- Smoothing
- Retail clinics
- Technological innovation

Initial impressions

- Each domain is significant (i.e. there are no single, simple solutions and multifaceted strategies are required)
- The numbers are large (e.g. well beyond costs to cover the uninsured)
- For success, strategies to reduce excessive costs depend on policies governing payment for different populations being guided by common principles (i.e. system integrity)

Cost & outcome checklist

- q Streamlined health insurance regulation
- q Administrative simplification
- q Payment reform vehicle
- q Science-based covered services
- q Treatment guidance
- q Transparency guarantees
- q Electronic health records
- q Clinical data utility
- q Liability reform
- q Prevention

The policy agenda

- Payments bundled by condition, episode, outcome
- Care for medically complex patients
- Delivery system integration
- Other delivery system innovation