

## **Controlling Health Care Costs While Promoting the Best Possible Health Outcomes**

**Summary of Position Paper Approved by the ACP Board of Regents, September 2009**

### **What are the Major Drivers of Health Care Costs?**

Major drivers of health care costs include: inappropriate utilization especially of advanced medical technology, lack of patient involvement in decision-making, payment system distortions that encourage over-use, high prices for health care services, a health care workforce that is not aligned with national needs, excessive administrative costs, medical liability and defensive medicine, more Americans with declining health status and chronic disease, and demographic changes including an increase in elderly persons. This paper addresses each of these drivers of health care costs and provides recommendations for controlling them.

### **Why Do We Need to Control Health Care Costs?**

Improvements in health care have the ability to provide opportunities for all people to live better, healthier lives. However, the rate of increase in U.S. spending on health care continues to exceed economic growth at an unsustainable pace. The rate of growth in health care spending is the single most important factor undermining the nation's long-term fiscal condition.

### **Why Should Controlling Health Care Costs be Linked to Promoting Good Health Outcomes?**

Increasing pressure to control health care costs necessitates that limited healthcare resources be used equitably and judiciously. Healthcare expenditures must be correlated with high quality and efficiency in the delivery of services to improve health outcomes. This requires understanding the benefits and effectiveness of clinical procedures, recognizing the major drivers of health care costs, and identifying potential means for achieving savings.

### **Key Findings and Recommendations from the Paper**

The key policy options most likely to achieve the greatest cost savings are those that:

- Reduce avoidable, ineffective, and duplicate use of services—including technology that does not improve patient care—and encourage clinically effective care based on comparative effectiveness research and implementation of information technology.
  - Analyze costs and benefits before new medical technology is allowed to enter the market.
  - Coverage decisions should reflect evidence of effectiveness.
  - Benefits should be designed to encourage patient responsibility without deterring needed care.
  - Shared decision-making should be encouraged.

- Pay appropriately for health care services, and encourage adoption of innovative models of health care delivery.
  - Pilot test and adopt new models to align incentives with desired outcomes.
  - Accelerate adoption of the Patient-Centered Medical Home.
  - Reimburse physicians for care coordination.
  - Make primary care compensation competitive with other specialties.
- Ensure accurate pricing of services.
  - Require an independent study to evaluate and address inappropriate regional variation in pricing and costs.
  - The federal government should use its purchasing power to negotiate the price of drugs covered by public plans.
  - Improve the accuracy of relative values for physician services.
- Ensure an appropriate physician workforce specialty mix.
  - Establish specific and measurable goals for desired physician workforce.
  - Strategically lift caps on Medicare funded graduate medical education positions.
  - Increased funding for programs that provide scholarships or loan forgiveness to primary care physicians who complete a service obligation in underserved areas.
- Reduce administrative costs.
  - Health insurance claims should be uniform across all payers.
  - Study and reduce administrative burdens on physicians.
  - Establish an on-line platform for all benefit and medical necessity determinations.
- Reduce costs from medical malpractice and defensive medicine.
  - Study no-fault systems including health courts.
  - Enact caps on non-economic damages.
  - Provide physician immunity from malpractice claims for “failure-to-inform” for appropriately administered treatments in conjunction with patient shared decision-making.
- Promote wellness, prevention, chronic care management, changes in unhealthy behaviors, and encourage patient responsibility for health and cost-consciousness.
  - Increasing funding for wellness and prevention programs, health promotion, public health activities, and support of the public health infrastructure.
  - End agricultural subsidies for products harmful to health, such as tobacco, increase taxes on tobacco products, and strengthen regulation of the marketing and labeling of tobacco products. Revenue from such measures should be used to promote programs to improve population health.

## **For More Information**

This issue brief provides an overview of the ACP position paper, *Controlling Health Care Costs While Promoting the Best Possible Health Outcomes*. The full paper, containing 47 recommendations for controlling the major drivers of health care costs, is available at [http://www.acponline.org/advocacy/where\\_we\\_stand/policy/controlling\\_healthcare\\_costs.pdf](http://www.acponline.org/advocacy/where_we_stand/policy/controlling_healthcare_costs.pdf).