

Trimming US health care spending will require new approaches, study finds

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Slowing the growth in U.S. health care spending will most likely require adoption of an array of strategies as well as an improved approach to moving promising strategies into widespread use, according to a new analysis by the RAND Corporation.

The most-promising option for curbing health care spending is changing the way doctors and hospitals are paid to provide care, but implementing such a system must overcome significant obstacles in order to be successful, according to the study published online by the *New England Journal of Medicine*.

Researchers say other promising approaches to slow health care spending include adoption of [electronic health records](#), programs to better-manage [chronic diseases](#), strengthening patients' use of primary care and encouraging wider use of lower-cost providers such as [nurse practitioners](#) and settings such as retail health clinics.

"Our analysis shows it is possible to reduce spending on health care services, but there are many barriers that first must be overcome," said Elizabeth McGlynn, a study co-author and associate director of RAND Health. "The nation's [health care system](#) needs to improve its ability to evaluate and adopt promising cost-saving strategies in the future."

The study will be published in the Nov. 26 print edition of the [New England Journal of Medicine](#). RAND is a nonprofit research organization.

While slowing rising health care costs has not been a major focus of the ongoing national debate about [health care reform](#), researchers say that finding ways to trim spending is one key to financing programs intended to expand coverage to more Americans.

While there is no widely accepted target for reducing health care spending, RAND researchers decided to see whether promising strategies could slow health care spending enough to bring it in line with the growth seen in the nation's gross domestic product. If such a change could be accomplished, it would allow health care spending to become a fixed portion of the nation's economic output.

RAND researchers reviewed a wide range of research about possible health care cost controls that could target spending in both the private and public sectors.

RAND researchers identified eight options that evidence suggests have the potential to reduce spending and are broadly applicable across the United States. They calculated both a high and a low estimate of the potential savings each strategy might produce over the next 10 years.

"If our optimistic estimates prove true, then [health care](#) spending can be slowed substantially," said Peter Hussey, the study's lead author and a policy researcher at RAND, a nonprofit research organization. "But our lower-bound estimates are far more pessimistic, showing how much uncertainty there is about these approaches."

By far the single most promising approach is bundling payments for medical care, according to researchers.

Under such an approach, doctors, hospitals and other health providers would receive one set fee for treating all aspects of a procedure such as a hip replacement surgery or a chronic disease such as diabetes. Advocates

say such an approach would encourage health providers to eliminate unnecessary care and improve quality in order to get and keep patients healthy.

A similar approach is used by Medicare to pay for hospital care. But simply expanding the approach to pre-admission and post-discharge care for the four major conditions and procedures examined would produce only a small decrease in health spending, according to RAND researchers.

In order to achieve substantial new cost reductions, the payment approach needs to be applied to payments for the treatment of six common chronic diseases, according to the study. Some models of doing so are under development, but they have not yet been tried on a large scale, according to researchers.

Source: RAND Corporation

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