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Featured Story Jan. 8, 2009

Efforts to Cut Waste From Health Care May Require a New Reimbursement Model

Reprinted from *HEALTH PLAN WEEK*, the industry's leading source of business, financial and regulatory news of health plans, PPOs and POS plans.

By Steve Davis, Managing Editor,
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With the incoming Obama administration and 111th Congress poised to address health reform early in 2009, a coalition of health plans, provider groups and other stakeholders have agreed to work together to improve quality and eliminate waste and overuse in health care. While health plans play a key role in the proposal, removing waste (e.g., inappropriate prescriptions, duplicate or unnecessary procedures and tests) could be extremely difficult, industry observers tell *HPW*.

The National Priorities Partnership's (NPP) 28 members include such heavy hitters as CMS, America's Health Insurance Plans (AHIP), AARP, AFL-CIO, the American Nurses Association, the Joint Commission and The Leapfrog Group. The partnership

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late last month released a 72-page agenda aimed at reforming the health care system "from the inside out." The elimination of waste and overuse is one of six "national priorities" addressed by the group.

Health plans have a key role to play in eliminating waste and promoting better outcomes, says Janet Corrigan, president and CEO of the National Qualify Forum, which convened the NPP. Health plans, through benefit coverage decisions and payment policies, have an opportunity to remove ineffective services that will not benefit the patient. She adds that health plans need to be more proactive in educating members about care treatment options.

But getting stakeholders to agree to address waste and overuse might have little impact on costs without revamping the way providers are reimbursed by health plans. "I have been outraged for many years at the waste I see in the system," says Richard Parker, M.D., assistant professor of internal medicine at Beth Israel Deaconess Medical Center's Healthcare Associates, and part of a physician organization of about 1,600 doctors. "It's easy to talk about controlling costs, but first you need to determine why excessive costs are occurring."

With the ability to drill down through "mountains" of claims data, health plans can play a key support role in helping physicians identify waste and overuse and, together, can define appropriate levels of care, says George Isham, M.D., chief health officer and medical director at Minnesota-based HealthPartners. Isham, who serves as the health insurance industry's representative in the partnership, says health plans need to develop an agenda that leads to better, more cost-effective care for patients. Health plans also must work with providers to eliminate waste and overuse, and they need to work more closely with employers to set objectives to promote healthy behaviors among employees, which could lead to lower health expenses and increased productivity, he tells *HPW*.

The objective for health plans, he adds, shouldn't be about cutting costs. Rather it should be about making care more affordable. "If you cut costs, then you cut someone else's revenue. But if you are looking to make care affordable by reducing waste and overuse, you will have a different way to come to the table with providers," he asserts. Eliminating waste or overuse, while ensuring the delivery of appropriate care, needs to be an "explicit goal" for health plans, he says, adding "that will result in better care value for our customers."

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Parker blames much of the waste and inappropriate use of care on the existing "fee-for-service economy," in which the more hospitals and physicians bill, the more revenue they generate. And direct-to-consumer advertising — combined with the belief that more treatment is always better — prompt health plan members to demand more services and prescription drugs than they actually need, he explains.

Also adding to waste, he says, is a fear among physicians that they could face a malpractice suit if they overlook something that winds up having a negative effect on the patient. "The fear of being sued is underrated. As a doctor, I can tell you it's in the back of the mind of virtually every physician." Because of the fear, he adds, physicians tend to refer far more patients to specialists than is necessary, and generally order more tests and hospitalizations than are needed. He goes on to say that in the same vein, specialists overtest and overtreat.

But this level of overuse, he adds, allows some stakeholders, such as health plan and pharmaceutical company executives, some for-profit hospital administrators and highly paid physicians to "quietly enjoy the system the way it is."

Parker questions whether health plans should use the Medicare fee schedule as the template to reimburse physicians. Under that fee schedule, a specialist might be paid four times as much as an internist. "Can they justify that a radiologist's contribution is four times more valuable than my contribution?" he asks. "The disparities are so enormous that, from a public health perspective, it's beginning to harm patients." Health plans, he suggests, should readjust their fee schedules so that internists and pediatricians are paid at a higher rate, and rates paid to specialists are trimmed back.

Patients, he adds, also need to share some of the blame and become part of the solution by adopting healthier lifestyles. Rather than requesting an MRI and pain killers for back pain, patients should work first with their doctor on a program that includes exercise in combination with pain medication. Lifestyle-related ailments, he adds, are better addressed by adopting healthy lifestyles than by taking a pill. For many conditions, rest and time cure the problem.

Instead of paying for volume, Parker suggests that health plans reward physicians for improving outcomes or focusing on wellness. If doctors and

hospitals have to live within a budget, "diagnostic and treatment strategies would change quickly and become less expensive...with equally good clinical outcomes," he says.

"Until physicians and hospitals accept reasonable budgets to live within, we will never get out of this fee-for-service mill," he says. "As a society, we need to get serious about limiting what we do for patients. But if we do that, there will have to be winners and losers." He adds that while it's easy for health plans to point the finger at providers for the rising cost of health care, health plans must look at themselves and justify the 10% or more from premiums that is used for administrative and other non-medical costs.

Isham says it's up to health plans to figure out how they can support providers in coming up with an agenda to address overuse. Setting the agenda was an important step. The next step now that the agenda is set is to form work groups and move the agenda forward, he says.

To see a copy of NPP's proposal, visit www.nationalprioritiespartnership.org.

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