THE TIME IS NOW TO ADDRESS AMERICA’S HEALTHCARE COST CRISIS

The West Health Healthcare Costs Innovation Summit Calls for Bold Actions to Curb Unsustainable Growth

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The rising cost of healthcare in the United States (U.S.) is a growing crisis of epic proportions that undermines America’s economy, compromises care, drains resources, and threatens financial security. Increased spending continues to impact family budgets. Bloated costs reduce America’s ability to invest in other vital programs. Every dollar wasted on an expensive and inefficient healthcare system is a dollar that cannot be used to educate America’s children, care for our country’s seniors, strengthen our nation’s infrastructure, or defend our borders. As Warren Buffett has said, “The ballooning costs of healthcare act as a hungry tapeworm on the American economy.”

To tackle this critical issue, it is imperative to understand why the U.S. is spending so much on healthcare, gain in-depth knowledge of the cost drivers, and identify policies that can slow the trajectory of cost while improving patient access and quality of care. That’s why, on February 21, 2018, West Health—a family of nonpartisan, nonprofit organizations focused on healthcare research, policy and philanthropy—convened an innovation summit in Washington, D.C. to address America’s healthcare cost crisis. The summit featured a broad range of healthcare thought leaders—including Steve Forbes, Atul Gawande, Mark McClellan, and Andy Slavitt—who shared their thoughts on how we can advance the most effective ideas, innovations, and practical policy solutions.
This paper summarizes some of the ideas discussed at the summit, and calls on policymakers—and all Americans—to take immediate action to ensure the sustainability of our healthcare system for generations to come.

For too long, Americans have paid too much for healthcare without getting enough in return. While policymakers have discussed this issue for decades, little progress has been made. The U.S. continues to face three substantial challenges: rising costs, inferior outcomes, and poor access to care.

Rising Costs
For decades, total national healthcare expenditures in the U.S. have grown faster than the rest of the economy. The healthcare industry’s share of Gross Domestic Product (GDP) has increased from about 7 percent in the 1970s to nearly 20 percent today. According to the Centers for Medicare & Medicaid Services (CMS), national health spending reached $3.3 trillion in 2016 and accounted for 17.9 percent of the GDP, making healthcare a larger share of the nation’s economic spending than any other industry.¹ Both of these numbers are expected to increase, and a recent analysis indicated that healthcare spending will continue to grow approximately 25 percent faster than GDP over the 2017-26 period, reaching $5.7 trillion and bringing healthcare’s share of GDP to 19.7 percent by 2026.², ³

“Despite the polarized standoff in Congress over how to fix healthcare, there’s one fact everyone agrees on: Our national healthcare costs continue to rise, year after year. That’s a trend we simply can’t afford.”

- Shelley Lyford

² B. E. Kahn and M. S. Teixeira. 2017. Future forecasts of health care spending, Health Affairs, 36:3, 573-582.
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**Inferior Outcomes**
Despite spending more than any other country, the U.S. reports poorer outcomes than countries that spend considerably less, both in terms of longevity and in terms of disease burden. Although the U.S. spends twice as much per capita as most other countries in the Organisation of Economic Co-operation and Development (OECD), we rank 28th in life expectancy. When compared to the OECD average, the U.S. has a higher rate of death from heart disease, more infant and maternal deaths per capita, higher incidences of diabetes and cancer, and more avoidable hospital admissions.

**Poor Access**
Despite significant gains in health insurance coverage under the Affordable Care Act (ACA), the U.S. has a higher proportion of uninsured than most OECD countries, and is second to last when it comes to patients that skip doctors’ visits because costs are too high. An estimated one in three Americans reports having difficulty paying their medical bills, which are among the leading causes of personal bankruptcy.

“The truth is that both parties over the years share responsibility for shockingly higher healthcare costs and an all-too-inflexible system.”

- Steve Forbes

Steve Forbes, chairman and editor-in-chief, Forbes Media
West Health's Innovation Summit brought together influential and innovative thought leaders and representatives from every part of the healthcare sector to explore these issues and advance promising solutions. Speakers included pioneering policy experts, researchers, business leaders and prominent medical practitioners.

Over the course of the day, participants at the summit examined and discussed value-based care, pricing transparency, the role of patients and providers in driving down costs, and a path forward to improve efficiencies in the healthcare system.

**Featured speakers at the Healthcare Costs Innovation Summit**

**Elliott S. Fisher**, MD, MPH, director, Dartmouth Institute for Health Policy and Clinical Practice  
**Steve Forbes**, chairman and editor-in-chief, Forbes Media  
**Atul Gawande**, MD, MPH, surgeon, writer, and public health researcher  
**Sanjay Gupta**, MD, neurosurgeon and chief medical correspondent, CNN  
**Sarah Kliff**, senior policy correspondent, Vox.com  
**Roger Kissin**, president and CEO, Communications Partners and Associates  
**Mark McClellan**, MD, PhD, former CMS administrator; professor, and director, Duke-Margolis Center for Health Policy  
**Mark E. Miller**, PhD, vice president of healthcare, Arnold Foundation  
**Martin Gaynor**, PhD, E.J. Barone Professor of Economics and Public Policy, Carnegie Mellon University  
**Shelley Lyford**, president and CEO, West Health  
**Gary West**, founder, West Health
Tim Lash, MBA, chief strategy officer and executive vice president, West Health; President, West Health Policy Center

Elisabeth Rosenthal, MD, editor-in-chief, Kaiser Health News

Lewis G. Sandy, MD, FACP, executive vice president, UnitedHealth Group

Andy Slavitt, MBA, former acting CMS administrator and senior advisor, Bipartisan Policy Center; board chair, United States of Care

Mark D. Smith, MD, MBA, clinical professor of medicine, UCSF

Melissa Joy Cohen, staff vice president, Anthem

Carol Raphael, former board chair, AARP; senior advisor, Manatt Health Solutions

Seth Sternberg, co-founder and CEO, Honor

Joseph Smith, MD, PhD, president and CEO, Digital Health Corp.

The Healthcare Costs Innovation Summit is the fifth installment of West Health’s Healthcare Innovation Day (HCI-DC) series. Previous HCI-DC events have highlighted wireless and telehealth innovations with the Department of Veterans Affairs (2010), wireless medical device regulation with the U. S. Food and Drug Administration and Federal Communications Commission (2011), care delivery and payment solutions with CMS (2012), and interoperability with the Office of the National Coordinator for Health Information Technology (2014).
The root causes of rising healthcare costs are generally understood. The level of U.S. healthcare spending is far too high due to excessive prices for services and treatments and misallocation of resources (e.g., under-treatment and over-treatment). Both shortchange our capacity as a nation to grow and thrive. To rein in healthcare costs, the U.S. must create a more efficient and transparent system.

Summit speakers focused primarily on three proposals to slow the healthcare cost trajectory:

1) Shifting from volume-oriented payments to ones that prioritize value;
2) Enacting policies that lower prescription drug prices, such as leveraging the purchasing power in Medicare; and
3) Increasing transparency and lifting the veil of secrecy that currently obscures healthcare prices and benefits.

“Better is possible. It does not take genius. It takes diligence. It takes moral clarity. It takes ingenuity. And above all, it takes a willingness to try.”

- Dr. Atul Gawande
1 Moving to Value-Based Care

The U.S. needs to accelerate the shift from healthcare payments based on volume to payments based on value to better align stakeholder incentives and penalties with cost, quality, and health outcomes. Promoting value-based care is the best way to slow or reverse the trajectory of healthcare costs and improve care. By changing the focus from volume to value and redefining financial incentives toward reduced costs, greater efficiencies, better health outcomes, and more person-centered care, the system would reward positive effects—including preventive care and improved management of diseases and conditions with fewer complications—and discourage unnecessary and potentially harmful care.

This is not an entirely new approach. In fact, Congress has indicated the intent to move away from paying for volume, and create incentives to improve quality of care starting with the Medicare Modernization Act of 2003, the Affordable Care Act (ACA) of 2010 and the Medicare Access and CHIP Reauthorization Act of (MACRA) 2015. The ACA included the bold step of creating the Centers for Medicare & Medicaid Innovation (CMMI), and provided it significant funding to test models that would expand and strengthen the use of value-based payment. Those efforts have recently slowed. Accelerating the return to testing value-based payment models as rapidly as possible—and expanding their application—is an important step in creating a more efficient and effective healthcare system.

"Fee for service is the kind of shackle that makes someone say I only have six minutes per visit."

- Dr. Mark Smith
Value-based care proposals include:

Invest to learn what works. The U.S. must continue investing in value-based and alternative payment models to gather a better understanding of which models drive down healthcare costs, which models improve quality of care, and which models do both. We must encourage the Department of Health and Human Services to accelerate efforts to test models that will transform payment. The U.S. should also invest in the research necessary to learn as quickly as possible from the models that are being tested. This includes unveiling Medicare and private sector payer data to evaluate these models and the organizational changes that make them successful, integrating quality measures into decision support systems, and learning how to adapt designs to the context in which these models are deployed.

Scale successful models with flexibility. Stakeholders should begin scaling models that work, and build enough flexibility so the models can be adapted to be successful across communities and healthcare settings. This involves creating mechanisms to learn from high-performing systems and creating training programs for providers and healthcare executives, as well as collaborative opportunities to share best practices. In transforming the delivery of healthcare, providers and systems must have a seat at the table to determine how best to become efficient producers of valued care, with approaches that work in their systems and communities.

“We do not need to invent and discover our way out of this crisis. In fact, many practical solutions lie right in front of us. But for one reason or another have been denied, delayed or simply deferred.”

- Tim Lash
Incentivize value-based models for patients, providers, and health systems. All transitions of this nature incur costs and face resistance. That’s why the U.S. must develop and deploy effective incentives and policies that reduce the burden of these necessary changes, and facilitate the movement of patients, providers and health systems from fee-for-service payment systems to value-based care models.

Today, the prices of healthcare services—physicians, hospitals and prescription drugs—are at unprecedented levels, creating barriers to access for individuals who need care. Addressing the excessive prices of prescription drugs provides the most immediate opportunity for some relief of exorbitant healthcare prices overall.

Prescription drug prices continue to increase much more rapidly than inflation, resulting in an expected growth in spending of 6.3 percent annually. And although the drivers of high prescription drug pricing are complex, several feasible policy solutions would begin to rebalance incentives for innovation and price competition, and prioritize patient access and affordability.

Reducing the high price of prescription medicine proposals include:

Allow Medicare to negotiate. As the largest purchaser of prescription drugs in the country, Medicare has the purchasing leverage to negotiate with manufacturers on prescription drug prices to get the best deal for patients and the federal government. Nearly 60 million

And think about the way that we’re structuring drug costs in this country. It’s all about price negotiations, most of which are not transparent.”

- Dr. Mark McClellan

Dr. Mark McClellan, MD, PHD, director and professor, Duke-Margolis Center for Health Policy; former Administrator, CMS and Commissioner of the FDA
seniors and people with disabilities access prescription drug coverage through Medicare. Prescription drugs account for $1 out of every $6 in Medicare spending, and Medicare accounts for close to 30 percent of the total prescription drug spending in the country. Americans across the political spectrum overwhelmingly support (at a rate of approximately 90 percent) allowing the federal government to negotiate prescription drug prices for people covered by Medicare.

**Increase price competition.** The U.S. should also seek to reduce prices overall through competition, by supporting competition in the generic and biosimilar industry; eliminating anti-competitive behaviors by some brand-name manufacturers that block or delay competition; testing new reimbursement models that promote value, such as outcomes-based purchasing; investing in comparative effectiveness research and its dissemination to understand the value of individual prescription drugs; and allowing states responsible flexibility to test innovative models for purchasing prescription drugs.

**Continue the public conversation about drug prices.** The high price of prescription drugs is a top concern for Americans. We need to continue the national dialogue and engagement around lowering prescription drug prices to keep it in the public consciousness.

### 3 Improving Transparency in Healthcare Pricing

Greater transparency is essential to making healthcare decisions based on value. Today, most patients do not have access to information about the actual cost of a medical service, whether it is a medication, hospitalization, test

*“When I was overseeing the Medicare program, I couldn’t understand why the Secretary of the VA could buy drugs for veterans at prices way below what I could for the American taxpayer.”*

- Andy Slavitt

Andy Slavitt, MBA, former acting CMS Administrator; senior advisor, Bipartisan Policy Center; and board chair, United States of Care
or surgery, making it difficult for them to become informed consumers of healthcare, and nearly impossible for them to get a fair deal on their terms. Most patients also have no way of knowing whether recommended services are genuinely needed or whether there are potential alternatives. Creating a healthcare marketplace that is fully transparent will enable patients to make care decisions that are best for them and their families, and will ensure employers, health plans, and providers have sufficient information to purchase and design care that improves value.

Transparency proposals include: 
Expand availability of information and build knowledge. We need to expand the opportunities and information available for shared decision-making based on clear understanding of potential benefits and risks. To create a more effective and empathetic cost-of-care landscape, the healthcare system in the U.S. should make cost information available up front and provide practical shared decision support tools. Key to this process will be unshackling healthcare data for payers, and encouraging providers and health systems to publish prices for patients to consider these factors as part of their care decisions. By improving transparency, we can create opportunities to empower patients and payers with information, so they can choose lower cost, higher value care.

Increase the diffusion of innovation. New, more effective technologies that can improve care at lower costs are quickly coming to the market. To take advantage of these technologies, patients and payers should have available information to understand when new technology is appropriate and of high value. Stakeholders should also promote enabling technologies that help patients engage in self-care and communicate more effectively with their providers. A patient’s ability to furnish his or her provider with pertinent information could avoid unnecessary and costly care. At the same time, we should resist the rush toward technologies that are new but offer no—or limited—advantages, and come with a higher price tag.

“People don’t understand the costs; there’s no transparency of costs whatsoever. And even if you start to look behind the curtain, it won’t make sense to you because the numbers are constantly changing even within an institution.”
- Dr. Sanjay Gupta

Dr. Sanjay Gupta, MD, neurosurgeon and chief medical correspondent, CNN
West Health’s Innovation Summit promoted practical solutions that could slow the trajectory of healthcare costs in the U.S. Americans deserve a new model of healthcare—one that rewards value over volume, prioritizes patients over profits, and embraces transparency over secrecy. Now, we need the courage and conviction to implement the fundamental changes required to deliver affordable, accessible, sustainable, and quality-driven healthcare. West Health is calling on policymakers in Congress and the Administration to take immediate action by adopting value-based approaches to healthcare, by reducing the high price of prescription medications, and by increasing transparency so that patients and providers can engage in their own care and become more informed healthcare consumers.

While our recommendations are policy-driven, our call for change must extend beyond the Beltway and transcend the traditional corridors of power. Ultimately, this is a fight and a movement for comprehensive progress, and it will require the action and support of stakeholders in every sector. Private sector employers, healthcare providers, health systems, researchers, economists, insurers, industry and advocacy groups, and patients can all play a vital role in this effort by putting pressure on their members of Congress, and by examining ways to implement positive policies themselves.

Every American has the right to expect a functioning and efficient healthcare system that delivers high-quality care. And through the implementation of smart, common-sense solutions, and the engagement of passionate stakeholders, we can make that right a reality.

“Together, for the good of America, let’s turn outrage into action, smart practice into policy, and make sure high-quality affordable healthcare becomes a right.”

- Gary West
FOOTNOTES
