Controlling Costs: A Distinction and Our Choice

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Amidst the politicized and polarized debate on health care policy, it is encouraging to know that the goal of this discussion remains unchanged: Republicans, Democrats, conservatives, and liberals all seem to agree that we should be working to create a high-value, high-performance health marketplace with greater access, better quality, and lower cost.

There is also substantial agreement on the causes of our problems with cost, access, and quality. Even otherwise disparate factions generally observe that with a fee-for-service system that rewards volume over value, there is too little transparency, too much unnecessary care, too little coordination of care (especially for chronic illness), too much administrative cost with not nearly enough integration of health IT, too many readmissions, too much emphasis on illness rather than wellness, and too much fraud and abuse.

The ideological differences on how to address these causes hinge primarily on the role of government. The passage in 2010 of the Affordable Care Act represented Washington’s first comprehensive effort to address these causes. Yet it did nothing to end the policy debate that will continue to play itself out in the Supreme Court, the Congress, state legislatures, and throughout the country. Virtually every Republican, including all of the party’s presidential candidates, has vowed to repeal the act. Yet, few alternatives are offered.

Both those on the right and those on the left share the opinion that the cost of federal health programs must be curtailed. But there is very little agreement on how this should be done. Still, there is one principle that I hope would unite all decision makers regarding health cost reduction, and that principle is quite simple. Cost shifting is not cost saving.

Too much cost shifting already occurs in our health care marketplace. It is the way we pay for the uninsured today—by shifting costs onto the insured. It happens when Medicare and Medicaid underpay for provider costs and shift the remainder onto the private sector. Higher copays force beneficiaries to shoulder an increasing share of their health costs.

Policy makers thus have two very clear choices. They can cut and shift, or they can redesign and improve.

Cutting and shifting fails to look at the overall national economic implications of health costs. We have not solved cost problems by shifting them onto someone else. In fact, we exacerbate them in doing so. Recent studies have confirmed that while raising the eligibility age of Medicare to 67 would have some effect in reducing the cost of this entitlement program, it could actually cost the national global marketplace billions of dollars more than would be saved by the federal government.

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The Affordable Care Act has the potential to begin the complicated and elaborate process of redesigning and improving our health infrastructure. Moving from a volume-driven, illness-centric market to one driven by value and wellness would be one obvious improvement. So would the shift from a 19th-century administrative system to one of the 21st century.

As such, let us hope that, in spite of vast differences of opinion regarding the role of government in health care today, by redesigning and improving our health care marketplace, and by choosing not to cut and shift, we can reach the goal to which almost every American aspires: a high-value, high performance health care system that offers greater access, better quality, and lower costs.

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Note: Authored commentaries in this IOM Series draw on the experience and expertise of field leaders to highlight health and health care innovations they feel have the potential, if engaged at scale, to foster transformative progress toward the continuously improving and learning health system envisioned by the IOM. Statements are personal, and are not those of the IOM or the National Academies.

In this piece, Senator Daschle’s discussion of approaches to controlling the unsustainable costs in health care touches on several issues and lessons central to the delivery of care that is effective, efficient, and continuously improving, including the importance of:

- Engaging challenges in health care by addressing marketplace factors in an integrated, systemic fashion.
- Ensuring that efforts actually control or reduce overall costs, not merely shift costs from one payer to another.
- Providing system performance transparency with respect to costs and outcomes.

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