Medical Providers Get 'Homework' To Find Savings

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WASHINGTON (AP) — A homework assignment from President Barack Obama is turning into a credibility test for medical providers.

Obama, once a law professor, has instructed the health care industry to come back with specifics on its pledge to slow rising costs, helping to save the nation $2 trillion over 10 years.

If the ideas are solid enough to persuade government bean counters, Obama could be well on his way to closing a deal with Congress on coverage for nearly 50 million uninsured people in the United States.

If the providers flunk, more than their reputations will be tarnished. Obama will be seen as naive for entertaining such promises.

Experts say the savings are possible — in theory. The problem is getting doctors, hospitals and other medical providers to change years of ingrained habits that lead to much of the wasteful spending in U.S. health care.

"This should not be hard," said Dr. Elliott Fisher of Dartmouth University, an authority on medical costs. "We do not have to assume that slowing spending means we are rationing beneficial treatment."

Crunching Medicare statistics, Fisher and his colleagues found that medical spending varies widely around the country. The real revelation is that people in high-cost areas are no healthier. The researchers concluded that as much as 30 cents of the U.S. health care dollar could be going for tests and procedures of little or no value to patients.

The Dartmouth findings became a sort of financial gospel for Peter Orszag, the White House budget director. He sees health care costs as the biggest long-term threat to the nation's solvency.

That's the central insight behind Obama's cost-cutting assignment to the industry — and called "homework" by White House aides and the groups themselves.

Insurers, doctors, hospitals, drug makers, medical device manufacturers, and a leading health care union took the savings pledge at a White House photo-op a few weeks ago. They said they were ready to do their part to slow projected increases in costs by 1.5 percentage points a year for 10 years, on average.

That's like tapping the brakes to slow down from about 60 miles per hour to under

50.

Skeptics will be watching.

The groups are "working intensively" said Karen Ignagni, the health insurance industry's top lobbyist in Washington.

She said there "clearly" will be savings to the government. Those can be counted toward the costs of covering the uninsured. Employers and families will save, too.

"In many of these areas, we think the savings are quite substantial, across-the-board, economy-wide," she said.

The groups have divided up the homework.

For example, insurers are working on how to reduce administrative costs of filing claims. Instead of having to deal with a different claims system for every insurer, doctors could to use a single Internet portal to handle transactions with all insurers.

Doctors are working on how to translate research about what kinds of treatments get the best result into everyday guidelines for medical practice, said Dr. James Rohack, president-elect of the American Medical Association.

Drug interactions are getting attention, he said. A patient can get into trouble when different doctors, each treating a particular problem, prescribe medications that may not work well together. A reaction can send the patient to the emergency room. Doctors must be trained to look out for such problems and head them off.

"How that can save money is by preventing unnecessary readmissions to hospitals," said Rohack. "The most costly site where patients get care is the hospital."

Hospitals are working on how to reduce readmissions — "do-overs" in which patients wind up back on the ward a few days after they're discharged. "It's a vulnerability for us if we don't tackle it," Richard Umbdenstock, president of the American Hospital Association, told hospital executives during a recent conference call.

These ideas have promise, said costs researcher Fisher.

Medical costs will continue to rise, partly because of an aging population, yet Fisher points out that increases are already more restrained — and sustainable — in some parts of the country.

In the San Francisco area, per person Medicare spending grew 2.4 percent a year from 1992-2006, compared with an average of 5 percent in the Miami area, according to Fisher.

"Spending growth is not a force of nature, like the tides," said Fisher. "It's a consequence of human decision making. Health care cost growth does not have to

behave like the tides if we don't want it to."

The homework is due back in early June.

Associated Press writer Erica Werner contributed to this report.