

AHIP Board of Directors Outlines Strategies for Reducing Health Care Costs, Implementing Payment Innovations

*Ignagni Article in AJMC Highlights Health Plans' Role in
Delivery System and Payment Reform*

Washington, D.C. – A new [statement](http://ahip.org/Issues/Documents/2013/Bringing-Down-Health-Care-Costs.aspx) (<http://ahip.org/Issues/Documents/2013/Bringing-Down-Health-Care-Costs.aspx>) from America's Health Insurance Plans' (AHIP) Board of Directors recommends a series of strategies to bring down costs and make health care coverage more affordable. These strategies complement the innovative delivery system and payment reform initiatives health plans are spearheading all across the country.

As highlighted in a new [article](http://www.ajmc.com/publications/issue/2013/2013-1-vol19-n4/Health-Plan-Innovations-in-Delivery-System-Reforms) (<http://www.ajmc.com/publications/issue/2013/2013-1-vol19-n4/Health-Plan-Innovations-in-Delivery-System-Reforms>) by AHIP President and CEO Karen Ignagni in the *American Journal of Managed Care* (AJMC), health plans across the country are playing a leadership role in delivery system and payment reform. “Health plans are playing a vital role in reducing the cost of care and improving value by changing how they pay providers. At the same time, they are creating new benefit designs to encourage patients to choose high-performing clinicians and hospitals and take advantage of care coordination and case management for chronic conditions,” Ignagni wrote.

To help ensure these initiatives can reach their full potential, the nation must address key barriers to delivery system reform and embrace the next generation of bold ideas, according to the Board of Directors statement. The statement's recommendations center on a simple, but key principle: "Strategies aimed at addressing soaring health care costs must focus on bringing *total costs* of care under

control. Without such a focus, cost containment aimed at one market segment will simply result in cost shifting to another market with no beneficial impact on the overall health care system.”

The Board recommends three strategies for reducing health care costs:

1. ***Tackling Barriers to Transparency:*** "Action must be taken to eliminate barriers that prevent stakeholders from understanding how markets are (or are not) working. Increased transparency—with a concurrent focus on quality—will lead to greater awareness of the specific market dynamic and give consumers and purchasers a better line of sight into the drivers behind the growth of health care costs in their community as well as an understanding of the impact of dynamics such as provider consolidation."
2. ***Facilitating Benefit Modernization:*** "Today, a range of legal, regulatory, or operational barriers often prevent plan innovations from being realized in local communities. To address these barriers, cost containment strategies must modernize these 'rules of the road' to ensure that innovative plan designs—aimed at decreasing costs while ensuring safe, high quality care—can thrive." This includes re-evaluating scope of practice requirements, accelerating use of Health IT, promoting preventive care and wellness programs, promoting laws or regulations that support innovative delivery structures, and eliminating excessive network requirements that prevent plans from forming lower cost, high quality networks.
3. ***Advancing Bold, Structural Reforms:*** "Strategies to address soaring health care costs need to include fundamental, structural changes in the health care system. Further, action needs to be grounded where health care is delivered today—at the state and local levels." A state-federal shared savings, or "gain-sharing," initiative could be implemented that would allow states to keep a portion of any health care cost savings they generate. "This would direct hundreds of billions in needed incentives to cash-strapped states, while at the same time bending the total cost curve and having a productive impact on the economy as a whole, as well as family, corporate, and government budgets."

In the new AJMC article, called “Health Plan Innovations in Delivery System Reform,” Ignagni builds on these strategies to propose a policy agenda that would support and encourage delivery system reform. This includes the following:

- * Providing greater transparency on what providers are charging for services;
- * Aligning public and private quality measures;
Promoting administrative simplification and meaningful data exchange;
- * Investing in research on what works;
- * Promoting scope of practice laws to allow doctors and other clinicians to practice to the “top of their license”; and
- * Encouraging states to play a greater role in expanding private-public efforts to bring costs under control.

"Making the healthcare system more affordable will determine whether employers can continue to provide coverage, whether individuals can purchase it, and whether important public programs can be sustained," Ignagni wrote.

Ignagni notes that the new payment reforms are not cookie-cutter, one-size-fits-all approaches, but rather tailored initiatives that can support providers at all levels of readiness. The article notes two important distinctions in the new models compared to what was tried in the 1990s. In the new models “there is strong evidence of collaboration between health plans and their provider partners” and that now “both quality performance and cost reduction goals are being negotiated.”

At the same time, health plans are redesigning benefit packages that complement the new payment reforms. Health plans are encouraging individuals who are healthy to stay healthy, incentivizing those who are sick or at high risk to seek treatment, and rewarding patients that choose providers who have a track record of providing high-quality, efficient care. “Strategies advancing *either* payment restructuring or benefit design cannot work optimally if they are working alone,” Ignagni wrote.

To read the full statement from the Board of Directors, click <http://ahip.org/Issues/Documents/2013/Bringing-Down-Health-Care-Costs.aspx> .

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