

# IOWA COMMITTEE ON VALUE IN HEALTHCARE

## Principles for Value-Based Health Care Reform

In their daily transactions, people seek to maximize value. We strive to purchase goods and services that offer the greatest benefit. The people who provide goods and services attempt to contain costs while offering high quality to the greatest number of consumers. The goal for health reform should be no different. Value in health care means higher quality care at lower cost. Ample evidence exists that improving value is possible, but not without a transformation in provider practices, purchaser coverage agreements, and patient expectations with a commitment by all to reduce costs for long-term system sustainability. As basic as this sounds, many incentives in today's health care system thwart efforts to reach this goal. For example, fee-for-service provider payments, third-party coverage for consumers and unlimited budgets for public programs all contribute to inefficiencies in the demand and supply of health care. As a result, our nation spends roughly two-times more per capita on health care than other developed nations without producing better results. A system that spends too much and achieves too little is a system that does not produce good value.

So far, the health reform debate has focused largely on increasing access to quality, affordable, health care for all Americans – a goal that the Committee supports. However, simply expanding access to the current system would exacerbate its problems. Costs would rise and quality might not improve. That is why our primary recommendation is that any effort to change the health care system be explicitly linked with value. Based on the Iowa experience, reform efforts should specifically embrace the following principles:

### **Principle #1: Fiscal sustainability**

The Committee for Value in Healthcare feels strongly that rapid health care cost growth makes our current health care system fiscally unsustainable. We cannot pretend that resources are unlimited or that sure and swift savings will come from investments in comparative effectiveness research, health care technology and prevention programs. These are all promising strategies that should be included in any health care reform legislation, but they come with significant up-front costs that must be paid for. Moreover, their potential to significantly reduce long-term costs is uncertain. We therefore support the pay-as-you-go (PAYGO) approach to financing health care reforms over the first 10 years, and we further urge that mechanisms be put in place to monitor expectations of long-term savings. This could be done by giving the Medicare Payment Advisory Council (MedPAC) additional powers to implement its recommendations or by creating a new entity within the executive branch.

### **Principle #2: Innovation through Collaboration**

The Committee feels strongly that the future of health care will require a new level of innovation that can be best achieved by high-levels of formal and informal collaborations among all health care stakeholders. Iowa's health care system is shaped by relatively lower reimbursement rates and tight physician supply and has required providers to continuously employ innovative practices to stay in business and provide Iowans the care they need and deserve. Key to these innovations is a sharing and collaboration among providers, patients, payers and purchasers with a focus on execution for value within fiscal and workforce constraints. The degree of collaboration and communication between and within Iowa's hospitals and physicians is both remarkable and notable, and has resulted in the reduction of redundant and inappropriate care and high-quality patient outcomes and safety. The Committee believes similar environments emphasizing provider partnerships and innovation can be replicated in lower-quality, higher-cost regions across the nation if all stakeholders receive the proper incentives and are held accountable for creating such an environment through shared savings and related mechanisms.

# IOWA COMMITTEE ON VALUE IN HEALTHCARE

## **Principle #3: Primary Care Transformation**

The Committee feels strongly that elevating the role and use of primary care—and the ability to more effectively coordinate with acute-care specialty services and long-term or community-based care—is essential for the transformation of our health care system. Health care providers and state governments have struck proactive poses relating to the need to transform primary care. This transformation emphasizes the notion that the health care system should provide comprehensive well-care and health management for a population and applying more intensive service use for those with corresponding levels of clinical need. It facilitates partnerships between patients and the health care system in a way that a person’s total care and health can be optimized. Further, it emphasizes a commitment to ensuring that a viable workforce of appropriate providers (medical, nursing and ancillary) exists to meet the needs of all Americans today and well into the future. This is done in a way that provides appropriate care and considers cost-effectiveness at the patient level. Iowa’s policy landscape has emphasized this role for primary care for some time, as demonstrated through public health agency’s focus on disease prevention and health promotion, the establishment of the Iowa Safety Net Collaborative, and through private collaborative initiatives emphasizing the adoption and integration of patient-centered medical home concepts into everyday physician practice (e.g., the TransforMed model of care).

## **Principle #4: Societal Commitment to Prevention and Wellness**

The Committee feels strongly that prevention and wellness must be included in governmental and business policy reform and third-party coverage arrangements. Similar to the successful story of Safeway, Inc. undertaking aggressive corporate wellness initiatives, Iowa businesses have also achieved success with health promotion and disease prevention. By redesigning its benefit plan in a way that provides incentives to employees to engage in preventative care and reduce risky health behaviors, one large company reduced its health insurance costs and at the same time improved employee satisfaction and clinical outcomes. While the extent to which prevention and wellness reduce health care costs as realized by the federal government may not be significant, more immediate and tangible returns-on-investment may be observed by American businesses. To that end, the Committee believes encouraging healthy behavior can increase value in our health care system and is important at individual and societal levels, and all levels in between.

## **Principle # 5: Engaged and Responsible Health Care Consumers**

The Committee feels strongly that health reform initiatives should encourage and set expectations for a more active role for the health care consumer. Iowa stakeholders understand that for consumers to assume greater responsibility they must have appropriate access to targeted information about costs, risks, benefits and outcomes of interventions, they must be actively involved in the decision-making process with their providers to select interventions of most value, and they must participate in financing their health care. Individuals should be encouraged to engage in health promotion to stay healthy and if sick to adhere to treatment plans to best manage their disease. Iowa’s public and private health sectors are committed to creating such a culture of consumer engagement, focused on health literacy. Specifically, the Iowa Medicaid program reaches out to children and their families early in life to provide them both the needed coverage and the skills for health literacy and healthy behaviors over their lifetime. While achieving increasing patient satisfaction and controlled costs, Iowans have also demonstrated a very high level of individual responsibility for their own coverage decisions, as demonstrated by Iowa’s position as one of the top states nationally in the purchase of individual health insurance.

While not unique to Iowa, the Committee also supports as essential to health reform legislation the following:

- **Payment reform driven by quality and efficiencies**

We believe payment reform is essential for the long-term health of the health care system.

Providers who find ways to provide the highest quality care for the lowest amount of resources should be rewarded. Incentives should be directed toward increasing the use of evidence-based

## IOWA COMMITTEE ON VALUE IN HEALTHCARE

protocols, primary care and prevention, and engaged consumer participation in intervention decisions. Examples we would support include a bundling of payments to providers for episodes of care and the use of some form of accountable care organizational scheme to align payments with results.

- **The creation of a technology-based infrastructure for improved outcomes and system efficiencies**

This year's stimulus bill has designated approximately \$30 billion for the adoption and implementation of a meaningful use of Health Information Technology. The Committee feels meaningful use of HIT includes provisions for interoperability and connectivity for all users. Further, the infrastructure must be based on a set of standards including common population and quality outcomes measures to maximize its potential for assisting in the creation and dispersion of comparative effectiveness research—upon which all providers, payers, and consumers can be held accountable to—and for reducing operating costs while continuously evaluating the system for future improvements.