What’s the Problem?

♦ Spending growth rates are unsustainable - 2.5% annual growth faster than the economy (1960-2004)

♦ Lots of problems with patient safety
  95,000 medical errors

♦ Lots of problems with quality
  On average, about half of what’s appropriate
How Big A Problem?

Some historical facts ---

♦ Overall tax rate last 50 years: 18.5% of GDP
  2005: revenue at 17.5%; 2006: 18.3%
♦ Allowing tax cuts to expire adds (only) 2% to rev: 2030
♦ Previous in entitlements handled *not* by raising taxes

Major budgetary challenges ahead!
U.S.: Drugs and Devices

- FDA requires information about safety and effectiveness

But -- only against Placebos

- No such requirements for procedures and treatments
Result: Serious Gap in Knowledge

♦ On *comparative* clinical effectiveness
♦ On *comparative* cost effectiveness

Information is a key requirement for *better value*

Will require *significant* investments

($ billions, not $ millions)
What is Needed...

Information on...

“What works when, for whom, provided by…”

Recognition that “technology” is rarely *always* effective or *never* effective
Information *must be*

♦ Objective
♦ Credible
♦ Timely
♦ Transparent
♦ Understandable
Center Placement

♦ In HHS?
  Separate agency; FFRDC, AHRQ

♦ Free standing agency in Exec. Branch like FTC, FRB

♦ Quasi-Gov’t
  IOM/NRC

“Close…But not too close”
What the Center is *NOT*

- *Not* providing a new coverage requirement imp for practice decisions/reimbursement
- *Not* a decision-making center
- *Not* a cost-effectiveness center

C/E and C/B important, but… should be modeled separately
Incentives Are Also A Big Problem

Medicare --

20 years getting it exactly wrong!

Same reimbursement for best in class and worst in class

(DRGs, RBRVS, Home Care, Nursing Homes)

Physician fee schedule: penalizes efficient docs

Private sector is not much better
Will Better Information, Better Information Systems and Better Incentives --

♦ Improve Values?
  Yes, should improve values

♦ Moderate spending growth rates?
  Don’t know ---

Lots of “one-off” savings but that’s different