

## Regional Insights: Reform can bring affordable, high-quality health care

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By Harold D. Miller

The new federal health reform law will address many of the most serious problems people have in obtaining health insurance. However, we may not be able to afford the reforms in the long run if we don't solve the problem of high and growing health care costs.

Although many people have been led to believe that the only way to reduce health care costs is through rationing care, there are at least three major ways to reduce health care spending without any rationing at all:

1. **Keeping people well.** The best way to reduce health care costs is to prevent health problems from occurring in the first place. Unfortunately, regional indicators on PittsburghToday ([www.pittsburghtoday.org](http://www.pittsburghtoday.org)) show that southwestern Pennsylvanians have worse than average rates of diabetes, obesity, smoking and other problematic conditions that will lead to higher-than-average health care costs here in the future.

2. **Preventing unnecessary hospitalizations.** Once people develop a chronic disease such as asthma, diabetes, congestive heart failure or emphysema, effective health care services can help them manage their condition and stay out of the hospital. Yet the Pittsburgh region has the third-highest rate of preventable hospitalizations in the country, more than twice as many as in some regions, dramatically increasing health care spending here.

3. **Improving hospital outcomes.** Nearly one out of every 50 people who are hospitalized in the Pittsburgh region gets an infection while in the hospital, and nearly one of every five patients has to be readmitted to the hospital within 30 days after discharge. Most of these infections and readmissions are preventable, and not only are they hurting patients, but they're also costing businesses and taxpayers hundreds of millions of dollars in unnecessary spending each year.

The single biggest barrier to improving health, reducing hospitalizations and improving outcomes is the way we pay for health care services today:

- Physicians, hospitals and other health care providers are paid based on how many services they deliver, not on the quality of those services or their effectiveness in improving a patient's health. Under today's payment systems, doctors lose money if their patients stay healthy.
- Physicians and hospitals make more money if their patients get infections or are readmitted after discharge. Under today's payment systems, reducing infections, complications and readmissions can actually make it harder for a hospital to balance its budget.
- Many valuable preventive care and care coordination services are not paid for adequately (or at all), which can result in unnecessary illnesses and treatments. Today, health plans pay anytime someone needs to be hospitalized, but don't pay for many things that will help people avoid the need for hospital care.
- Primary care physicians -- the doctors who can help you stay well and out of the hospital -- are paid far less than any of the specialists who treat illnesses after they've occurred.

Fortunately, there are better ways to pay for health care (you can learn more about them at [www.paymentreform.org](http://www.paymentreform.org)). Two major types of payment reforms are being used in other parts of the country:

1. **Episode-of-Care Payment**, i.e., paying a single price for all of the services needed by a patient when they enter the hospital. In effect, the hospital and doctors are providing a "limited warranty" on their services, the way every other industry does. Impossible? The Geisinger Health System in central Pennsylvania now offers ProvenCare, a 90-day warranty on heart surgery, orthopedic surgery, maternity care and other services, and it has dramatically improved the quality and efficiency of its services as a result.

2. **Comprehensive Care Payment** (sometimes called "global payment"), i.e., paying a single price for all of the care that a patient with a specific health care condition needs during the course of a year, with bonuses/penalties based on the quality of care that's delivered. This rewards doctors for keeping their patients well and out of the hospital, rather than penalizing them as today's payment systems do. Blue Cross Blue Shield of Massachusetts is paying a growing number of health care providers this way as part of its Alternative Quality Contract.

Increasingly, those communities that can offer health care that is both high-quality and affordable will become magnets for both job creation and new residents. If the Pittsburgh region is going to be economically competitive in the future, it needs to take bold action to change the way it pays for and delivers health care.

Employers and citizens can help by choosing health plans that pay doctors and hospitals based on value, not volume, and by supporting the efforts of the **Pittsburgh Regional Health Initiative** ([www.PRHI.org](http://www.PRHI.org)) to improve the quality and efficiency of health care services in the region.

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