ENGELBERG CENTER for
Health Care Reform
at BROOKINGS

EXECUTIVE SUMMARY

Bending the Curve

Effective Steps to Address Long-Term Health Care Spending Growth

Reducing the growth of health care spending must be a top priority for health reform. The President, members of Congress on both sides of the aisle, and key stakeholders have all asserted the need for aggressive reforms to slow spending growth without compromising quality of care — indeed, while improving value. But despite agreement that inefficiencies in the current system both increase costs and reduce quality, identifying a set of reforms that can credibly and practically achieve this goal has been difficult.

To address this issue, we — a group of experts who have spent our careers studying the health care system — convened to identify a path for sustainable reform. From our diverse backgrounds and points of view, we reached consensus on a set of concrete, feasible steps that show promise for slowing spending growth and improving quality. This is not meant to be an exhaustive list, nor does it necessarily reflect what we each would propose individually, but rather it is a comprehensive, coherent proposal that builds on current health reform bills.

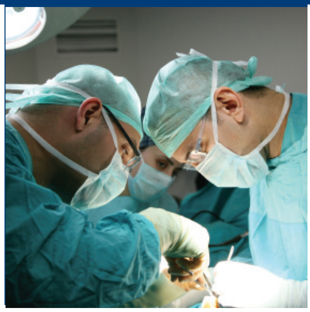
Underlying these steps is the conclusion that the standard short-term measures to address rising costs, such as reducing prices, cannot succeed in the long run. Instead, legislation must support needed reforms in health care by reforming payment systems, regulations, and institutions that currently prevent patients from consistently getting the best quality care at the lowest cost. To bend the cost curve, health reform must include a *comprehensive* strategy to increase accountability and support for lowering costs and improving quality.

This strategy consists of four interrelated pillars:

Invest in better information and tools, such as health information technology, as a foundation to guide and support a reformed system. Critical to these investments' success is ensuring providers and insurers have the flexibility and incentives to use these tools effectively — for example, liability protections for following best practices identified by comparative effectiveness research. But reform cannot stop here: These investments are a necessary foundation for cost containment that will be ineffective if implemented alone.

Transition to accountable payment systems that reward providers for delivering lower-cost, high-quality care. Adjustments in Medicare and Medicaid fee-for-service payments can yield short-term savings. However, fundamental reform requires transitioning to accountable payments in these public programs, reinforced by budget pressures to make fee-for-service less attractive over time. Critical to reform's success is greater institutional flexibility and ability to learn from experience, including an independent entity with authority to ensure that steps to improve Medicare and Medicaid sustainability are addressed by Congress.

Restructure non-group and small-group health insurance markets and coverage subsidies based on an exchange model that pools risk outside of employment and promotes competition on cost and quality. To bend the curve in the employer-provided insurance market, the tax exclusion must be scaled back to foster the design and purchase of more cost-effective benefits. New affordable coverage subsidies should be structured so that beneficiaries pay the incremental cost for richer insurance benefits. Finally, Medicare Advantage benchmarks should be reduced through competitive bidding, with quality bonuses.


Support and encourage better individual choices to enhance the patient role in improving health and lowering health care costs. Medicare's benefit design should feature value-based tiered copays and protect against high out-of-pocket costs, while limiting first-dollar supplemental coverage. Reforms should support premium rebates for measurable health improvements. Also, prevention investments should broadly pilot and evaluate measurable strategies for helping individuals to lose weight and reverse the obesity trend.

Slowing health care cost growth, while sustaining and improving quality, will not be easy but is doable. Successful implementation of our recommendations to achieve a meaningful slowdown in spending growth will require:

- Improvements in the incentives of all health care stakeholders, with increasing effects over time;
- Enough flexibility to continually evaluate and modify reforms, building on successes and learning from mistakes; and
- Clarity of vision about achieving a health care system that consistently achieves better quality while saving money, with steady, interdependent and reinforcing steps to get there.

We believe the reform strategy presented here offers the most promise for bending the cost curve and producing the high-value health care system our nation urgently needs.

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