United States Senate
Committee on Finance

Sen. Chuck Grassley · Iowa
Ranking Member

http://finance.senate.gov
Press_Office@finance-rep.senate.gov

Opening Statement of Sen. Chuck Grassley
Hearing: Aligning Incentives: The Case for Delivery System Reform
Tuesday, September 16, 2008

I would like to thank our witnesses for participating in today's hearing. Your thoughts will be very helpful to us as we explore health reform. I think we can all agree that any discussion of health reform must include an examination of our health care delivery system, because we have all heard that our health care delivery system has much room for improvement. We can talk all we want about rising costs, little or no access for millions, and needing to improve quality but if we don't examine the shortcomings in how the system actually delivers health care to people we would be missing an essential part of the picture. For example, patients don't receive the recommended care often enough. And they too often receive unnecessary care. That is a failure of how care is delivered.

Furthermore, for people that have coverage, a large volume of health care services are provided in our system. That is quite evident by the amount we spend on health care. But that doesn't necessarily mean that patients are receiving high quality care or showing improved health outcomes. That too is the result of how our health care delivery system is organized. When you look at the way health care is delivered in the United States it explains quite a lot. Words commonly used to describe how health care is delivered in America include "silos" and "fragmented."

You also hear phrases like "lack of coordination" or "lack of accountability." I've said it before and I'll say it again: we should not be calling our health care delivery system a "system" in the first place. But the system doesn't act this way on its own. The way that we pay for health care drives the manner in which it is provided today. This is the key point – most of the problems with how health care is delivered today are the result of how it is paid for. Look at Medicare, for example. The way Medicare pays many providers provides incentives for quantity rather than quality of health care. So we get a lot of quantity but with quality suffering.

Here is another example. We all talk about how we need better coordinated care. But, there are no incentives in the payment system for providers to coordinate a patient's care with other providers. Since each type of Medicare provider is paid pursuant to a separate payment system, these payment silos result in a fragmented delivery system.

Here is another example of how the financial incentives affect our system. Disturbing reports continue to show the dwindling percentage of medical students who plan to become primary care physicians – perhaps as few as two percent of current medical students, according to a new study

in the Journal of the American Medical Association last week. Lack of sufficient financial incentives for primary care are a significant factor in this decline. Financial relationships between health care providers and the industry are another example of how financial incentives in our system affect the delivery of health care. There have been alarming reports of inappropriate financial relationships between pharmaceutical and medical device manufacturers with physicians. Some industry-physician relationships do play a legitimate role in the development and dissemination of information of new drugs and devices. However, there are many questionable practices that result in inappropriate financial relationships between industry and physicians. And very few of these physician-industry relationships are transparent. They are hidden in the system. These inappropriate financial relationships can provide incentives for physicians to provide inappropriate health care services.

In health care, like with most other things as the saying goes, you get way you pay for. If we want to make the system work better, then we must change the way health care delivery is financed. We have to change the financial incentives in the system until they are aligned with better patient care. We need incentives that will make our health care delivery system a real "system." These incentives should reward high quality and efficient care instead of simply more services of questionable value. These incentives should promote greater emphasis on primary care so that patients have better access to a provider who can coordinate their care. These incentives should encourage providers like doctors and hospitals to work together to coordinate the care of patients as they transition from one setting to another. These incentives should make all providers involved in the care of a patient accountable across the entire episode of care. And they should encourage physicians to involve the patient in his or her own care.

The Medicare Payment Advisory Commission or MedPAC recently made a number of recommendations to Congress on reforming our health care delivery system. Many of these reforms are currently being tested in both the public and private sectors. I look forward to learning more about these reforms during today's hearing. I would also like to hear about the successes and challenges of those innovators who are testing these reforms. And I would especially like to learn more about what Congress could do to foster their development.

I also look forward to hearing about drug and device industry and physician financial relationships and implications these relationships have on the health care delivery system. I believe public disclosure is the best safeguard against inappropriate financial relationships between the drug and device industry and physicians. I proposed such a requirement this Congress in S. 2029, the Physician Payment Sunshine Act. So I am especially interested in hearing more about these relationships and what effect their public disclosure might have on the health care delivery system. Before closing, I would also like to place a number of documents into the record that relate to the practice of medicine and medical research.