



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Aligning Incentives: The Case for Delivery System Reform**

John Donne wrote: No man is an island entire of itself; every man is a piece of the Continent, a part of the main.

But the way that America pays for health care is driving healthcare providers to become islands unto themselves. Fee-for-service payments encourage more patient encounters. And those are driving doctors and hospitals to become so many separate islands, in a far-flung archipelago of care.

Patients are largely left at sea. Patients are left on their own, to navigate between providers.

As a result, patients receive duplicative tests. They receive inadvisable prescriptions. They undergo surgeries costing thousands of dollars, only to be ignored after they leave the hospital.

And as a result, Americans waste more than 30 cents of every healthcare dollar on unnecessary and poor-quality care. That amounts to more than \$600 billion dollars a year. That's one-third more than we spend on the entire Medicare program.

That waste is simply unacceptable. It's unacceptable to American taxpayers. It's unacceptable to employers. And it's unacceptable to patients, who expect more for their hard-earned dollars.

We need to refocus our system, and our dollars, on coordinating patient care. In patients' many trips between separate caregivers on their isolated islands, money is being cast away.

Today, we explore promising approaches to better integrate healthcare providers into a system that is truly patient-centered. And we consider how the ways that we pay for care could help to bring about the reforms that we seek.

I have seen great successes in my home state of Montana. For example, the Billings Clinic is part of the Medicare Physician Group Practice demonstration program. This program is testing a payment method that measures and rewards quality. And it shares with providers the savings that they achieve through better care coordination.

The program recently released the results of its second year. All ten participants demonstrated improved quality. And most participants generated savings, through disease management and other techniques.

I'm glad that Dr. Glenn Steele is here today, because Geisinger Health System also part of that program. Billings Clinic and Geisinger demonstrate that we can achieve real system integration, even in rural areas.

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Another strategy to improve integration is to take forceful steps to reduce avoidable hospital readmissions. Readmissions are occurring at an alarming rate. For example, nearly one in every five Medicare patients discharged after treatment for heart failure returns to the hospital within 30 days. Those readmissions cost Medicare and the American taxpayer nearly \$1 billion a year.

Reducing the number of these potentially avoidable hospitalizations would greatly benefit patients. And it would yield substantial savings, as well.

Another area of concern is access to primary care. The Dartmouth Atlas tells us that areas of the country with higher proportions of primary care physicians spend less on health care. And patients get the same or better care.

Barbara Starfield of Johns Hopkins University has reported that people with a primary care physician have one-third lower costs of care. And they are nearly one-fifth less likely to die from their conditions. People are dying, because they do not have a primary care doctor.

Unfortunately, when it comes to the supply of primary-care doctors, America lags well behind other industrialized nations. Only 36 percent of our physician workforce is primary care. In Australia, 56 percent is. So it's not surprising that Australia spends about half as much per person on health care as we do. And yet Australians can expect to live more than three years longer than Americans.

Fortunately, there is some cause for hope here, too. Physician groups, the business community, and more recently, patient and consumer groups have worked diligently on proposals that would reward high-quality delivery of primary care.

And doctors' offices can help achieve the kind of coordinated care that patients need. They can do so by adopting health IT. They can employ midlevel practitioners who can follow-up with patients. They can implement clinical registries. And they can employ other strategies that work.

MedPAC has endorsed the testing of the patient-centered medical home model. And MedPAC went further to recommend paying more for primary-care services delivered by primary-care providers. We need to increase the value that our healthcare system places on primary care.

Today, we will also explore the relationship between doctors and drug companies and other manufacturers. Doctors provide an important service by assisting with the development of clinical protocols and researching new drugs and devices.

But when physicians have financial relationships with manufacturers and facilities, it can compromise their independence and objectivity. Payers, plans, patients, and the general public deserve to know of these potential conflicts of interest. And additional information should be gathered to examine the effect that these conflicts may have on referral patterns and the volume of services.

And so, let us find ways to connect health care's separate islands. Let us stop casting dollars on the waves, as patients travel along a far-flung archipelago of care. And let us see if we can land on a system that centers health care where it belongs, with the patient.

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