U.S. should look at how other high-income countries regulate health care costs: study

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Structuring negotiations between insurers and providers, standardizing fee-for-service payments and negotiating prices can lower the United States' health care spending by slowing the rate at which healthcare prices increase, according to a Rutgers study.

The study, published in the journal *Health Affairs*, examined how other high-income countries that use a fee-for-service model regulate health care costs.

Although the United States has the highest health care prices in the world, the specific mechanisms commonly used by other countries to set and update prices are often overlooked. In most countries with universal health insurance, physicians are paid on a fee-for-service basis, yet health care prices there are lower than in the U.S.To lower health care spending, American policymakers have focused on eliminating fee-for-service reimbursement, which provides an incentive for performing additional services rather than setting up price negotiations to address the main factor that drives health care spending.

U.S. policy makers emphasize the need to reduce the volume of care that the system provides, but prior research shows that U.S. health care expenditures are higher than in other countries because of the price, not the volume, of services.

The researchers compared policies in France, Germany and Japan where payers and physicians engage in structured fee negotiations and standardized prices in systems where fee-for-service is the main model of outpatient physician reimbursement. They interviewed 37 stakeholders and health policy experts in those three countries to understand the process for creating physician fee schedules and updates, to learn about recent policy changes in physician payment and to identify the remaining challenges in the use of fee-for-service payment to physicians.

"The parties involved, the frequency of fee schedule updates and the scope of the negotiations vary, but all three countries attempt to balance the interests of payers with those of physician associations," said lead author Michael K. Gusmano, lead study author and a professor at the Rutgers School of Public Health and research scholar at The Hastings Center.

Expanding public insurance and creating universal health care coverage for U.S. residents have been popular—even more so during the COVID-19 pandemic. However, addressing the price of health care is crucial for making universal coverage affordable.

The use of fee-for-service physician payment does create issues, but marking fee-for-service as the major cause of high health care spending in the United States is problematic, especially as countries with lower prices and expenditures use fee-for-service systems, while also providing universal health care to its residents. France, Germany and Japan limit the incomes of physicians by standardizing and adjusting the fees they are paid while using a variety of approaches to limit the volume of services provided.

According to Gusmano—who is also a member of the Rutgers Institute for Health, Health Care Policy and Aging Research and Rutgers Global Health Institute—regardless of whether the United States will pursue fundamental policy changes such as Medicare for All or incremental expansion of the Affordable Care Act, both would require that policy makers address health care prices.

More information: Michael K. Gusmano et al, Getting The Price Right: How Some Countries Control Spending In A Fee-For-Service System, *Health Affairs* (2020). DOI: 10.1377/hlthaff.2019.01804

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