

# Prescription for National Healthcare Reform

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*This great nation cannot afford to allow its citizens to suffer needlessly from the lack of proper medical care.*

Those aren't my words. That's a thought expressed by President Harry S Truman in his 1948 State of the Union address—one that still resonates today.

As we work with a new administration and Congress to improve the delivery of healthcare to all Americans, we should be mindful that effective healthcare reform requires more than expanding coverage. Our entire system is suffocating under the unsustainable weight of \$2.2 trillion a year in spending.<sup>1</sup> Reining in these costs is crucial if we are to create the opportunity for universal access to medical care.

During my 30-year career in healthcare, I have worked passionately to ensure that care is accessible to as many people as possible. But that goal is unattainable if healthcare is *unaffordable*.

The United States spends more than \$7000 per year, per person, on healthcare<sup>1</sup>—twice the amount of most other developed countries (Figure). However, our quality of care is no better. Our life expectancy and overall health status are similar to those in other developed countries.<sup>2</sup> In short, we're paying twice as much for healthcare, but receiving little incremental value.

If the public and private sectors do not collaborate to fix this problem, our only alternative may be to move to a government-based, single-payer model—thereby reducing choice and stifling innovation. Without action, healthcare could become the next national housing or financial crisis. For millions of Americans, it already is.

To restore balance, we need to align our spending to levels consistent with those in other developed countries. That means reducing costs by \$1 trillion a year—about 50%. The savings will reposition America's health system to stimulate innovation and extend coverage for the uninsured.

In the past, savings efforts often focused on shifting costs and reducing physician reimbursement and availability—ultimately a counterproductive exercise with rapidly diminishing returns. Today, we must take a more enlightened approach, focusing on improved efficiency and

evidence-based guidelines to deliver sustainable reductions in our baseline spending levels. A more efficient cost structure will free resources for investing in innovation and extending access to uninsured populations. Healthcare reform must focus on reducing the size of the bill, instead of who pays the bill.

Three principles will guide successful healthcare reform:

- First, we need to keep it simple. Complex solutions always fail.
- Second, we need to phase in incremental changes. Revolutionary reform is rejected by our society.
- Finally, and most importantly, we must carefully define the roles of the private sector and the government. When those responsibilities are blurred, failure is inevitable. We need to capitalize on the core strengths of each sector:
  - The government's strength is to promulgate and regulate.
  - The private sector's strength is to operate and innovate.

## Lessons From the Past

Policy debates in the 1990s underscored the perils of violating these principles. An early plan for healthcare reform—a major restructuring that involved more than 200 government agencies—was doomed by its scope and complexity. A major effort at Medicare reform in 1995 also failed, due in part to a lack of public buy-in to what appeared to be revolutionary changes in a core entitlement program.

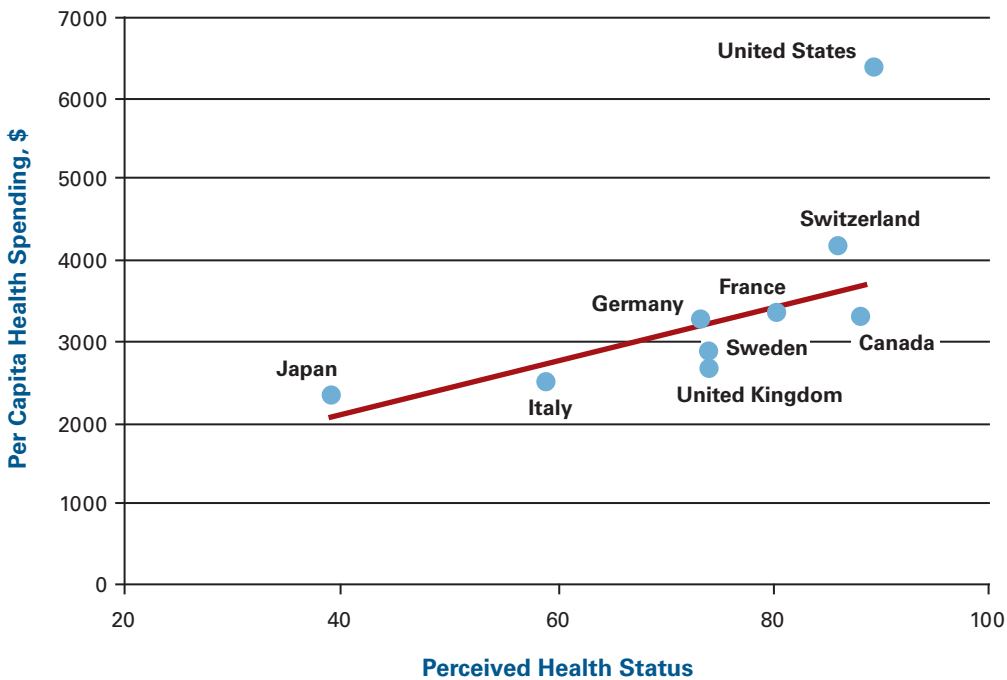
Managed care companies crossed into the government's realm in the mid-1990s when their cost-cutting measures made them the arbiter of healthcare protocols. They achieved some success in taming inflation, but the backlash was severe. "Anti-managed care" regulations were promulgated, health plans were rendered less effective, and costs began to rise again. The reality is that our culture does not trust the private sector as an arbiter of healthcare. Rules for healthcare delivery need to be established by the government after open discussion and public scrutiny.

We need to stimulate meaningful reform by casting the private and public sectors in appropriate roles. This can be accomplished by focusing on two primary areas:

- Use of protocol-driven, evidence-based medicine to drive transparency and accountability throughout the healthcare system. Wiring healthcare will be a key enabler for this reform.

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■ **Figure.** US Healthcare Spending: Paying More Doesn't Deliver More<sup>a</sup>



<sup>a</sup>The figure shows average health spending and perceived health status in the United States and several other developed countries in 2005.<sup>2</sup> Perceived health status is the percentage of respondents reporting good or better health.

- A national imperative to educate the public about healthy lifestyles that focuses on prevention, rather than fixing problems after the fact.

### Protocol-Driven, Evidence-Based Healthcare System

To improve outcomes and reduce costs, medicine must be practiced as both a science and an art—complementing, but not replacing, the professional judgment of an experienced physician. There is good evidence that adherence to proven standards can improve healthcare outcomes. For example, hospitals in Michigan and Maryland have reduced their intravenous line infection rates—a common complication for intensive-care patients—to virtually zero by requiring caregivers to follow a checklist when inserting the line.<sup>3,4</sup> This protocol has saved more than 1000 lives and \$175 million in the hospitals where it has been instituted.<sup>4</sup> Sound clinical practice based on medical evidence can lead to savings and better patient care.

There are four key opportunities for healthcare savings that will accelerate and build on evidence-based medicine: deploying information technology, improving medication compliance, reducing liability costs, and implementing Medicare reform.

#### Wiring Healthcare

Transitioning to a protocol-driven healthcare system requires measurement and information exchange. That means

wiring the healthcare system to coordinate care, measure results, and drive accountability. By some independent estimates, we could save \$162 billion a year from improved efficiency and precision in care, and we could begin measuring everything from the quality of hospitals to the individual performance of caregivers.<sup>5</sup> The potential return for investing in electronic medical systems is huge—approximately 20 times the purchase cost. However, only about 20% of hospitals and 15% of physicians now have access to these systems.<sup>5</sup>

Offering incentives to doctors who use elec-

tronic prescribing is an important step in this direction. In an era when children are Internet savvy, it is inexcusable that doctors write paper prescriptions, a process that creates opportunities for error. Electronic prescribing reduces costs by eliminating errors and by helping physicians find the highest-value medications for their patients.

Pharmacy care is the first line of defense in treating nearly 90% of newly diagnosed chronic and complex medical conditions—conditions that account for 96% of all prescription drug spending and 75% of all medical spending. America's pharmacy system already is extensively wired, so it is well positioned to serve as a catalyst for technology reform throughout the healthcare system. Over time, a fully wired infrastructure will become the engine that drives a cascading series of innovations that will spread across the healthcare system to improve clinical and financial outcomes.

#### Encourage Compliance and Reduce Errors

We could save another \$177 billion by improving medication compliance and reducing errors.<sup>6</sup> Doctors are well paid to choose a course of treatment, but their advice is too often misunderstood by patients or ignored. Poor adherence to treatment can have expensive consequences for the patient's health and the costs of care.<sup>7</sup> In the case of diabetes, only 7% of patients have adequate control over the primary factors

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that could mitigate their condition and allow them to live a healthy and productive life—blood sugar, blood pressure, and cholesterol levels.<sup>8</sup> Poor compliance with diabetes treatments may lead to blindness, renal failure, amputations, and other complications that magnify the condition's clinical and financial costs.

The burden of improving compliance is not the patient's alone, of course. Research shows that it currently takes 17 years on average from the time a medical protocol is proven effective until it becomes the standard of care.<sup>9</sup> The lag between evidence and practice was underscored recently in Medco's research on setting the proper dose for warfarin therapy based on a patient's genetic profile. In August 2007, the US Food and Drug Administration (FDA) changed the drug's label to recommend using a genetic test to guide dosing and reduce the risk of serious bleeding or clotting—a common problem that hospitalizes more than 1 in 5 patients in the early months of warfarin therapy. However, fewer than 1% of doctors recently contacted by Medco said they had heard of the test or the FDA recommendation. More rapid adoption of evidence-based protocols can improve the quality of care and eliminate costs associated with ineffective treatments.

### Address Medical Liability and Defensive Medicine

Wiring healthcare will support tort reform by accelerating the use of scientifically sound protocols in medical practice. The adoption of evidence-based protocols will promote transparency and reduce the need for “defensive medicine” tied to unnecessary tests and procedures. The healthcare system could save up to \$200 billion annually by eliminating the excessive costs associated with defensive medicine and liability insurance.<sup>10</sup> Doctors who follow measurable, documented, scientifically sound protocols should be shielded from liability. Culturally, we must move beyond the belief that every negative health outcome must be “somebody's fault.”

### Address Medicare Costs

Medicare is considered “the third rail of politics,” despite the system's pending insolvency by 2019. The policies and financial structures underpinning Medicare require intense review and provide many opportunities for savings. These opportunities are too numerous to review here in

detail, but I can provide one example of an area of spending that will benefit profoundly from a national policy based on clinical evidence and common values—spending for end-of-life care.

Few people realize that 30% of Medicare spending, roughly \$130 billion, relates to healthcare costs incurred by patients in the last year of life—often when there is no hope for recovery or improvement in their quality of life.<sup>11,12</sup> After gathering input from doctors, ethicists, patient advocates, and other parties, the government needs to establish an evidence-based policy for end-of-life care to help everyone involved—families, physicians, and patients. This does not mean withholding or rationing essential care. It is not the role of the government or the private sector to pass judgment on hope.

### Promoting Healthy Lifestyles Through Prevention and Wellness

More than \$300 billion in annual healthcare costs could be saved if we embrace wellness as a national priority. For example, more than 10% of our overall medical spending—\$275 billion—comes from self-inflicted conditions linked to obesity and smoking.<sup>13,14</sup> Another \$38 billion of national healthcare costs are related to drug and alcohol abuse.<sup>15,16</sup> These are behavioral and cultural issues that will require education and lifestyle modification, and they represent only a fraction of the healthcare savings we could achieve by converting to a culture of wellness.

We need inspired and credible political leadership to advance this urgent public health priority. Most of us can remember how government-led campaigns changed behavior through vivid imagery that became etched into our memories: Smoky Bear's reminder that “Only you can prevent forest

■ **Table. Urgent Strategic Imperatives for the US Healthcare System**

Strategic Imperative	Savings Opportunity
Wiring healthcare	\$162 billion
Increasing compliance and reducing errors	\$177 billion
Addressing medical liability and defensive medicine <sup>a</sup>	\$200 billion
Addressing Medicare <sup>b</sup>	\$130 billion
Promoting healthy lifestyles through prevention and wellness <sup>c</sup>	\$314 billion
Total opportunity	~\$1 trillion

<sup>a</sup>Costs of defensive medicine and liability insurance account for approximately 10% of US healthcare costs,<sup>10</sup> which totaled \$2.2 trillion in 2007.<sup>1</sup> The savings opportunity exceeds \$200 billion.

<sup>b</sup>Final-year costs account for 30% of Medicare expenditures,<sup>11</sup> which totaled \$432 billion in 2007.<sup>12</sup> This figure helps gauge the scale of the savings available in the Medicare system.

<sup>c</sup>Overweight and obesity account for 9.1% of US healthcare costs,<sup>13</sup> which totaled \$2.2 trillion in 2007.<sup>1</sup> This represents a savings opportunity of approximately \$200 billion. Added to this amount are the estimated annual healthcare costs of smoking (\$75.5 billion),<sup>14</sup> drug abuse (\$15.8 billion),<sup>15</sup> and alcohol abuse (\$22.5 billion).<sup>16</sup>

fires”; the crash-test dummies serving as a testimonial for seat belt safety by informing us that “You can learn a lot from a dummy”; the haunting image of a stoic Native American’s tear caused by roadside littering, combined with a call to action, “People start pollution, and people can stop it”; and the sizzle of fried egg as we were advised that “This is your brain on drugs.” These campaigns succeeded in shaping America’s conscience and, over time, changing our behavior.

The private sector cannot be expected to lead behavioral and cultural change on the required scale, although we’ve seen employers and health insurers make valiant attempts to encourage wellness and preventive care. Such initiatives are likely to succeed only if wellness becomes a national imperative—something that will require strong political leadership and a renewed sense of personal accountability.

### An Opportunity We Can’t Afford to Ignore

Widespread adoption of evidence-based protocols and healthy lifestyles provide a combined opportunity to reduce up to \$1 trillion of current healthcare spending (Table). Combined with bold policy leadership, this change will permanently alter the slope of healthcare cost increases—without squelching innovation and choice.

Healthcare reform is one of our most urgent domestic challenges. The payoff for doing it right is huge. The penalty for failure will be a financial burden for generations to come. Squabbling over “who pays the bill?” instead of asking “why is the bill so high?” fails to address root-cause problems. In the end, we all pay the bill—and it’s currently 2 times higher than it should be or could be. When healthcare is inaccessible, everyone suffers—and America deserves better.

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