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Having a Broader Conversation About Healthcare Spending

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Over the past decade, creative thinkers in government, industry, and academia have grappled with one of healthcare's biggest challenges: how to slow the pace of spending while improving access to care. Their efforts have led to changes in public policy and spawned experiments in value-based contracts and other novel payment and delivery models.

By some measures, their efforts have paid off, as hospital systems, biopharmaceutical companies, health insurers, and clinicians have tested the new models, sometimes supported by government agencies. A dip in healthcare utilization is also playing a role. Recent government projections for growth in annual net expenditures, approximately 5.6% through 2025, are slightly lower than earlier estimates.[1]

On the surface, these trends seem encouraging. But what if it turns out that spending projections are down because families hit with higher insurance premiums and coinsurance are skipping doctor appointments or leaving prescriptions unfilled? In that case, we can't honestly say that these efforts have been successful.

That's why it's time for us to have a broader, more honest conversation about healthcare spending. This may include striving to answer some daunting questions about how much spending is too much—or, is it worth the investment should the new spending prove to be of high value to patients? Healthcare isn't unique. Our elected leaders have had similar conversations around spending on our nation's defense in the past, and they will in the future as well. As part of this exercise, we must also consider which metrics or measures of health and longevity are reasonable and sensible for our society.

As a start in this direction, we can begin to elevate both the content and tenor of our national discussions about healthcare. Until now, too many of our conversations have focused on how to spend less, not necessarily on how to spend better. We gravitate toward policy proposals that employ blunt instruments such as arbitrary caps on prices or limits on spending in various sectors.

There are 3 problems with this way of thinking. First, not all care is created equal. If we can effectively squeeze out waste, whether it's unnecessary administrative costs or expensive and ineffective interventions, we can allocate resources to treatments that deliver better outcomes. The National Academies of Sciences, Engineering, and Medicine, for example, claims that we spend $750 billion annually on low-value care or waste.[2]

Second, in our minds and our discourse, we often reduce healthcare to specific costs at a point in time rather than talking about a person's lifetime investment in health. Third, we imagine that the tools and treatment options we offer patients today will be the same tomorrow—not realizing that investments in research will soon equip us with new treatments that keep people healthy and could cost far less than today's interventions.

The search for silver bullets that deliver healthcare savings and the general confusion over costs versus investments account for our failure to address structural flaws, such as waste in the system. This is why I stress the need for new discourse among all stakeholders who share a commitment to helping patients. That includes pharmaceutical companies, hospitals, doctors, insurers, caregivers, and all other participants in the healthcare system that serves us today.

In recent years, stakeholders in each of these sectors have squandered precious time and resources on pointing fingers at other segments of the healthcare system. Recognizing that no segment is perfect, we should concentrate on strategies to enhance different areas and commit resources more wisely on what matters most for patients. We also have to recognize that value isn't synonymous with cost savings. We agonize over how to reduce the total bill for healthcare when, in fact, the real value for patients may lie in increased spending in one area and reduced spending in another. For example, with HIV

in the 1980s and 1990s, most health spending occurred in the hospital or for palliative or hospice care. Today, HIV is being treated successfully with medications. Overall costs of treatment may not have come down, but health improvements have been dramatic.

With this in mind, last fall the National Pharmaceutical Council (NPC) issued a request for research proposals that looked at fundamental needs driving healthcare policy. In response, organizations submitted ideas that could help shift national discussions of value in more fruitful directions. Within this context, it's permissible to ask whether there are reasonable limits to healthcare spending and, if so, how they should be defined.

To answer such questions, we need a better window into healthcare economics, including how investments in biopharmaceutical innovation today may affect future net spending. The impact may be highly positive if pharmaceutical advances reduce the need for costly in-patient procedures, as history suggests they will. If, at the same time, innovations prolong life expectancy, we will be confronted by a whole different set of cost calculations. The sooner we lay the groundwork for these trends in health care economics, the better.

Innovation has certainly improved prospects for patients. Therapeutic advances between 1991 and 2011 contributed to a 22% decline in overall cancer deaths during that period.[3] I believe this positive trend will continue. Over time, we should see fewer deaths from liver cancer (thanks to drugs that cure hepatitis C), lower mortality from blood malignancies (thanks to gene therapies that prime the immune system), and fewer cases of cervical cancer (as more young people are vaccinated to prevent human papillomavirus infections). Someday we will see sophisticated economic impact analyses of these trends. At the very least, preventing some forms of cancers can lead to stunning reductions in costs linked to hospitalization, surgery, radiation therapy, and conventional chemotherapy.

But as I said, innovation isn't limited to breakthroughs in treatment. The 21st Century Cures Act puts a spotlight on game-changing uses of real-world evidence, a process innovation involving flows of data from electronic health records, insurance claims, and wearable monitoring devices, among other sources of information. These data streams are able to provide a much clearer picture of how medical treatments help patients in their daily lives. Armed with that information, payers and biopharmaceutical companies are better prepared to design value-based contracts in which reimbursement for medicines is tied more closely to how well the drugs perform in a patient's daily life.

Innovation is also the key to reaping more value from each healthcare dollar spent. Witness the many successful experiments in structuring healthcare benefits to encourage the use of high-value care and discourage low-value care. These experiments include mechanisms that reward medication adherence in patients with diabetes to avoid crises that result in visits to hospital emergency departments (EDs). Overuse of EDs already accounts for $38 billion annually in wasteful spending.[4]

The emergence of tools such as value-based insurance design, which shifts the focus from how many dollars are spent to how well they are used, is critical. Under this same rubric, we should make sure patients aren't penalized financially for using a drug from a different formulary tier if that drug is proven most effective in treating the patient's specific condition.

Whatever trend lines emerge on the computer screens of economists, sociologists, and other healthcare prognosticators, it's clear that driving down prices in one segment of healthcare won't improve medical outcomes for the majority of patients. The challenge is in learning how we can use our resources more wisely. Developing a holistic view of value will help us recognize the impact of today's treatments and it will provide insights that can help direct discovery efforts toward areas of greatest need. The NPC will be talking about these trends throughout 2018, and we invite stakeholders across the healthcare system to join the conversation. ajpb

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