

Containing the Cost of Medical Care

ACTION NEEDED:

Responsible health reform must begin by addressing the true underlying problem with our existing system: the cost of medical care. 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:

Wellness Promotion

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 it is putting the cost of health care coverage beyond the reach of many Americans.

Unhealthy behavior and lifestyle choices are two key factors in the increased cost of health care, so promoting wellness through any reform legislation is imperative. 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.
- Specifically allow for wellness factors to be used as rating characteristics when determining private group and individual market premium rates. For employer groups, this includes not only the existence of a wellness program, but also factors that help determine wellness.
- Codify the current Health Insurance Portability and Accountability Act (HIPAA) bona fide wellness plan rules for employer-sponsored health insurance plans with the incentive cap raised to 50%. These rules should also be extended to individual health insurance market.
- 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.

Containing the Cost of Medical Care

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:

- Offer incentives to increase the number of primary care providers and those practicing in rural areas.
- 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.

NAHU also believes that obtaining and making widely accessible objective information on best medical practices and protocols through comparative effectiveness research is imperative to improving the quality of health care and the affordability of insurance coverage.

The outcomes of any federally funded comparative effectiveness research should only be used as an informational tool between doctors and patients. In no way should such research data be used by the government or other entities in making coverage determinations.