

Health-cost concessions cheered

By James Thalman

Deseret News - Published: Monday, May 11, 2009 10:26 p.m. MDT

The chorus of cost concessions by U.S. medical care providers, drugmakers, device manufacturers and insurers who hadn't made a peep about system reform before Sunday received warm welcomes Monday ranging from President Barack Obama to those in charge of Utah's health-care reformation project.

After the companies voluntarily offered \$2 trillion in cost reductions over 10 years, Obama pronounced it "a historic day, a watershed event." The savings, he said, "will help us take the next and most important step — comprehensive health-care reform."

Regardless of claims that the industry offered the reductions just to stave off being forced to do something about spending, it was good news to reformers who had regarded those inside the system as noticeably absent from the reform debate so far.

The industry group noted in a letter sent to the president that if the commitment holds over time, the percentage of the economy health care represents would be held to 18 percent, or \$700 billion in 2019 alone.

By medical spending standards, cutting \$2 trillion (over 10 years) amounts to a small trim in a system that accounts for \$2.4 trillion in yearly spending — more than the national deficit.

The long-term impact and what will ultimately be saved is debatable, "but it's clearly a step in the right direction," said Judi Hilman, executive director of the Utah Health Policy Project, a research and advocacy group.

"I'm surprised frankly by the low percentage of the commitment," Hilman said, noting that the amount is more than offset by health-care costs that continue to rise at more than twice the rate of inflation and by insurance premium costs that are set to double again in less than five years.

At the same time, cutbacks continue in the number and type of care insurance will cover.

"Then again, it's exciting that such a broad-based group of stakeholders are apparently interested in at least trying to get the ship pointed in the right direction."

Utah is much better off than most other states, Hilman and others said Monday. Medical costs run about a third less than charges for similar procedures elsewhere, and treatment generally improves the health of consumers.

The commitment by the industry was short on details and didn't address the main driver of health-care spending — waste.

Any step toward containment helps, said Dr. Brent James, an administrator with Intermountain Healthcare and an internationally recognized authority on medical care spending. They're anything but contained now, and they won't even be slowed unless both the industry and reformers do something about the waste in the system, he said.

Some experts say the system easily wastes 20 to 30 percent of the money on redundant testing, surgical do-overs and clunky information technology that creates unnecessary red tape and stress, both for consumers and providers. James says a waste level of around 50 percent is closer to reality.

Whatever the waste and cost level, virtually every family and every business that provides a family's income can no longer deny that something has to be done, said Ron Pollack, executive director of Families USA, a health-care consumer advocacy group that keeps close tabs on the course and cost of American health care.

However, Pollack said, if the savings described Monday truly occur, "this may be one of the most significant developments in promoting meaningful health-care reform."

"These savings would cut projected health-care costs for families and businesses, and they would enable adequate subsidies to be offered so that everyone has access to high-quality, affordable health care."

The idea that the industry is recognizing that it needs to share responsibility, especially fairly early in the federal reform process, is a significant step toward developing the consensus necessary to make serious, lasting changes, he said.

Contributing: Robert Pear, New York Times News Service