The Healthcare Imperative

Lowering Costs, Improving Outcomes

An IOM Workshop Series
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Concluding Comments

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NOTE

The following information represents a preliminary and personal summary of material developed for, and discussed at, three workshops conducted by the Institute of Medicine. Sponsored by the Peter G. Peterson Foundation, the workshops were held at the National Academies in May, July, and September of 2009, to discuss the nature, sources, and controllability of excess costs in health care. Work is still under way to verify, cross-check and account for duplications and overlaps in the estimates. This presentation should not be interpreted as a formal product or report of the Institute of Medicine, the Peterson Foundation, or participants in the meetings.

Understanding the Targets

May 20-21, 2009

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

*No dedicated session, but included in background review for discussion.

Strategies that Work

July 16-17, 2009

- Knowledge enhancement
- Care culture and system redesign
- Transparency as to cost and outcomes
- Payment and payer-based strategies
- Community and transitional care strategies
- Potential changes in the state-of-play

The Policy Agenda

September 9-10, 2009

- Payment redesign to focus on value
- Improved care of medically complex patients
- Delivery system integration
- Care site efficiencies
- Administrative simplification
- Consumer/patient engagement on value

Unnecessary services
Issues Assessed

Overuse v. evidence-established
Discretionary v. benchmarks
- defensive medicine
Unnecessary higher cost choice

Inefficiently delivered services
Issues Assessed

Mistakes (errors, prev. complications)

Care fragmentation

Unnecessary higher cost providers

Delivery site inefficiencies

Excess Administrative Costs
Issues Assessed

Insurance-related admin costs

- insurers
- physicians offices
- hospitals
- other providers

Insurer admin inefficiencies

Prices that are too high
Issues Assessed

Service prices v. benchmarks

- Physicians
- Hospitals

Product prices v. benchmarks

- Pharmaceuticals
- Devices
- DME

Missed prevention opportunities
Issues Assessed

Primary prevention

Secondary prevention

Tertiary prevention

Fraud issues

payer

clinician

patient

Analytic challenges

- Overlaps and interactions between categories
- Over- and under-counting
- Variable years and time periods
- Distinction between excess & savings
- Standardization of assumptions
- Scalability and generalizability
- Characterization of uncertainty
- Accounting for costs of implementation

Big picture on excess health costs*

Existing estimates, adjusted to 2009

Dartmouth 30%	$750 B
OECD comparison data	$760 B

Workshop comparisons

Lower bounds from workshops = about $800 B

but substantial analytic work remains

* **As distinct from savings**

Drivers

- System fragmentation (clinical, payer, regulatory)
- Perverse economic and practice incentives
- Opacity as to costs, quality, and outcomes
- Scientific uncertainty
- Changes in health status
- Lack of patient involvement
- Under-investment in population health

Levers

- **Insurance regulation:** streamlined, harmonized, fair
- **“Paperwork”:** simple, common, automated, efficient
- **Payment:** reformed incentives aimed at results, value
- **Quality:** trusted practices, consistently delivered
- **Evidence:** timely, independent, understandable
- **Clinical records:** electronic, reliable, sharable, secure
- **Data:** protected, accessible for continuous learning
- **Transparency:** required, on care costs and outcomes
- **Culture:** all activities framed by patient perspectives
- **Liability:** reformed, safe harbors for best practices
- **Prevention:** personal, public health improvement

Next steps

- Strategic roadmap.
- Improving the analytics.
- Multi-faceted engagement.
- State-of-play with reform.
- Strategy for more direct engagement with public.