**Hearing Statement of Senator Max Baucus (D-Mont.)**
**On Making Medicare and Medicaid More Efficient and Affordable**
*As prepared for delivery*

President Abraham Lincoln once said, "The best way to predict your future is to create it."

In 2009, we didn't like the future we saw for a health care system based on a fee-for-service payment model. Doctors and hospitals were getting paid for the amount of care delivered, instead of how well they delivered care to patients.

So in the Affordable Care Act, we created new and better ways to deliver health care, save taxpayer dollars and improve patient care.

Medicare and Medicaid, in partnership with the private sector, are now working to create the roadmap for the future of health care delivery. And we're here today to make sure they're on the right track.

Since we enacted the Affordable Care Act, health care spending has grown at the lowest rate in the 52 years since records have been kept.

According to the Congressional Budget Office, spending on Medicare and Medicaid last year was five percent lower than they predicted just two years before.

And by 2020, spending on both programs is projected to be 15 percent less than originally anticipated.

There's a clear slowdown in health care spending. But we need to do more, and do it faster, to change the way Medicare and Medicaid pay for health care.

At a hearing I held on Tuesday on how to boost the country's economic outlook, we heard from leading economists Douglas Holtz-Eakin and Bob Greenstein that the number one way to reduce health care spending is to end fee for service.

Everyone agrees that fee for service drives volume, excess, and waste. We know this way of paying for health care encourages the wrong things. That's why health reform changed the incentives for providers. And Medicare and Medicaid are testing different programs to determine which work best.

In October, Medicare rolled out a program with a simple yet revolutionary premise. Medicare is going to pay hospitals to get the job done right the first time. Hospitals are penalized if patients are readmitted too soon after being discharged.

Communities from Montana to Maryland are rising to the challenge.  In Missoula, Montana, the local aging services agency is partnering with Medicare on care transitions.

Under this program, patients at high risk for readmissions to one of the two local hospitals in Missoula will get extra help making the transition from the hospital back into the community.

Today we will hear about new data showing a significant first step in bending the curve on Medicare hospital readmissions.

The rate for Medicare patients returning to the hospital for treatment has fallen by more than a full percent over the past several months after being firmly stuck for years or decades.

Medicare and Medicaid also implemented a new program in October that pays hospitals more for delivering better care and penalizes them financially for poor outcomes.

For those outside of health care, this idea will not sound revolutionary.  It makes sense.

When you take your car to the repair shop to get the brakes fixed and they break the windshield, you shouldn't have to pay for the broken windshield.

Starting in October, hospitals can be penalized if you go in with a heart attack and the hospital is responsible for giving you a surgical infection.  And hospitals can be rewarded for good customer service and patient care.

That means doctors and nurses share information and tests, explain medications, and develop a plan of coordinated care for a patient leaving a hospital.

We need to get more value out of each taxpayer dollar spent.  But we also need to help providers work better together and coordinate care.  Medicare and Medicaid need to reimburse hospitals, doctors, and nursing homes to keep patients healthy.  Accountable Care Organizations are starting to make this happen.

In Medicare, almost 300 Accountable Care Organizations  – including in Billings, Montana – have teamed up to serve more than four million beneficiaries.

In these organizations, doctors, hospitals, and other providers work together to give patients coordinated care.  The providers make talking to each other a priority, and they work to ensure patients get the right care at the right time.

Medicaid has also come to the table to provide new solutions to the cost challenges facing states.  Medicaid beneficiaries in Minnesota will be among the first to participate in a new Integrated Care Model that will link patient outcomes and experience to payments.  Providers will be held accountable by sharing in the savings and losses for the total cost of care.

My state of Montana started a program to lower diabetes and cardiovascular disease in its Medicaid population.  The goal is to help participants lose weight and keep it off, which makes them healthier and reduces costs in the Medicaid program.

We need Medicare and Medicaid to support these state efforts and offer flexibility to test innovative ideas.

I look forward to examining the progress Medicare and Medicaid have made, learning what has worked, and finding ways we can do more quickly.

So let us listen to President Lincoln and realize that we are in charge of creating our future, let us do more to lower costs and improve quality within Medicare and Medicaid, and let us create the future of health care delivery.

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