



May 11, 2009

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We believe that all Americans should have access to affordable, high quality health care services. Thus, we applaud your strong commitment to reforming our nation's health care system. The times demand and the nation expects that we, as health care leaders, work with you to reform the health care system.

The annual growth in national health expenditures—including public and private spending—is projected by government actuaries to average 6.2% through the next decade. At that rate, the percent of gross domestic product spent on health care would increase from 17.6% this year to 20.3% in 2018—higher than any other country in the world.

We are determined to work together to provide quality, affordable coverage and access for every American. It is critical, however, that health reform also enhance quality, improve the overall health of the population, and reduce cost growth. We believe that the proper approach to achieve and sustain reduced cost growth is one that will: improve the population's health; continuously improve quality; encourage the advancement of medical treatments, approaches, and science; streamline administration; and encourage efficient care delivery based on evidence and best practice.

To achieve all of these goals, we have joined together in an unprecedented effort, as private sector stakeholders—physicians, hospitals, other health care workers, payors, suppliers, manufacturers, and organized labor—to offer concrete initiatives that will transform the health care system. As restructuring takes hold and the population's health improves over the coming decade, we will do our part to achieve your Administration's goal of decreasing by 1.5 percentage points the annual health care spending growth rate—saving \$2 trillion or more. This represents more than a 20% reduction in the projected rate of growth. We believe this approach can be highly successful and can help the nation to achieve the reform goals we all share.

To respond to this challenge, we are developing consensus proposals to reduce the rate of increase in future health and insurance costs through changes made in all sectors of the health care system. We are committed to taking action in public-private partnership to create a more stable and sustainable health care system that will achieve billions in savings through:

- Implementing proposals in all sectors of the health care system, focusing on administrative simplification, standardization, and transparency that supports effective markets;

- Reducing over-use and under-use of health care by aligning quality and efficiency incentives among providers across the continuum of care so that physicians, hospitals, and other health care providers are encouraged and enabled to work together towards the highest standards of quality and efficiency;
- Encouraging coordinated care, both in the public and private sectors, and adherence to evidence-based best practices and therapies that reduce hospitalization, manage chronic disease more efficiently and effectively, and implement proven clinical prevention strategies; and,
- Reducing the cost of doing business by addressing cost drivers in each sector and through common sense improvements in care delivery models, health information technology, workforce deployment and development, and regulatory reforms.

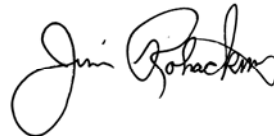
These and other reforms will make our health care system stronger and more sustainable. However, there are many important factors driving health care costs that are beyond the control of the delivery system alone. Billions in savings can be achieved through a large-scale national effort of health promotion and disease prevention to reduce the prevalence of chronic disease and poor health status, which leads to unnecessary sickness and higher health costs. Reform should include a specific focus on obesity prevention commensurate with the scale of the problem. These initiatives are crucial to transform health care in America and to achieve our goal of reducing the rate of growth in health costs.

We, as stakeholder representatives, are committed to doing our part to make reform a reality in order to make the system more affordable and effective for patients and purchasers. We stand ready to work with you to accomplish this goal.

Sincerely,



Stephen J. Ubl
President and CEO
Advanced Medical Technology Association



J. James Rohack, MD
President-elect
American Medical Association



Karen Ignagni
President and CEO
America's Health Insurance Plans



Billy Tauzin
President and CEO
Pharmaceutical Research and Manufacturers of America



Rich Umbdenstock
President and CEO
American Hospital Association



Dennis Rivera
Chair, SEIU Healthcare
Service Employees International Union



Making Health Care More Affordable: Hospital Actions

Better Coordinate Care:

- Hospitals will work to promote the development and adoption of realigned financial incentives to reward care coordination.
- Hospitals will work with payers to test new payment approaches that provide a single amount to provider groups to manage a patient's episode of care.
- Hospitals will work with lawmakers to modernize laws and regulations to allow doctors, hospitals and others to work together in teams or "networks," emphasizing chronic disease prevention and management in health education and training programs. These include Federal Antitrust Laws, Civil Money Penalty Law, Federal Anti-kickback Statutes, the Ethics in Patient Referrals Act (Stark Law) and IRS Tax-exempt Laws.

Today's health care system is fragmented and complex making it hard for patients to get the care they need at the right time and in the right setting. Care coordination is particularly critical for the chronically ill who account for 80 percent of spending on health care but receive only half of all recommended care. When chronic diseases are not appropriately managed, complications can arise leading to the need for emergency care, a hospital stay or a readmission. Care coordination, with the broad participation of various community resources, also can make a difference for patients facing end-of-life care. The Commonwealth Fund estimates that strengthening primary care management and care coordination in the Medicare program alone could save \$60 billion over five years.¹

Achieve Performance Excellence:

- Hospitals will adopt proven methods to improve quality and reduce costs including: surgical care checklists and evidence based practices to reduce central line infections as in the Keystone initiative.
- Hospitals will build upon our leadership in developing initiatives to measure performance and provide this information to the public.
- Hospitals are prepared to move to Value Based Purchasing which will encourage quality improvement and thereby lower costs. Providers achieving targeted score or level of improvement will receive incentive payments.
- Hospitals will work to promote investments at the national level to identify what care is most effective and to create incentives to speed the adoption of these methods in practice.

¹ The Commonwealth Fund Commission on a High Performance Health System. *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*. December 2007.

Hospitals and physicians that achieve top standards in care delivery are shown to reduce patient time in the hospital, avoid complications and readmissions and increase patient satisfaction. Following care guidelines and protocols can reduce variation in care by ensuring patients get only the care they need. Yet these behaviors are not rewarded in our current payment system.

The Michigan Health & Hospital Association created the Keystone Center for Patient Safety & Quality in 2003 to improve patient safety and quality and lower costs by putting research into practice. The Keystone intensive care unit (ICU) initiative shows that actions to improve quality can actually lower costs. This program applies evidence-based practices to reduce healthcare-acquired infections. The center estimates that it has saved 1,800 lives, avoided 129,000 excess hospital days and saved \$247 million from 2004 to 2008 across 76 participating hospitals.² A congressional staff report concluded that the program could reduce costs by \$1 billion annually if it were expanded nationwide.³

Reduce Administrative Costs:

- Hospitals will work collaboratively with health care plans and other providers to reduce administrative costs by standardizing and improving access to up-to-date eligibility and enrollment information, benefits, coverage and cost sharing information as well as simplifying and standardizing elements of the billing claims processing and adjudication process.
- Hospitals will work with payers and other stakeholders to standardize the collection and reporting of quality data.
- Hospitals will work towards a streamlined process for establishing the competency and scope of practice credentials of health care providers.

Today's health care system is choked with paper. Hospitals face duplicative regulations and compliance burdens and a myriad of insurance plans, each with different claims processing and recordkeeping requirements. Health care will be more affordable if health care professionals spend more time at the bedside and less on paperwork. Administrative costs – costs not associated with the delivery of patient care – comprise between \$145 billion and \$294 billion of our nation's annual health care spending.

Speed Adoption of IT.

- Hospitals will push to create interoperable standards for information exchange.
- Hospitals will support the adoption of unique patient identifiers to link people to their health records.
- Hospitals will work with suppliers to create unique product identifiers.
- Hospitals will work with lawmakers to build upon the positive steps in *The American Recovery and Reinvestment Act of 2009* to create incentives for providers, suppliers and insurers to use IT and achieve data connectivity across the continuum.

² The MHA Keystone Center for Patient Safety and Quality, 2008 Annual Report

³ Staff Report to the Committee on Oversight and Government Reform, US House of Representatives, "Survey of State Hospital Associations: Practices to Prevent Hospital-Associated Bloodstream Infections", September 2008

Information technology has increased efficiency in banking, manufacturing, government and other sectors of the economy. It is time to speed adoption of IT in health care to improve patient care, quality and efficiency. RAND estimates that the widespread adoption of IT in health care could yield \$77 billion in annual savings from improved efficiency, but significant upfront investment would be required.⁴

⁴ RAND Health. *Health Information Technology: Can HIT Lower Costs and Improve Quality?* 2005.