



## Containing the Cost of Medical Care

### **ACTION NEEDED:**

Any responsible health reform must begin by addressing the true underlying problem with our existing system: the cost of medical care. Unfortunately, the Patient Protection and Affordable Care Act (PPACA) did not do enough to adequately address the rising cost of health care making it crucial that future reform efforts be focused in this area. NAHU believes there are a number of steps Congress could take to help reduce both government and private-sector health care costs and promote medical care cost containment amongst all Americans.

### **BACKGROUND:**

No effort to promote health insurance access and choice in an affordable and financially sustainable way will be successful in the long run if we do not address the underlying problem with the existing system: the cost of medical care. Constraining skyrocketing medical costs is the most critical—and vexing—aspect of health care reform. It is the key driver in rising health insurance premiums and is responsible for putting the cost of health care coverage beyond the reach of many Americans.

As an association of health insurance agents and brokers, NAHU's area of policy expertise is health insurance market reforms. NAHU believes there are a number of steps policymakers could take to help reduce both government and private-sector health care costs and promote medical care cost containment among all Americans through the health insurance coverage system.

But much more needs to be done in addition to insurance market reform measures if we are truly going to bend the medical care cost curve in a downward direction. Other stakeholders in the health care industry need to step up to the plate and propose cost containment ideas that fall under their areas of policy expertise.

Both policymakers and American health care consumers also need to take a long hard look at our public health care spending—how we are spending money, who is paying for what services and why—to reevaluate and perhaps make tough changes.

### **Wellness Promotion**

As a nation we must challenge ourselves to examine and reevaluate our personal choices and how they may be negatively impacting the physical and economic health of the country. Behavior remains the most significant determinant of health status and is taking an increasingly dangerous economic toll on the country.

A recent study led by Dr. Donald F. Behan, Ph.D., from the Georgia State University Center for Risk Management and Insurance Research, obesity in the United States is costing \$300 billion per year including \$127 billion which is spent in



excess medical care alone. Reducing overall health care costs through promoting and achieving a healthier lifestyle for all Americans must be a chief priority.

We encourage Congress to:

- Create wellness programs in both the Federal Employees Health Benefit Plan and in government-subsidized health coverage such as Medicaid, Medicare, CHIP and the Veterans Health system.
- Expand the wellness factors allowed by PPACA to be used as rating characteristics when determining private group and individual market premium rates. For employer groups, this could include not only the existence of a wellness program, but also factors that help determine wellness.
- Expand the 10-state pilot program created by PPACA to apply wellness rules to the individual market in 2014-2017 to all states, effective immediately.
- Establish a safe harbor for those employers promoting wellness and health activities among their employees from non-intentional discrimination charges.
- Correct the Equal Employment Opportunity Commission and Genetic Nondiscrimination Act rules that currently prohibit mandated health risk assessments and limit both employer wellness programs and referrals to disease management services.

### **Medical Liability Reform**

Another area where legislative action could help reduce medical costs involves changes to our nation's medical liability laws. Medical malpractice insurance costs are increasing at a rate that forces many physicians to leave their practices and move to other states, leaving millions of Americans with little or no access to adequate and affordable health care, particularly in rural areas.

The threat of a potential lawsuit often forces doctors to perform invasive and expensive tests in order to protect themselves, the costs of which are passed directly on to the consumer in the form of higher health insurance premiums.

The Congressional Budget Office has estimated that reasonable caps on noneconomic and punitive damage awards could save Americans \$54 billion over 10 years.

To help achieve these savings, NAHU supports common-sense medical liability reforms including a \$250,000 cap on damages for pain and suffering, a \$500,000 cap on punitive damages and a deadline of one year for adults and three years for children to file suit after a medical injury.



## Delivery System Reform

Delivery system reforms are important to contain costs not just in Medicare and Medicaid, but in the private sector as well. We encourage Congress to take action in the following areas, not just for public health programs but for the private sector too:

- Reduce waste, fraud and abuse in our public and private insurance programs and medical assistance plans.
- Increase public access to provider quality and cost transparency data.
- Provide additional transparency regarding physician financial interests in the referral process.
- Offer incentives for coordinated care to prevent hospital readmissions.

Congress could also provide private-sector incentives for pay-for-performance initiatives and transition to a pay-for-performance model relative to provider participating in federal government health programs such as Medicare, Medicaid, FEHBP, SCHIP and the Veterans Health System.

Currently, health care is delivered with widespread discrepancies in the quality of care. However, payment systems that reward quality instead of quantity can help resolve these inconsistencies while reducing the duplication of procedures that unnecessarily drive up medical spending.

Most medical experts agree that America's health care system would better serve providers, patients and payers if more of the medicine practiced were grounded in science. As such, NAHU also supports federal incentives to encourage provider use of clinical best-practice guidelines and evidence-based medicine.

The state of Oregon could serve as a model, as it has developed a benefit design language that is organized around combinations of conditions and treatments that use medical evidence in determining covered conditions and approved treatments. Health plans currently administering the Oregon Health Plan have been profitable over the course of multiple changes in the plan.