COMMITTEE ON FINANCE
NEWS RELEASE
Max Baucus, Chairman
http://finance.senate.gov

For Immediate Release
July 17, 2008

Contact: Dan Virkstis
202-224-4515

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Health IT, Comparative Effectiveness,
and Geographic Variation of Heath Care

President Eisenhower's Treasury Secretary George Humphrey once said: "It's a terribly hard job to spend a billion dollars and get your money's worth."

Imagine what Secretary Humphrey would have said about $2 trillion! America spends more than that on health care every year. And it's by no means clear that we're getting our money's worth.

America spends more per person on health care than any other industrialized country. America's healthcare spending per person is well over double the average of OECD countries.

And health spending varies widely throughout America. Some states, like Utah or Colorado, spend no more per person than other countries. Other states, like Florida and Louisiana, spend twice as much.

But areas with high spending do not get better health outcomes. The geographic variation in health spending cannot be explained by prices, illness, patient preference, or evidence-based medicine. The system is just wasting money. And the problem is getting worse.

Overuse of services is a striking problem. In high-spending areas, observers find what Elliott Fisher and others call "supply-sensitive services." Those are services like imaging and discretionary surgeries that get used more in places that have more doctors who perform them. These areas often have high ratios of specialists to primary care doctors.

We need to find ways to identify and encourage more efficient patterns of care. One recent study found that if we could reduce spending in medium- and high-cost regions to the levels in low-cost regions, then Medicare spending would fall by 29 percent.

Today, we will explore the causes of geographic variation in healthcare spending. And we will also look at two potential solutions: health information technology — or health IT — and comparative effectiveness research.

–2 more–

Many observers believe that widespread use of IT would improve health care quality and efficiency. Unfortunately, health care has been slow to adopt IT. Barriers such as cost, the lack of return on investment, and the difficulty of successful implementation have slowed adoption. Many argue that the government needs to do more.

More health IT would support health care delivery. Think of what happens when a patient receives treatment. Doctors, nurses, and other professionals must gather, sort, and evaluate information from multiple sources. Sources include patients, their families, laboratories, primary-care doctors, consulting doctors, hospitals, and other providers.

Currently, most healthcare providers collect and transmit information on paper, over the phone, and via fax machines. More advanced information technology could streamline the process of collecting and analyzing the data.

Now, experts disagree about the benefits of health IT. They differ especially about its ability to generate savings in the healthcare system.

But health IT adoption is likely to be a key component of health care reform. If that's so, we need to know what we're getting. And we need to know how quickly we'll be able to reap its benefits.

One of the key drivers of health cost growth is new technology. Medical advances give providers and patients more complex testing and treatment options.

The problem is that we don't know enough about whether the newest and most-expensive interventions actually work better. And we know even less about whether they improve patient care or outcomes.

The geographic variation in healthcare spending may be partly due to information. Providers and patients simply don't have enough unbiased information about treatments. As a result, treatment decisions have a greater chance of being determined by local norms and attitudes than by science.

Comparative effectiveness research can build a better evidence base for medicine. Comparative effectiveness research compares the clinical effectiveness of one medical treatment to another.

For pharmaceuticals and devices, this type of research differs from the reviews now conducted by the Food and Drug Administration. When approving a new drug or device, the FDA compares it to a placebo to ensure that it registers a clinical effect and that it is safe. In other words, the FDA determines whether the benefits outweigh the risks.

Comparative effectiveness research compares one treatment to another, rather than to a placebo.

–1 more–

The results can provide better evidence concerning the best treatment. The results can help in the prevention and management of diseases. And the results can allow patients, providers, and insurers to choose services that provide the most value.

Health IT could facilitate comparative effectiveness research. By making clinical data easier to collect and analyze, health IT systems could support rigorous studies of the effectiveness of different treatments. Health IT could aid in implementing changes in the kinds of care provided. And health IT could help track progress in carrying out the changes.

But who should conduct comparative effectiveness research? Who should pay for it? And what about the idea of a national research institute governed by public and private entities?

Geographic variation in health care spending is a symptom of the inefficiency in our healthcare system. Today we can learn more about this issue. And we can explore strategies for reducing the variation that will pave the way for a more efficient, high-quality system that delivers the right care at the right time.

Yes, it's seems that it's not hard for our healthcare system to spend more than $2 trillion dollars a year. Today we'll look at geographic variation in health spending, health IT, and comparative effectiveness research. And we'll see if we can't find a way to get more for our money's worth.

###