

# LEGAL EASE



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## How to bend the cost curve of health care

Despite the level of controversy over various proposals on health care reform, as well as lack of agreement on what should be done, there appears to be no dispute on the need to do something to “bend the cost curve,” or reduce the rate of growth in health care costs. In order to do this, the reason or reasons that drive health care spending must be discovered.

There are many opinions as to why healthcare spending has been a “runaway train” in recent years, including accusations of defensive medicine due to fear of lawsuits, technology use or overuse, greed of providers, fraud, waste and abuse, or even just the aging of our population. To attempt to determine how to bend the cost curve, the Robert Wood Johnson Foundation’s Changes in Health Care Financing and Organization (HCFO) initiative sponsored an Academy Health meeting. Attorney Tim Takacs reported on the results in his November 2, 2009 *Elder Law FAX* ([www.tn-elderlaw.com](http://www.tn-elderlaw.com)). The read the Robert Wood Johnson policy brief, “Geographic Variation and Health Care Cost Growth: Research to Inform a Complex Diagnosis” (October, 2009) go to [www.rwjf.org/healthreform/product.jsp?id=50888](http://www.rwjf.org/healthreform/product.jsp?id=50888).

The findings of this brief indicate that the factors contributing to cost growth include innovation, widespread diffusion, and increased utilization of expensive technology. In 2008, the Congressional Budget Office (CBO) reported that new technology, or new uses of existing technology comprised approximately one-half of total growth in healthcare spending. Since use of technology is generally paid for through medical insurance, i.e. Medicare, private insurance, and Medicaid, the patient generally pays only a small portion of technology costs. Thus, the system encourages providers to prescribe new therapies, which in turn stimulates demand for utilization of new technology.

These findings are important because as President Obama said in his September 9 message to Congress, “Put simply, our health care problem is our deficit problem. Nothing else even comes close.” The rate of growth in the Medicare and Medicaid programs will eventually swamp all other federal spending. The CBO tells us that the Affordable Health Care for America Act (H.R. 3962) would reduce the projected federal budget deficit by \$108 billion over 10 years.

HCFO findings indicate that a more efficient health care system must include emphasis on coordination of care among providers. Some of the concrete policy suggestions include laws that require health care providers to seek approval before adding new facilities, technology or services; price adjustments that ensure that physician services and technology accurately reflect the cost; health care utilization the ensure that beneficiaries receive approval for select procedures *prior* to receiving the procedure; re-design of insurance policies so that beneficiaries pay lower or no cost-sharing for high value services to encourage movement from low value services to higher value services; policies that provide payers with increased bargaining power for technologies and services.