



## Rx: Health Care FYI #33

**Subject:** *10 Recommendations to Lower Health Care Costs*

**From:** *Rep. Tim Murphy (PA-18)*

**The problem:** Our nation's health care system is tremendously wasteful. By taking a few steps to improve quality and patient safety, over **\$300 billion** could be saved every year to make health care more affordable for American families.

### **America's health care system needs improvement**

Despite the many accomplishments of the American health care system, it is burdened by severe problems that lower quality and increase costs. These deficiencies make the system unaffordable and inaccessible for millions of Americans. Here are 10 recommendations for action that Congress and America can take to substantially lower health care costs:

1. Support health information technology (Health IT): Electronic medical records and electronic prescribing can reduce costly medical and medication errors through secure, instant access to a patient's medical history. Expanding the use of Health IT could reduce preventable medical errors, make complex cases more manageable and allow tracking of lab tests, medications and treatments. Annual cost savings is estimated to be **\$162 billion** annually.<sup>1</sup>
2. Eliminate preventable infections: In too many cases, infections result from poor adherence by hospital staff and visitors to basic hygiene techniques such as hand-washing and clean equipment for treating infectious disease. This contributes to 90,000 American deaths each year<sup>2</sup> and **\$50 billion**<sup>3</sup> in annual medical costs. When hospitals adhere to patient safety measures, they are able to dramatically reduce the incidence of central line, pneumonia and urinary tract infections. For example, Mercy Health Center in Oklahoma has performed 400 surgeries *without any* infections.<sup>4</sup> By using pay-for-performance incentives through Medicare and Medicaid, hospitals could greatly reduce infection rates and save thousands of lives.
3. Increase the number of Community Health Centers (CHCs): CHCs are non-profit, community-supported health care providers that offer primary and preventive health care. By expanding CHCs, America could save as much as 30 percent per Medicaid patient or **\$17 billion**<sup>5</sup> in annual Medicaid spending due to reduced specialty care referrals and fewer hospital admissions. Congress must ease the regulations that obstruct establishing new CHCs and remove the barriers that discourage doctors from volunteering at CHCs.
4. Integrate medical and psychological care: Untreated depression complicates treatment and **doubles** health care costs for heart disease and diabetes. Treating employees for depression management has increased work productivity by 6.1 percent and curbed absenteeism by 28.4 percent.<sup>6</sup> Reimbursing for care of chronic medical conditions and depression will greatly reduce health care costs.

<sup>1</sup> Hillestad, Richard, et. Al. Rand Corporation. Can Electronic Medical Record Systems Transform Health Care? Potential Health Benefits, Savings, And Costs. Health Affairs. September/October 2005.

<sup>2</sup> Centers for Disease Control. CDC Advisory Committee Offers Guidance to States on Developing Systems for Public Reporting of Healthcare-Associated Infections. February 2005.

<sup>3</sup> Pennsylvania Health Care Cost Containment Council. PHC4 Research Brief - Hospital-Acquired Infections in Pennsylvania. July 13, 2005: Data Show Scourge of Hospital Infections. Washington Post. 2005.

<sup>4</sup> Bratzler, Dale. Use of Antimicrobial Prophylaxis for Major Surgery: Baseline Results From the National Surgical Infection Prevention Project. Archives of Surgery. 2005.

<sup>5</sup> "Nation's Health At Risk II, Special Topics Issue Brief #7," National Association of Community Health Centers, August 2004.; Flores G, Abreu M, Chaisson CE, and Sun D. "Keeping Children Out of Hospitals: Parents' and Physicians Perspectives on How Pediatric Hospitalizations for Ambulatory Care-Sensitive Conditions Can Be Avoided." November 2003 *Pediatrics* 112(5):1021-1030.

<sup>6</sup> Rost, Kathryn, Ph.D., "The Effect of Improving Primary Care Depression Management on Employee Absenteeism and Productivity." *Medical Care*. Pg. 1202-1210. Volume 42, Number 12, December 2004.

5. Practice primary prevention: Businesses that promote a healthy workforce through employee health, education, lifestyle changes, public health programs and vaccinations will reduce health care costs. For example, the State of California estimates that their statewide tobacco prevention program resulted in an overall cost savings of **\$8.4 billion** over 8 years.<sup>7</sup>
6. End defensive medicine: Defensive medicine occurs when doctors order extra tests and procedures that have little additional medical benefit, but are ordered for the primary purpose of reducing liability risk. Often redundant procedures increase health care costs by **\$60-\$108 billion** per year. Patients should review medical decisions with their doctors to curtail the practice of defensive medicine. H.R. 5, the Help Efficient, Accessible, Low-cost, Timely Healthcare (HEALTH) Act, which has passed the House three times, would reduce junk lawsuits and reverse the incentive for defensive medicine.
7. Reduce American Obesity: Obesity raises the risk for over 20 medical conditions including type 2 diabetes, arthritis, heart disease and a variety of cancers by increasing fat deposits and weakening immune systems. These problems increase health care costs by **\$75 billion**.<sup>8</sup> Public education campaigns should be implemented to promote healthy nutrition and exercise programs at schools and in the workplace to prevent the onset of these chronic diseases.<sup>9</sup>
8. Compare costs on prescription drugs: Retail prescription prices have increased an average of 8.3 percent a year from 1994 to 2004 (from an average of \$28.67 to \$63.59), or more than triple the average annual inflation rate of 2.5 percent. When consumers compare prescription drug costs they can save **40 percent**.<sup>10</sup> Public-private partnership programs to establish online cost and information models for prescription drugs in every state could serve as the basis for a valuable, comprehensive system of drug pricing information.
9. Stop throwing away prescription drugs: Millions of federal and state dollars could be saved by restocking unused prescriptions that are often discarded by long-term care facilities. A Florida law establishing a restocking program in long term care facilities estimates **\$14.1 million** annually in cost savings.<sup>11</sup> In addition, the Food and Drug Administration (FDA) reported that expiration dates of prescription and over-the-counter drugs are often inaccurate, which results in billions of dollars wasted annually on drugs that are discarded too soon.<sup>12</sup> Congress should work with states to establish a uniform drug restocking standard that will maximize the cost savings of unused prescription drugs. Studies could provide more accurate expiration dates of prescription and over-the-counter drugs and report clinical and/or economic benefits for patients.
10. Expand patient care management: A complex medical case requires coordination of treatments, medications and health measures to ensure patients receive appropriate care. Patient care management involves careful monitoring of patients to ensure they follow through on treatment plans and take their medications. One hospital program that utilized patient care management for cardiac disease resulted in an over 50 percent decrease in hospital readmission rates.<sup>13</sup> Another study reported a 75 percent reduction in hospitalization for diabetes. Federally supported health care plans should create incentives for patient care management. In addition, demonstration projects should be established to review patient care management programs.

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<sup>7</sup> California Department of Health Services Tobacco Control Section. *California Tobacco Control Update*. August 2000; 1-9.

<sup>8</sup> Prevention Makes Common Cents. U.S. Department of Health and Human Services. 2003.

<sup>9</sup> NGA Center for Best Practices (2003). "Disease Management: The New Tool for Cost Containment and Quality Care." *Issue Brief* (Washington, DC: NGA).

<sup>10</sup> Center for Health Transformation. Remarks by Newt Gingrich at the National Press Club. Transforming Medicaid. MedImpact. August 2005.

<sup>11</sup> National Conference of State Legislatures. Recent Medicaid Prescription Drug Laws and Strategies, 2001-2004.

<sup>12</sup> Cohen, Laurie. Drugs Frequently Potent Past Expiration. *The Wall Street Journal*. March 29, 2000.

<sup>13</sup> Washington Hospital of Pennsylvania. Cardiac Care Management Program. 2004.