

## Health Care

### Slowing the Growth of Health Spending

We Need Mixed Strategies and We Need to Start Now

#### Background

Americans are deeply concerned about paying their mounting bills for health care. This is true whether they have public (Medicare or Medicaid) or private insurance. And it's certainly true for the 46 million people with no insurance at all. At the same time, the federal government's health spending is clearly unsustainable. If current commitments are kept, other government services will have to be slashed or taxes increased drastically just to pay for Medicare and Medicaid.

There are abundant opportunities for increasing efficiency and spending health care dollars more wisely. The federal government—and the new President—should take advantage of these opportunities, using federal programs to provide leadership that would slow the growth of total health spending and move the whole health care system toward greater efficiency and effectiveness.

#### Recommendations

Specifically, the new President should adopt a broad agenda of reform, drawing from policies that:

- support incremental advances using both market and regulatory reforms
- continue to use Medicare and Medicaid to promote system-wide improvements through, for example, adoption of clinical practice guidelines and disease management for costly chronic conditions
- use their marketplace clout to improve price-setting through carefully applied pay-for-performance strategies, competitive bidding, and direct price negotiations
- encourage better system management through deployment of health information technology



- promote consumerism in health care, to make individuals more aware and responsible for costly health coverage and care choices and
- adjust the open-ended entitlement provided by Medicare and Medicaid in ways that could shrink costs without sacrificing beneficiary health or shifting costs elsewhere.

## **Key Facts**

- Medicare spending for the average patient in Miami is about two and a half times what it is in Minneapolis, highlighting the huge variations in resource use.
- More aggressive treatment and higher spending do not result in better patient outcomes. One study found that more services and costs in treating Medicare patients was associated with increased mortality rates.
- Health spending is concentrated – 10 percent of the U.S. population accounts for 69 percent of the nation's health spending.
- Medicare is the largest single purchaser of health care, and its policies directly affect virtually every health care provider.

A full version of this proposal, as well as supporting background material, is available at [www.opportunity08.org](http://www.opportunity08.org).

## **About the Author and the Project**

### **Alice M. Rivlin**

Alice M. Rivlin, the first director of the Congressional Budget Office, is an expert on urban issues as well as fiscal, monetary and social policy. She directs the Greater Washington Research project at Brookings.

### **Joseph R. Antos**

Joseph R. Antos is the Wilson H. Taylor Scholar in Health Care and Retirement Policy at the American Enterprise Institute. He has also served in senior positions at the Congressional Budget Office, the U.S. Department of Health and Human Services, the Council of Economic Advisers, and the Office of Management and Budget.

Opportunity 08 aims to help 2008 presidential candidates and the public focus on critical issues facing the nation, presenting policy ideas on a wide array of domestic and foreign policy questions. The project is committed to providing both independent policy solutions and background material on issues of concern to voters.