The Blueprint For Decreasing The Cost Of Healthcare

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We have done it. We have decreased the increase in the cost of healthcare. Let us explain. For three decades (1980-2009), the cost of healthcare has been increasing each year at an average rate of 7.4 percent — double the rate of inflation [1]. However, over the past three years, the increase in healthcare expenditure [2] has remained at a low 3.1 percent.

Is this decline the desperately-needed bend in the healthcare cost curve, or just the impact of the depressed economy?

Four leading studies [3] point us in different directions. Last month's Kaiser Family Foundation study [4] deduced that 77 percent of the decline was due to the economic downturn and is likely temporary. A report by Robert Wood Johnson Foundation [5] echoed these conclusions.

In contrast, two articles in the [4]May issue of *Health Affairs* [6] point to structural changes such as "less rapid development of imaging technology and new pharmaceuticals, increased patient cost sharing, and greater provider efficiency" as major causes of the decline, suggesting that only 40-55 percent of the decline was due to the economic downturn.

The final answer is probably somewhere in between, with about half of the decrease realized by encouraging changes in the way health care is delivered and the other half due simply to the downturn in our economy. Regardless, it is important to recognize — and celebrate — that the cost curve has bent without collapsing our health care system or being prompted by draconian measures in rationing of health care. Moreover, the decline has not lead to deterioration in our quality measures. In fact they have improved.

Now, the $2.7 trillion question is, "How can we sustain this slower growth over the next decades?"

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