September 23, 2011

The Honorable Patty Murray
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
United States House of Representatives
Washington, DC 20515

Dear Senator Murray and Representative Hensarling:

As the work of the Joint Select Committee on Deficit Reduction begins, I write to you on behalf of the National Coalition of Health Care to urge you to tackle one of our nation's central economic and fiscal challenges: escalating health system costs. Solving this critical national problem will not be easy, and there is both a right way and a wrong way to do it.

A number of proposals for savings already on the table represent the wrong kind of savings. These proposals simply shift costs to families, states and the private sector or focus only on the relatively short term 10 year window of the Congressional Budget Office. For example, raising the Medicare age shifts costs onto seniors and the private sector while harming the Medicare risk pool. Converting Medicare into a premium support program without adequate growth in that support lowers federal expenditures on the back of seniors – recreating exactly the problem that Medicare was established to address. Cutting the Prevention and Public Health Fund might appear to be an easy way to find savings now, but investment in prevention now is key to a healthier population and lower health costs over the course of generations. The Institute of Medicine estimates that $765 billion is wasted in the U.S. health system every year and cost shifting and cutting important investments does nothing to solve this deeper problem.

Fortunately, there is a right way to tackle health costs. Policies that address costs across the entire health system, or at least those that will have significant repercussions across the entire system, deserve to be at the top of the national agenda. Federal health spending is inextricably intertwined with health spending by families, businesses and state and local governments. Every dollar a small business spends on health care is a dollar that isn't invested in growing the business, hiring new employees, and increasing productivity and revenue. In turn, that lost revenue translates into lost tax revenue for governments. The interconnectivity of health systems and the economy necessitates system-wide solutions to the health cost crisis.

There are changes to federal health policy that can stimulate savings across the entire health system. The sheer size of Medicare means that policy changes that drive value in Medicare also impact practice and payment patterns across the private sector. The National Coalition on Health Care urges you to focus on changes to Medicare that drive value, increase efficiency and reduce waste, rather than simply reducing benefits or payments to providers. For example, a program in which nurse practitioners lead care coordination and planning for patients in long term care by working with a team including the primary care physician, nursing home staff, family and caregivers could provide dual benefits. If institutionalized Medicare beneficiaries received such services, the reductions in avoidable hospitalizations and emergency room visits would not only be a win for the patients; they also add up to savings estimated at $166.5 billion over ten years.

For years, generic medicines have helped lower health care costs for patients, their families, and publicly financed health insurance programs such as Medicare and Medicaid. According to an analysis by the IMS Institute for Healthcare Informatics and IMS Health, in 2010 alone generic drug use generated nearly $158 billion in savings. Increasing the use of generic medications, in federal programs and beyond, is an important step for reducing health spending. Existing legislation, the Affordable Medicines Utilization Act, would offer shared savings to states for achieving more generic medication use in Medicaid. Savings from the legislation would accrue to both the state and federal governments. The President's proposal to reduce the exclusivity period for biologics is another opportunity for cost savings. There is an achievable balance between protecting the incentives for biotech innovation and allowing generic biologics to enter the market and increase price competition that will benefit the entire health system.

The reduction of fraud is another commonsense way to eliminate wasteful health spending. An investment in reducing fraud, waste and abuse will reap significant benefits – for every $1 spent on health care oversight, the government sees a return of $17, according to the HHS Office of the Inspector General. The Medicare and Medicaid FAST Act would build on anti-fraud initiatives enacted in 2010 and make it much easier to crack down on fraud and abuse in federal programs. As an added benefit, the legislation would streamline the data collection process for federal health programs. Improved data collection and analysis is the foundation upon which long term health policy must be designed.

The Affordable Care Act created a variety of payment and delivery reform pilots intended to reduce costs without harming quality of care. If the Centers for Medicare and Medicaid Services accelerated the expansion of successful programs, as recommended by the National Commission on Fiscal Responsibility and Reform, substantial savings produced by these reforms could be realized much sooner, when they are truly needed.

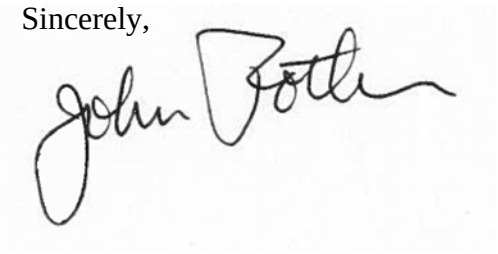
Though the Coalition does not support reducing the actuarial value of Medicare benefits, there are ways in which the benefits could be altered to increase their value. Value-based insurance design in Medicare could encourage beneficiaries to utilize high value services and providers with evidence of higher quality and lower costs. Beneficiaries who participate in accountable care organizations using a patient-centered medical home model or who choose providers that offer bundled services could share in the savings or receive other incentives. Changes in patient choices could reverberate throughout the health system, encouraging providers to increase the value of their services as well.

These are just a few ways in which federal health policy could be reformed to lower costs without harming quality of care for beneficiaries. However, there are other ways to impact health costs across the system. The states have long been laboratories for experimental policy ideas and they control much of the health care system within their borders through regulation and licensing. Incentivizing states to find ways to control health spending by allowing them to share in federal savings from such efforts could produce some of the most unique and effective solutions that may be adopted more widely or may be seen as particularly suited to one state's health system. However, such programs must be carefully structured to ensure that vulnerable groups, like children and low-income individuals, continue to have access to quality care.

These examples of policy changes that would control costs the right way are only the tip of the iceberg. Large-scale changes in the way our health system operates to improve its efficiency and effectiveness must continue to be considered even after the Joint Committee on Deficit Reduction has completed its work. The sustainable growth rate continues to plague providers, the fee for service payment system creates disincentives for following the best practice patterns, mid-level health care providers are underused and primary care and certain specialties are undervalued. These are just a few of the issues that call for solutions that will impact the entire health system.

The National Coalition on Health Care recognizes that the challenge before us will not be solved overnight. However, you, and the other members of the Joint Committee on Deficit Reduction, have the opportunity to take some of the first steps to controlling health costs across both the private and public sectors. Thank you for your commitment to solving this historic crisis.

Sincerely,



John Rother
President and CEO

cc: The Honorable Max Baucus
The Honorable John Kerry
The Honorable Jon Kyl
The Honorable Rob Portman
The Honorable Pat Toomey
The Honorable Xavier Becerra
The Honorable Dave Camp
The Honorable James Clyburn
The Honorable Fred Upton
The Honorable Chris Van Hollen