Testimony before the Legislative Health Care Coverage Commission
November 10, 2010
State Senator Jack Hatch

In contrast to the extreme partisanship surrounding national health care reform, Iowa's record is one of cooperation and accomplishment. I thank the Chairman for allowing me to submit this testimony before the Commission and for referring it to Work Group 2 for further study.

And because Iowa is out in front - due to forward-looking initiatives, such as being the strongest state in covering kids' health care, according to the Commonwealth Fund - federal health reform is a great opportunity for our state. The federal reforms are already benefiting Iowans. Here are just three examples.

-Your insurance company can no longer drop you when you become very sick.

- Health plans can no longer use annual or lifetime limits to prevent you or your family from getting necessary care.

-Your children can no longer be refused health insurance because of pre-existing conditions.

What's next? In part, Iowa needs to focus on **cost containment**. Our goal is to keep our high quality health care while slowing the dramatic increases in the cost of coverage.

Why we know costs are a problem:

Rising health care costs make the current system of health care coverage and health care delivery unsustainable.

- Iowa Health Spending per Capita, 2004 = $5,380. National = $5,283
- Average Annual Percent Growth in Health Care Expenditures, 1991-2004 Iowa = 6.4% National = 6.7% (Kaiser Family Foundation)
- Dartmouth research on geographic variation estimates that over 30% of health care costs are wasted

Even though Iowa's health care system performance is ranked high, the **poor health status of Iowans**, especially relative to the prevalence of chronic disease and poor health choices, will significantly affect the future of the health care system in the state.

- From 2002 to 2007, family insurance premiums rose 78% while inflation rose 17% and wages a mere 19%. A staggering 78% of all health care costs are for people with chronic conditions like diabetes, heart disease, and depression—costs which could be reduced with effective management and disease prevention.

The most disturbing part of David Lind's testimony is his look into the future and reporting that if we don't contain future costs, a family's health insurance premium will reach an unbelievable cost of $40,000 by 2020. America, and certainly Iowans, can not afford this.

Cost containment and funding are two of the most important elements in creating universal health care access that is economically sustainable. Without meaningful cost containment strategies, any expansion of coverage to uninsured Iowans will be difficult to sustain over time. Moreover, increased funding to meet the health care coverage needs of low income Iowans is finite. Therefore, any new investment must be done as cost effectively as possible.

Cost containment in the health care system has been elusive. The strategies below include both long and short term approaches to improve access to health care coverage. We also believe that a population-based approach to greatly improving the health status of Iowans by investing far more in anti-smoking initiatives and health promotion efforts that focus on eating smarter and exercising more is essential.

One longer term cost containment strategy focuses on prevention and management of chronic diseases. Chronic diseases such as heart disease, stroke, diabetes and cancer are among the leading causes of disability and death in the United States. Chronic diseases account for 70 percent of deaths and about 78 percent of health spending. While there has been some success in employer based programs and a few community efforts, population-based efforts have been more difficult.

Another focus of cost containment is doing a better job of eliminating duplication and unnecessary expenditure on facilities and equipment by scrutinizing every major expansion of facilities and technology. The Certificate of Need process needs to be reformed and more expertise needs to be directed to this effort.

Here are several strategies we should urge the Legislature to consider next year:

1. Using Telehealth technology to reduce costs

- Create a 24-hour hotline so Iowans can ask a physician or nurse whether they need emergency treatment.
- Improve patient access to their own medical records to increase choice of doctors and prevent unnecessary or inappropriate treatment.
- Create national pilot projects on best practices, remote monitoring, medication compliance, and chronic disease management.
- Require insurers to cover telemedicine services.

2. Establish databases that collect health insurance Claims information

- Collect claim data from all health care payers into a statewide information repository, designed to inform cost containment and quality improvement efforts.

- Payers include private health insurers, Medicaid, Hawk-I and public employee health benefit programs, prescription drug plans, dental insurers, self-insured plans and Medicare.
- Collecting all claims into one data system will allow Iowa to determine what the real cost of care is in our state, how much providers receive from different payers for the same or similar services and what resources were used to treat patients.
- Without comprehensive data on costs, it will be difficult to identify and eliminate waste.

3. Encourage health systems to develop wellness and health promotion treatment services.

- There are many resources and strategies relating to achieving better health outcomes. Senator Harkin has been a national leader in developing better practices and funding stronger research. We will continue to work with Senator Harkin in replicating stronger wellness programs.
- This Commission has also focused on this topic and I will wait to receive Work Groups IV's recommendations and urge the commission to incorporate their suggestions into your final report.

4. Strengthen Quality Care

- Rename the Health Facilities Council the Health Care Cost Containment Council. Broaden its duties and make it a separate division within the Iowa Department of Public Health and add a Health Economist to the staff of the new Council.
- Use to the maximum extent possible data and information collected independently by the state; including the "All payer-claims database discussed in recommendation #2.
- Update the program emphasis and criteria to encourage health system development for wellness and health promotion and to improve quality and reduce cost.
- Task the Health Care Cost Containment Council with rewriting Iowa Code Chapter 135, Division VI, the Health Facilities Council Division – better known as the Certificate of Need provision. The Chapter has not been revised since the 1970's. It needs to reflect today's medical technologies.
- Require all new hospitals, including replacements and expansions within the same county, to complete the Certificate of Need process.
- Require all new surgical centers and other specialty centers, including those initiated by hospitals or by physician practices, to complete the Certificate of Need process.
- Require all new, replacement or expanded nursing facilities to complete the Certificate of Need process.

5. Create an annual 'health care budget'

- Create an annual report on all Iowa health care spending to locate duplication in spending and inefficiencies in both the public and private sectors. Data from the "All payer-claim database" will be used to develop this comprehensive budget.
- Estimate actual health care spending for residents of Iowa for the calendar year two years prior to the current year and obtain actuarial certification of these estimates.
- Calculate and revise as appropriate, annual projected health care spending for Iowa residents and establish a health care spending baseline.

6. Improve Medicaid services through 'medical homes'

- Medical Homes mean all of the patient's care is coordinated by a single medical provider.
- Implement the Medical Home model for the Medicaid population and direct DHS to request a state plan waiver for increased federal match.

7. Better management of pharmaceutical drugs

- Help local pharmacists better collaborate with doctors in providing patients with the most effective and cost-saving medications.

8. Create a new Health Care provider payment system

"The new healthcare law, called the Patient Protection and Affordable Care Act (ACA), will increase coverage of Americans. But ACA has come under much criticism because of the concern that it will not reduce the unsustainable increases in cost of healthcare. There are many suggestions to reduce the increasing costs of health care, such as administrative simplification (reducing paperwork), promoting the right preventive care, having patients make better cost conscious choices (by paying a larger share of the cost), and reducing defensive medicine.

The biggest remedy though I believe to reduce healthcare costs is to pay for value. Our current payment system is based on paying more for more expensive care, and is not based on paying for the most effective care. Our current system pays more for volume (more tests, treatments), and actually pays less to more efficient hospitals and physicians who utilize less. The payment system has been based on the premise that more care is better. But with research we have learned that sometimes more tests and more treatment simply result in more expenses, and do not necessarily result in better outcomes." - Michael Kitchell, M.D. President, Iowa Medical Society July 12, 2010.

Pay-for-performance is a system of payment that rewards health care plans and providers for achieving or exceeding pre-established benchmarks for quality of care, health results and/or efficiency. This is also called valued-based purchasing, quality-based purchasing or performance-based contracting.

Performance-based pay often is used in conjunction with other payment methods and health care programs such as global payments (risk-adjusted capitation programs), disease management programs, medical homes and care coordination programs. It also is tied closely to Accountable Care Organizations. Combine pay-for-performance with these strategies may result in a greater level of cost containment than could be achieved by implementing any one by itself.

The Patient Protection and Affordable Care Act directs HHS to solicit and chose several pilot projects between 2012 and 2016 to further study and implement a better payment

system. These pilot projects are: 1) Accountable Care Organizations are being looked at in our State as an effective way to care for a population of patients (either Medicare or commercial) in that the structure will promote coordination of care, lower cost, improve quality and absorb risk. 2) Global Payment System Demonstration Project. 3) Episode-of-Care payment demonstration project for Medicaid. Iowa should pursue one of more of these opportunities to help equalize our reimbursements to our providers and a more efficient method of providing care to our constituents.

9. Increase In-Home Care to Reduce Nursing Home Admissions

- Continue to support the statewide Medicaid transportation brokerage service, which should become operational in October. Build on lessons learned and expand services to Medicaid waiver patients.

Summary

These recommendations are only the beginning of strategies the State of Iowa needs to implement. Other areas that need attention are: 1) possible increase use of In-Home Care to reduce nursing home admissions, 2)administrative simplification, 3) use of generic prescription drugs and brand named discounts, 4) equalizing health provider rates and 5) pooling of public employee health care plans.

As the next step, let's do a better job of containing costs while improving care. Iowa is already a leader in this area. We can be a national leader in health care if policy makers keep listening to Iowa nurses, doctors, social workers, hospitals, insurers, business leaders and, most important, patients and families.