Great Ideas for Cutting Costs

Six more strategies to manage the rising costs of health care.

BY RICHARD CAUCHI, KARA HINKLEY AND BARBARA YONDORF

awmakers are chipping away at the \$400 billion a year states spend on health care through a wide range of approaches, including some innovative local and private sector programs. Many appear to be working.

Monitor Prescription Drug Abuse

Insurance fraud drains public and private health insurers of up to \$72.5 billion a year, according to the Coalition Against Insurance Fraud.

To combat one aspect of abuse, databases can store information on the specific prescription drugs patients need, how often they require them, and where they pick them up. When this information is monitored and analyzed, it may identify patterns of illegal use and distribution. This, in turn, can deter fraudulent prescription drug insurance claims and impede the black market resale of prescription drugs. Forty-nine states have authorized prescription drug monitoring programs, although seven are not yet operational.

At least 38 states also require Medicaid beneficiaries suspected of misusing controlled substances to "lock-in" or use a single prescriber and pharmacy. An analysis of Oklahoma's lock-in program in 2009 found that doctor shopping, the use of narcotics and emergency room visits by participants decreased. This saved an average of \$600 in narcotics reimbursement per person the first year.

Some states also require patients to have a physical exam before controlled drugs can be prescribed, or show a valid ID when picking up prescriptions at a pharmacy. Other state

Editor's note:

In June, State Legislatures published six other ideas for cutting health care costs:

- ◆ health systems
- health savings accounts
- prescription drug purchasing
- ◆ global payments
- early detection and treatment
- medical homes.

Check them out at www.ncsl.org/magazine.

requirements include better oversight of pain management clinics, use of tamper-resistant prescription paper, faster reporting and interstate sharing of prescription records.

Expand Information Technology

The use of electronic health records is considered a promising way to reduce administrative costs, improve patients' ability to follow treatment regimens and reduce costly medical errors. Software tools and data analytics also can help health care providers make better decisions, identify the best clinical practices, and reduce fraud. Health information technology is especially helpful in rural areas to monitor, diagnose and treat patients remotely.

Since 2010, the federal government has awarded nearly \$7 billion through 10 programs designed to help eligible states, professionals, hospitals and critical access hospitals adopt new or upgrade existing health information technology systems.

Technology should lower costs, according to a 2008 Congressional Budget Office study, by helping providers: avoid harmful and allergic drug reactions as well as duplicative or inappropriate tests or procedures; adhere to proven practices; choose the most cost-effective treatments; and compile data on the effectiveness of various treatments.

The benefits that technology can achieve are becoming more

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evident. Tele-Intensive Care Units, for example, allow physicians to monitor hospitalized patients from remote locations. One such program at the University of Massachusetts Memorial Medical Center helped to "reduce hospital lengths of stay, lower rates of preventable complications, and improve adherence to best practices," according to a study in the Journal of the American Medical Association.

Not surprisingly, the upfront costs of installations, upgrades and training can be high. Another challenge is that some competitors are hesitant to share data. And, in some cases, the availability of electronic test results have led to more, not fewer, tests, according to a March 2012 Health Affairs article.

Promote Healthy Behaviors

"The only way to keep your health," Mark Twain wrote, "is to eat what you don't want, drink what you don't like, and do what you'd rather not."

Twain may have put too fine a point on the keys to good health, but most of us know by now that eating a nutritious diet, exercising regularly, limiting alcohol and avoiding tobacco lower the chances of getting certain chronic (and costly) conditions.

Treating heart disease, cancer, diabetes and arthritis accounts for at least 75 percent of all health care costs, according to the Centers for Disease Control and Prevention. Investing an extra \$10 per person a year in programs that increase physical activity, improve nutrition and prevent tobacco use could save the country more than \$16 billion annually within five years by preventing or delaying the onset of these chronic diseases. That includes \$1.9 billion in Medicaid savings and another \$9 billion in savings

"One of the most effective ways to achieve our health cost goals is by using health information technology to better coordinate care as well as allow patients to track their own improvement."

—SENATOR RICHARD MOORE (D), MASSACHUSETTS

to private payers, according to estimates by the Trust for America's Health.

Many low-cost prevention efforts focus on children and mothers, including teaching primary school children the dangers of too much sun exposure, educating mothers on the benefits of breast-feeding to protect infants from bacteria and viruses, and supporting community campaigns that encourage physical activity.

Mississippi, for example, requires 150 minutes a week of health education and 150 minutes a week of activity-based instruction for students in kindergarten through eighth grade. Oregon specifies minimum standards for food and beverages sold in public schools. Kentucky requires that students research substance abuse and learn ways of preventing violence in high school. Rhode Island recently eliminated formula giveaways at hospitals to encourage mothers to breast-feed.

In the workplace, wellness programs can help employees increase physical activity, manage stress, improve diets and not use tobacco. Healthier employees acquire fewer chronic diseases, which can lower health care and health insurance costs, reduce absenteeism and increase productivity.

Among employers who offer health benefits, 74 percent of those with fewer than 199 workers and 92 percent of those with more offer at least one wellness program, such as online resources, gym memberships, smoking cessation classes and personal health coaching. A 2012 American Journal of Managed Care report found an increase in physical activity, improvements in diet and mental health, and reductions in body mass index as a result of workplace wellness programs. Overwhelmingly, studies on absenteeism and health care costs showed dramatic improvements.

States, too, are including wellness benefits in their state employee health plans. Arkansas, for example, offers up to three days of paid leave for employees who participate in a healthy lifestyle program. Texas allows state employees 30 minutes a day for exercise and encourages them to complete a health risk assessment.

Alaska, Colorado, Indiana, Georgia, Maryland, Michigan,

Texas, Utah and Washington authorize certain types of worksite wellness program rewards while ensuring they would not violate insurance discrimination, rebate or rating laws.

Ensure Patient Safety

An inaccurate prescription sends a woman to the hospital with chest pain and blurred vision. A surgeon leaves a clamp in a patient's stomach requiring another surgery. A 76-year-old woman hospitalized for a urinary tract infection is given the wrong dose of a blood thinner and dies.

Medical errors are not only costly, they can be deadly.

Mistakes such as these are not as uncommon as they should be. About one in seven patients experiences a medical error, of which 44 percent are preventable, according to the Office of Inspector General in the U.S. Department of Health and Human Services. In fact, medical errors are the eighth leading cause of death in the United States and cost patients, insurers and governments more than \$19.5 billion a year.

Legislatures have supported several different ways to reduce medical errors and protect patients' safety. Three practices are showing success: adopting electronic prescribing, penalizing doctors for illegible prescriptions, and refusing payment for certain serious and preventable medical errors.

Difficulty deciphering doctors' notoriously bad handwriting can result in giving patients an incorrect dosage or an entirely wrong drug—Cerebyx for seizures instead of Celebrex for pain, for example.

To reduce these errors, all states and territories, except Puerto Rico, allow prescriptions to be transmitted via the Web—called e-prescribing—from doctor to pharmacy. All but nine also allow e-prescribing of controlled substances. In Montana, writing an illegible prescription is a civil offense.

State legislatures also have enacted laws restricting or prohibiting payment for "never events," which are errors that result in serious harm, including surgery performed on the wrong body part, pressure ulcers from failing to manage incontinence and dry skin, and hospital-acquired infections such as pneumonia.

Maine prohibits health facilities from charging a patient or his insurer for 28 specific never events, and requires facilities to inform patients of the policy. Medicare, several state Medicaid programs, and many commercial insurers also have adopted nonpayment policies.

Refusing payment for never events saves patients and insurers money, but it is not yet clear whether the policy decreases errors. In 2009, 3,416 payment "adjustments" were made, yielding \$18.8 million in Medicare savings out of total of \$133 billion in hospital expenditures, according to the Centers for Medicare and Medicaid Services.

Consider Medical Malpractice Reform

The medical liability system—including award payments, administrative expenses, the cost of defensive medicine and lost clinical time—add up to an annual price tag of \$55.6 billion (2.4 percent of all health spending), according to the report, "National Costs of the Medical Liability System," by researchers at Harvard University.

"We have to be realistic about what medical liability reform can achieve in terms of controlling health care costs," says Dr. Michelle Mello, one of the report's authors and professor of law and public health at the Harvard School of Public Health, citing the small share of actual health spending attributed to liability costs.

Limiting malpractice awards, reducing the number of malpractice claims through mediation and pre-trial screenings, and encouraging the best medical practices may help to reduce these costs and increase patient satisfaction.

According to patient advocates, the need to fairly compensate patients injured by medical negligence is closely tied to patient safety issues. "The most promising approaches are those that have realistic prospects of reducing defensive medicine," says Mello.

The University of Michigan Hospital System and Stanford Medical Center use models that disclose any adverse event, apologize to the patient or patient's family and encourage mediation. At least 97 percent of providers supported this model, according to a 2009 Journal of Health and Life Sciences Law report.

The savings potential may increase when supported with other efforts, such as providing adequate funding for state medical boards to investigate complaints and discipline doctors; supporting efforts to collect data to help track medical errors and instances of malpractice; and developing and following clinical guidelines that reflect successful practices.

Help Patients Decide

If you live in northern Idaho and have severe back pain, you are six times more likely to have corrective back surgery than if you lived in the southern tip of Texas. Why? Doctors in the Northwest are more likely to recommend surgery than those in southern Texas.

If these kinds of unwarranted variations in medical care were reduced among the Medicare population, costs could decrease by as much as 30 percent, according to researchers at Dartmouth University who studied success rates at the Mayo Clinics.

One somewhat new strategy is to educate patients about how to make these important health care decisions. Called "patient decision aids," they can be videos, pamphlets and Web-based tools that present the risks and benefits of available treatments and screening options.

Although the aids do not yet identify the costs of the various

treatment options, research indicates that patients who use decision aids tend to choose less costly, less invasive options than those who don't. For example, patients with herniated disks who watched a video about their treatment options chose surgery 22 percent less often than patients who didn't watch it, according to a 2000 study by Lippincott Williams and Wilkins, Inc. Both groups had similar symptoms and results at three months and at one year.

Washington lawmakers in 2007 increased legal protections for physicians whose patients receive decision aids during informed consent. A large employer plan in Colorado gives patients a \$50 gift card for using a patient decision aid. These educational aids also helped patients make decisions more consistent with their values, according to a 2009 Judgment and Decision Making study from Wichita State University's Department of Psychology.

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—HOUSE SPEAKER REBECCA LOCKHART (R), UTAH

What's Next?

Modest good news came in May when the Milliman Medical Index showed the rate of increase in health spending for a family of four was down to the "lowest in the 12-year history of their survey."

That increase, however, amounts to spending a hefty \$1,335 more, bringing a family's average annual health care costs to \$21,000.

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House Speaker Rebecca Lockhart (R). "I'm sure that health care reform will be back on quite a few legislatures' dockets in 2013 and beyond."



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