HOW CAN WE REDUCE
OUR HEALTH CARE SPENDING
AND STILL GET HIGH QUALITY CARE?

A Choicework discussion guide from Public Agenda, developed through a collaborative research project with the Kettering Foundation

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Introduction

Rapidly rising health care spending hurts individuals and families who can’t afford insurance; employers who can’t afford to provide coverage to employees; and taxpayers who can’t afford the cost of Medicare, Medicaid and mending our wounded veterans. This is not just a problem of affordability for individuals but for our nation as a whole. As more and more baby boomers retire, the cost of providing Medicare benefits—which most Americans want and support—will skyrocket to the point where it will make today’s deficits seem like small change.

In short, the American health care system has a serious spending problem that is fast approaching crisis proportions. Some kind of change is necessary—the current system is simply unsustainable—but what kind of changes will best bring costs under control while providing the best possible care and creating the fewest negative consequences? That is the question we want to discuss today.

Obviously, this is a complex problem and no single, simple answer will address the entirety of this national challenge. What we do know is that it will require us to make some tough decisions and face some tradeoffs.

To help you think and talk about this important issue, this guide offers three strategies for addressing our nation’s health care spending problem, each with its own pros and cons. You may also think of additional strategies not covered in this guide. If you do, please add them to the conversation.

Which strategy or combination of strategies do you support and why?
Approach A. Make people take more responsibility for their health and health care.

If people took more personal responsibility then health care spending would come down and health outcomes would improve. First, people should take more responsibility for the choices that affect their own and their family’s health. Chronic diseases like diabetes are more prevalent than ever, and unhealthy choices like smoking and eating junk food mean people need more medical care. People make bad choices that raise costs for themselves and everyone else.

Second, people don’t realize how much their health care really costs because they only pay for insurance and insurance pays the doctors. Meanwhile, we are boxed into one-size-fits-all insurance plans by our employers and by Medicare. People do not have the ability to make choices and shop for the best plan at the best price.

In sum, health spending would go down if people took more responsibility for the choices that affect their health and were given more freedom to choose the insurance they want. From this perspective, our country can best reduce its health care spending if,

- People are encouraged to live healthier lifestyles through public education campaigns, taxes on cigarettes and junk food and higher insurance premiums for smokers and others whose choices put their health at risk.
- Rather than a set insurance plan, people receive a lump sum from their employers (or from Medicare and Medicaid), and they can spend that money on whichever plan best fits their needs in an open health insurance marketplace.
- Insurance companies offer more plans that cost less but have higher deductibles and co-payments so that people become more aware of how much their health care actually costs.
- Doctors and patients talk about the costs of tests, procedures and medicines so that they can choose the best care at the best price.

People who like this approach might say:

“When people take more responsibility for their health and health care spending, they will make better and less wasteful choices.”

“Because patients will be searching for the most cost-effective coverage and treatments, insurance companies, drug companies, doctors and hospitals will reduce their prices to attract a more cost-conscious public.”

People who do not like this approach might say:

“We don’t need a nanny state trying to regulate our private lives. We have the right to eat what we want and to smoke if we want.”

“This will work fine for healthy people with high incomes. But for most people, higher out-of-pocket costs mean they might avoid going to the doctor when they need it.”
Approach B. Make sure doctors and hospitals work in smart, cost-effective ways.

Doctors and hospitals today get paid for every test and procedure they do, which leads them to conduct too many tests and prescribe too many pills. This doesn’t necessarily make us any healthier but it certainly costs us money. Moreover, doctors often don’t work together or communicate as well as they should. Dangerous side-effects and re-hospitalizations are more likely when no one is in charge, especially for people with chronic conditions who see multiple doctors. Health care costs can best be contained if doctors and hospitals are given incentives and tools to work smarter.

From this perspective, our country can best reduce its health care spending if,

- Government and insurance companies pay primary care doctors, specialists, nurses and pharmacists to work in teams and coordinate care, especially for people with chronic conditions.
- Health care providers use electronic medical records to avoid repeat testing, conflicting medications and medical errors.
- Insurance companies, Medicare and Medicaid pay doctors a flat fee for each of their patients instead of paying for each procedure, and also
- They pay bonuses when patients recover quickly, stay healthy and give doctors high satisfaction ratings.

**People who like this approach might say:**

“More is not necessarily better. I want my doctor to focus on my health and not view me as a source of income for every little test.”

“I feel safer knowing that a well-coordinated team of doctors and nurses is taking care of me. When health care providers work together, they make fewer mistakes.”

**People who do not like this approach might say:**

“What if this new payment system means that doctors earn less money? Will we still be able to attract the best and brightest to become doctors?”

“It will be impossible to change the entire structure of the US health care system fast enough to get the savings we need. What we really need is strict limits on the prices of medical services.”
Approach C. Contain health care costs by regulating prices.

Health care spending is too high because doctors, hospitals, insurance companies and pharmaceutical companies charge too much money. Medical procedures like lab tests and surgeries not only cost a lot, but prices can be radically different depending on which hospital you go to or which insurance you have. Insurance premiums go up every year to cover those high medical costs. And prescription drugs are much cheaper in other countries. We must regulate prices if we want to cut costs.

From this perspective, our country can best reduce its health care spending if,

- Medicare, Medicaid and private insurers set strict price limits on medical procedures so that participating hospitals and doctors can’t charge so much.
- The federal government limits how much insurance companies can raise premiums each year.
- The FDA allows generic drugs to come to market sooner and bans pharmaceutical and medical device companies from marketing directly to doctors and patients.
- The federal government gradually phases out private insurance companies by giving all Americans the option of joining Medicare.

People who like this approach might say:

“If hospitals and pharmaceutical companies didn’t charge so much, then insurers wouldn’t pass those costs along to us.”

“Individuals don’t have the power to negotiate with hospitals and insurance companies. We need the government to keep prices under control.”

People who do not like this approach might say:

“This is another example of big government meddling in private markets. This will restrict consumer choice and leave pharmaceutical companies with too little money to invest in research.”

“This is not a long term solution—we can’t tighten our belts forever. We must do more to prevent disease and restructure the medical system to stop waste and overuse.”
The Approaches in Brief

Approach A. Give people more responsibility for their health and health care.

- People are encouraged to live healthier lifestyles through public education campaigns, taxes on cigarettes and junk food and higher insurance premiums for smokers and others whose choices put their health at risk.
- Rather than a set insurance plan, people receive a lump sum from their employers (or from Medicare and Medicaid), and they can spend that money on whichever plan best fits their needs in an open health insurance marketplace.
- Insurance companies offer more plans that cost less but have higher deductibles and co-payments so that people become more aware of how much their health care actually costs.
- Government and independent organizations provide clear information about the costs and quality of insurance plans and of local doctors and hospitals so that people can shop around for the coverage and care that’s the best value for them.

Approach B. Make sure doctors and hospitals work in smart, cost-effective ways.

- Government and insurance companies pay primary care doctors, specialists, nurses and pharmacists to work in teams and coordinate care, especially for people with chronic conditions.
- Health care providers use electronic medical records to avoid repeat testing, conflicting medications and medical errors.
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