

Controlling Healthcare Spending: Role of State Health System Redesign

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Components of Health Care Reform

- **1. Making health care more affordable for the 83% of Alaskans that have some form of private or public health insurance**
- **2. Reducing administrative costs**
- **3. Improving the quality of care**
- **4. Expanding health insurance to the 17% of Alaskans that are uninsured**



Policy Interventions

- **Crafting effective solutions that would make healthcare more affordable requires a clear understanding of:**
 - Where we currently spend our health care dollar
 - The key factors that account for the rise in healthcare spending



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Six Unhealthy Truths Tell the Story of the Rise of Chronic Disease and Its Impact on Health and Health Care in the U.S.



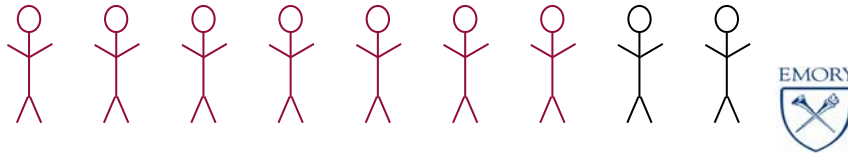
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Truth #1: Chronic diseases are the #1 cause of death and disability in the U.S.



133 million Americans, representing 45% of the total population, have at least one chronic disease

Chronic diseases kill more than 1.7 million Americans per year, and are responsible for 7 of 10 deaths in the U.S.



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Truth #2: Chronic diseases account for 75% of the nation's health care spending

During 2005, the U.S. spent almost \$2 trillion on health care

Of every dollar spent...



...75 cents went towards treating chronic disease

In public programs, treatment of chronic diseases constitute an even higher portion of spending:

More than 96 cents in Medicare... ...and 83 cents in Medicaid

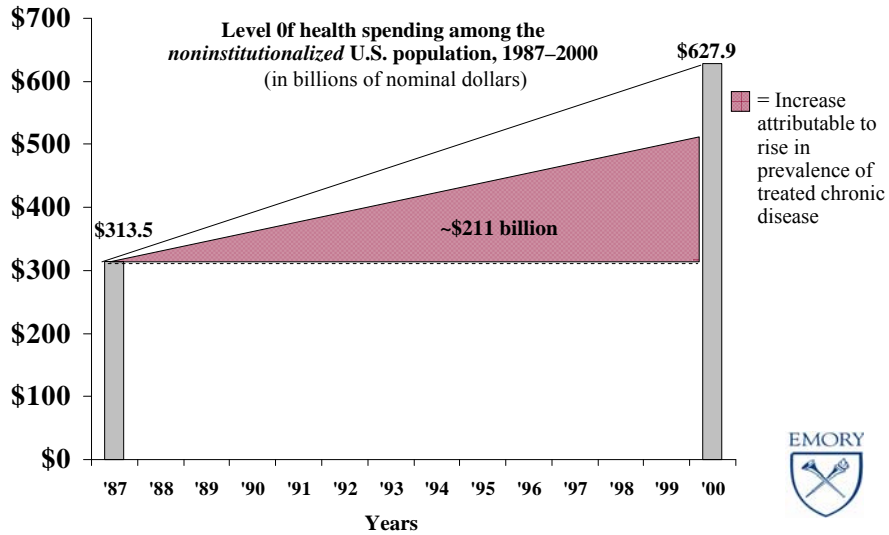
"The United States cannot effectively address escalating health care costs without addressing the problem of chronic diseases."

-- Centers for Disease Control and Prevention



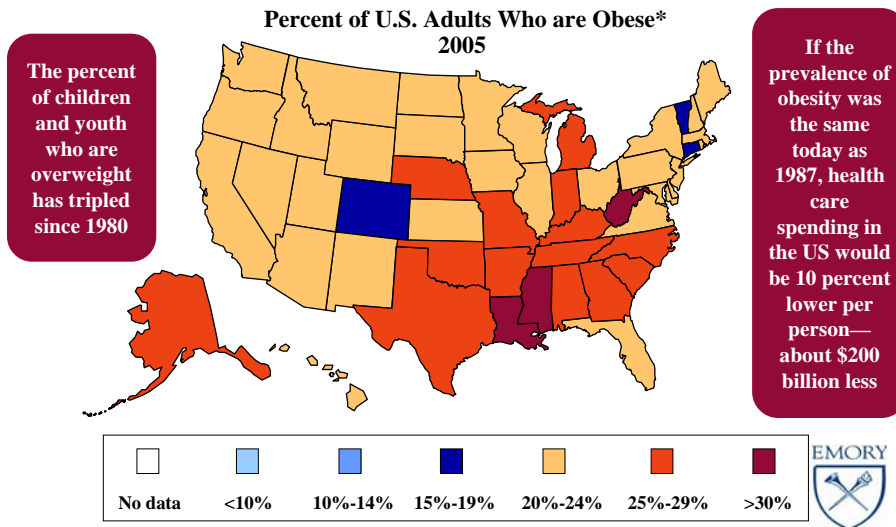
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Truth #3: Two-thirds of the increase in health care spending is due to increased prevalence of treated chronic disease



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Truth #4: The doubling of obesity between 1987 and today accounts for nearly 30% of the rise in health care spending



*BMI ≥30, or ~30 lbs overweight for 5' 4" person

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Truth #5: The vast majority of cases of chronic disease could be better prevented or managed

▪ The Centers for Disease Control and Prevention (CDC) estimates...

- 80% of heart disease and stroke
- 80% of type 2 diabetes
- 40% of cancer

...could be prevented if only Americans were to do three things:

- ✓ Stop smoking
- ✓ Start eating healthy
- ✓ Get in shape

▪ Management of chronic disease could also be significantly improved: Chronically ill patients receive **only 56%** of the clinically recommended preventive health care services



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Truth #6: Many Americans are unaware of the extent to which chronic disease harms their health – and their wallets

National survey conducted in April 2007 on Americans' views of chronic disease and its impact on health and spending

Percent of Americans who believe chronic disease is responsible for the following percent of death and health spending in the U.S.

Percent answering:	Death	Spending
Less than 10%	3	6
10% but less than 20%	8	8
20% but less than 30%	14	12
30% but less than 40%	15	10
40% but less than 50%	15	12
50% but less than 60%	12	11
60% but less than 70%	7	9
70% but less than 80%	8	7
80% but less than 90%	4	3
90% to 100%	3	4
Not sure	10	18

Only a small fraction of Americans, less than one in six, comprehend the magnitude of the problem:

That chronic diseases represent more than 70% of the deaths in the U.S. and more than 70% of health care costs



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Six Unhealthy Truths Tell the Story of the Rise of Chronic Disease and Its Impact on Health and Health Care in the U.S.

Summary of All

Truth #1: Chronic diseases are the #1 cause of death and disability in the U.S.

Truth #2: Chronic diseases account for 75% of the nation's health care spending.

Truth #3: About two-thirds of the rise in health care spending is due to the rise in the prevalence of treated chronic disease.

Truth #4: The doubling of obesity between 1987 and today accounts for nearly 30% of the rise in health care spending.

Truth #5: The vast majority of cases of chronic disease could be better prevented or managed.

Truth #6: Many Americans (five in six) are unaware of the extent to which chronic disease harms their health – and their wallets.



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Policy Implications

- Key to controlling the level of spending, the value of spending and the rise in spending must focus on more effective, next generation, approaches to managing where we spend most of our health care dollar—patients with multiple chronic conditions
- Related key to slowing the growth in spending is to develop cost-effective approaches for preventing the rise in obesity and related chronic health care conditions
- Focusing on developing innovative policy approaches to solving these problems have several political advantages
 - They are not partisan issues per se
 - 250 million Americans have health insurance and are looking for health care reform to address the issue of high and rising health care costs
 - 95% of voters in the last gubernatorial elections had health insurance



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Policy Implications

- **Need new next generation approaches for managing and coordinating health care services of patients with multiple chronic health care conditions**
- **Care management as it largely exists today is not effective since:**
 - It is not primary care physician centered (i.e. the primary care physician needs to be fully integrated in the coordination of care)
 - We do not have the health information technology tools to more effectively and efficiently manage patients with multiple chronic conditions
 - We do not have payment policies in place that allow the formation and development of these new models
 - Today, the primary care physician does not get paid to manage the full range of medical conditions



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Policy Implications: Components of a Modern Healthcare Delivery and Prevention Model

- **Key ingredients**
 - Define best practice care management model based on health care home concept
 - Change the way we reimburse providers for coordinating care for chronically ill patients
 - Develop clear measures of clinical preventive performance
 - Engage the patient in self-management through innovative benefit design, including waiving all cost sharing associated with clinically recommended preventive care (cancer screens) and care associated with chronic disease (HbA1c tests, lipid profiles, and health risk appraisals)
 - Create policy environment to quickly diffuse these best practice models into the private sector using the government's purchasing power leverage (state employee plans, state plans for the uninsured, etc.)
 - Move toward statewide implementation of electronic medical records (Vermont an interesting case study)



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Implications for the Design of Health Insurance

- **Traditional health insurance concept makes little sense in managing costs and outcomes among chronically ill patients**
- **High co-pays and deductibles deter chronically ill patients from refilling drugs, and using clinically recommended preventive care**
- **Insurance could be redesigned to provide positive incentives for chronically ill patients to self-manage their conditions**
 - Those enrolling in a care management program should receive all clinically recommended preventive services with no cost sharing (we want to deliver these services on a timely basis without co-pays discouraging their use)
 - Could even receive generic equivalents with no cost sharing as well to assure persistency in use



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Prevention Works!

- **Effective approaches to managing costs need both population based interventions (for asymptomatic patients) and approaches described above for patients with established chronic illness**
- **Identify best practice components of effective prevention**
- **Diabetes prevention program one model—reduced incidence of diabetes by 58% among at risk asymptomatic adults 25+. Need to find less expensive approaches for delivering this protocol**
- **Create financial incentives or requirements for programs like the DPP to be included in more traditional health insurance plans.**



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Reform Prospects

- **Need to develop nonpartisan momentum on moving health care reform**
- **Focusing initially on the 85% of Americans with health insurance key to this strategy**
- **Policy approaches, focusing on more effective medical management to drive better value in treating chronically ill patients and preventing the persistent rise in obesity and related chronic conditions is a powerful strategy**
- **Vermont case model, Partnership for Fighting Chronic Disease another clear bipartisan manifestation**
- **Make simultaneous integration of the uninsured into a less expensive, higher value system more fiscally sustainable and politically attractive**



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