



Can Money Be Squeezed Out of the Health Care System? Cost Containment Strategies

Skyrocketing health care costs are leading to more Ohioans going without health coverage, fewer small businesses offering coverage, all while Ohioans become sicker. An important part of fixing our broken health care system is to slow the rise in health care spending.

The United States spends more on healthcare than any other country and healthcare costs continue to soar. From 2000 to 2007, Ohio families saw their health insurance premiums increase 8.5 times faster than earnings. On average, health care premiums for families rose by 76.4 percent, while median earnings rose by only 8.9 percent. This trend is not sustainable. As healthcare costs rise, the burden trickles down to consumers in the form of increased premiums and cost-sharing.

There are consumer-friendly solutions to slow the trends in health care spending. These include strategies that slow the growth in aggregate healthcare costs, improve efficiency and effectiveness of medical care, and limit the increasing burden of out-of-pocket expenditures for consumers. These cost-containment solutions include:

- Create incentives to provide more cost-effective care
- Regulate providers, insurers and healthcare capital—those who control spending need to have incentives to slow healthcare expenditures
- Provide better care coordination including the development and use of information technology
- Improve administrative efficiency
- Invest in public health programs
- Establish the cost-effectiveness of new medical technologies
- Promote a more primary-care-driven system
- Increase the purchasing power of the individual and small-group markets.

Reducing benefits and increasing cost-sharing to consumers can reduce health care system spending, but not without consequences. Studies show that cost shifting and a reduction in benefits to consumers leads to delays or avoidance of needed care, unhealthier lives and quicker deaths, and crippling medical debt.

It has been estimated that at least 30% of current health care spending produces no value or does more harm than good. Reducing or redirecting spending that does not produce value will produce more efficient, effective care. Providers get paid for producing more care, rather than improving the health of their patients. A real first step to containing costs is to improve transparency in spending and quality.

Once we understand where the dollars are spent and where quality is lacking, it will be easier to enact specific strategies that will contain costs in our medical system, including:

- Reducing or eliminating payments to hospitals for preventable hospital readmissions or complications.
- Transforming from a sick care to a health care system and promoting use of “patient centered medical homes.”
- Paying providers sufficiently to coordinate care and focus on improving quality and preventing complications for people with chronic health conditions.
- Improving efficiency by adopting advanced health information technology and electronic health records.
- Promoting cost-effective use of appropriate prescription drugs without pharmaceutical industry influence and coordinated bulk purchasing to reduce spending.

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