Slowing the Growth in Health Care Costs
Advancing the Bending the Curve program to slow health care spending and improve value

SUMMARY
In 2009, the Engelberg Center for Health Care Reform, housed at the Brookings Institution in Washington, began producing a series of reports on how the nation could bring the rising cost of health care into line with the rest of the economy. With funding from the Robert Wood Johnson Foundation (RWJF) in 2012, the project produced a third report, entitled Person-Centered Health Care Reform: A Framework for Improving Care and Slowing Health Care Cost Growth.

The report—authored by a panel of 18 health care policy experts from different institutions and areas of expertise (academic, nonprofits, law, management consulting, politics, etc.)—proposes a framework for health care reform that focuses on achieving better health and health care for each person, while slowing the growth of costs. (See the Appendix for a list of the report authors.)

Key Recommendations
- Instead of paying for each service performed, Medicare should adopt a capitated system that pays for each patient treated, with incentives to ensure quality care.
- Reform Medicare benefits to support more comprehensive care and lower costs and, for seniors choosing private health insurance, promote competition to provide high-value health care.
- Instead of negotiating individual waivers from Medicaid rules with states, transition Medicaid to a person-centered approach that will promote state Medicaid reforms.
- Align Medicaid reforms with other initiatives and funding mechanisms to facilitate care continuity and improve efficiency for lower-income individuals.
- Limit the exclusion of employer-provided health insurance benefits from taxable income by imposing a cap that would grow at the same per-capita rate as federal subsidies in Medicare and/or the insurance marketplaces.
- Encourage employers to drive innovative reforms in health care, and promote insurance market competition that encourages lower-cost, innovative health plans.
**Estimated Net Savings**

The authors estimated that the recommended reforms (see complete list under Recommendations) would achieve $300 billion or more in net federal savings in the next decade, as well as provide substantial resources for supporting the transition to Medicare Comprehensive Care.

**Funding**

RWJF supported this project through a grant of $149,969 from June to November 2012.

**CONTEXT**

Health care costs in the United States have been growing faster than the economy as a whole, outstripping economic growth by an average annual rate of 2.4 percentage points from 1970 to 2010, according to a 2012 report by the Henry J. Kaiser Family Foundation.\(^1\) While health spending growth was expected to slow somewhat in future years, it is expected to strain both government budgets and the broader economy in coming decades.

In 2009, the Engelberg Center for Health Care Reform at the Brookings Institution launched its Bending the Curve project to recommend ways to bring health spending in line with the broader economy going forward. Its first two reports were:

- **Bending the Curve: Effective Steps to Address Long-Term Health Care Spending Growth,**\(^2\) published in 2009, argued for reforming payment systems, regulations, and institutions to ensure that patients consistently get the best quality care at the lowest cost.

- **Bending the Curve Through Health Reform Implementation,**\(^3\) published in 2010, updated the recommendations of the first report in light of the newly passed Patient Protection and Affordable Care Act.

RWJF supported the development of the first report by providing $32,775 under a contract\(^4\) to the Brookings Institution to hold a conference on health care costs in 2009.

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**RWJF’s Interest in This Area**

For many years RWJF has funded a variety of research projects focus on cost and value. For example, its program *Changes in Health Care Financing and Organization*\(^4\) has recently funded projects such as:

- Exploring hospital pricing under Medicare Advantage and traditional Medicare to generate lessons for Medicare costs and policy options (ID# 70479)
- The patient and system benefits of value-based insurance design (ID# 67461)

Another program that includes cost of care in its focus is *State Health Access Reform Evaluation*, which has funded projects such as:

- Achieving the Triple Aim in Medicaid: Evaluating the Access, Quality, Health and Cost Impacts of Coordinated Care Organizations in Oregon (ID# 70160)
- Understanding Health Insurance and Policy Using Massachusetts Health Reform (ID# 70162)

In addition, RWJF has recently made many grants outside of national programs that have focused on cost.

**THE PROJECT**

This project supported the development of a third Bending the Curve report. The Engelberg Center convened a panel of 18 health care policy experts from different institutions and areas of expertise (academic, nonprofit, law, management consulting, politics, journalism, etc.) to draft the report. See the Appendix for a list of members.

The group met once early in the project to outline the main ideas to be included in the report, and continued to work together through conference calls and emails until the report’s completion.

The resulting report, *Person-Centered Health Care Reform: A Framework for Improving Care and Slowing Health Care Cost Growth*, focused on addressing cost problems by improving care through what the authors called “person-centered care.” Project Co-Director Mark B. McClellan, MD, PhD, MPA, explained the approach in a blog post on the Brookings website:

> ...biomedical innovation using genomics, systems biology, information technology, and innovative and convenient ways to deliver care holds

\(^4\) ID# 65109-004

the potential for much more effective, personalized care—if we can afford to develop and use it. That’s not the case so far: patients often do not get treatments we know to be effective, innovative treatments and ways of delivering care are hindered by payments that are tied more to the site of services and what we’ve paid in the past than the value of these treatments for particular patients, and we often pay more for complications than for the coordination of care and person-focused support that could help health care providers and patients get much better results for the money they spend.

The Brookings Institution hosted a public briefing with co-authors Governor Michael Leavitt, Senator Tom Daschle, and Mark McClellan, MD, PhD, on April 29, 2013, to unveil the report. A separate executive summary is also available. See the Bibliography for details.

RECOMMENDATIONS

The report makes the following recommendations:

Reforms for Medicare

- Instead of paying for each service performed, Medicare should adopt a capitated system, dubbed Medicare Comprehensive Care, which provides payment for each patient treated. Quality and performance standards would have to be met for full payment.

- Reform Medicare benefits to support more comprehensive care and lower costs. This should include out-of-pocket maximums and reforms in copays and deductibles to encourage patients to seek better, more cost-effective care.

- Reform Medicare Advantage, which allows seniors to enroll in private health plans, to encourage those plans to compete to provide high-value health care.

- Use Medicare savings from these steps to reform physician payments in traditional Medicare and support the transition to Medicare Comprehensive Care.

Reforms for Medicaid and Care for Vulnerable Populations

- Instead of negotiating individual waivers from Medicaid rules with states, transition Medicaid to a person-centered approach that will promote state Medicaid reforms.
• Align Medicaid reforms with other initiatives and funding mechanisms to facilitate care continuity and improve care efficiency for lower-income individuals.

• Make permanent and expand the “Financial Alignment Demonstration” for beneficiaries eligible for both Medicare and Medicaid. The demonstration is testing ways to integrate health care and long-term services and supports for people eligible for both programs.

**Reforms for Private Health Insurance Markets and Coverage**

• Limit the exclusion of employer-provided health insurance benefits from taxable income by imposing a cap that would grow at the same per-capita rate as federal subsidies in Medicare and/or the insurance marketplaces.

• Encourage and support employers to drive innovative reforms in health care coverage and delivery.

• Promote insurance market competition that encourages lower-cost, innovative health plans and provides appropriate incentives for state regulation.

• Facilitate the creation of stable health insurance markets for individuals and small groups by taking steps to encourage broad participation in a more affordable insurance system.

**System-wide Efficiencies**

The report also recommended administrative changes to:

• Support higher-value care

• Improve cost and quality transparency

• Promote effective antitrust enforcement

• Promote more efficient state medical liability systems

• Address outdated licensing barriers

• Encourage states to implement system-wide reforms

**Estimated Net Savings**

The authors estimated that the above reforms would achieve $300 billion or more in net federal savings in the next decade, as well as provide substantial resources for supporting the transition to Medicare Comprehensive Care.
LESSONS LEARNED

1. In projects that require collaboration with many authors, allot enough time to schedule all parties for meetings and subsequent work. Creating deadlines can also help achieve accountability for tasks. (Project Co-Director McClellan)

2. After the grant closes, follow up with collaborators and stakeholders to ensure that ideas are being transformed into actionable policy through outreach and education. In large, comprehensive projects such as this, McClellan suggests that it may be more practical to take a “piecemeal approach,” focusing on issues that have been most favorably received (in this case, the proposed Medicare reforms) rather than attempting to promote adoption of the entire framework.

AFTERWARD

The project team continues to conduct outreach and education activities to further promote the reforms recommended in the report.
APPENDIX

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(Current as of date of the report; as provided by the grantee organization; not verified by RWJF; items not available from RWJF.)

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Communication or Promotion