

# THE OPPORTUNITY TO CREATE A 21<sup>ST</sup> CENTURY MEDICARE SYSTEM OF MORE CHOICES WITH HIGHER QUALITY AT LOWER COST

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## VISION

The House and Senate have passed Medicare bills that could be the building blocks for a dramatically improved Medicare system. This gives us an opportunity to create a Medicare Conference Report that significantly transforms our system of health and health care.

The *right* Medicare Conference Report can save lives, save money, prepare Medicare for the Baby Boomers' retirement, create drug benefits for seniors and substantially improve America's ability to respond to a biological threat.

The *right* Medicare Conference Report can create a Medicare system that is substantially less expensive than the current Congressional Budget Office projections while allowing seniors to stay in the 1965 designed system if they choose. It can offer current beneficiaries better choices with greater incentives that will lead to better health and better care at lower cost.

However, the *wrong* Medicare Conference Report will disappoint seniors, fail to prepare Medicare for the Baby Boomers, increase spending so much that balancing the budget will become impossible, and leave seniors with an error prone, inefficient system of care that kills people and wastes money.

The key to this great achievement is to see the House and Senate bills as building blocks rather than as boundaries.

There are now breakthroughs in information technology, better systems of care, outcomes-based medicine, newer, better designs of insurance, and healthcare programs and, new approaches to individual knowledge, and in responsibility that could rapidly transform our the health system.

These breakthroughs have tremendous potential to transform the system. If these breakthroughs are adopted, these breakthroughs will lead to the

transformation of the rest of the health system, since Medicare is the largest single payer,

With the largest single domestic program change since Lyndon Johnson's "Great Society" of 1965, anything less than this effort will lead to a politically and financially unsustainable outcome.

## TRANSFORMATION AS A FACT NOT A THEORY

Transformation is occurring all around us.

We use automatic teller machines all around the world on a 24/7 basis to get cash from our home bank with very short time lapses between our request and the cash being distributed.

We use self-service gas stations, pay with our credit cards and are increasingly inclined not to check the receipt against our records because we trust the gas pump and the credit card company will handle the data accurately.

On a 24/7 basis we use the Internet to access Travelocity, Expedia, Hotels.com and other sites in order to look up schedule availabilities, prices, and even seating assignments. We can then order and pay for our tickets with remarkable assurance that the system will work. The result has been an engine of downward pricing as consumers learn more and more about pricing and scheduling opportunities. This has prompted an increase in the usage of Southwest, AirTrans, Jet Blue and other lower cost carriers and corresponding difficulties for older, larger, higher cost carriers.

At a personal level, more and more airline passengers find it easier and more desirable to pick up their tickets from an electronic ticket dispenser. Electronic ticketing for domestic flights for Continental Airlines has grown from 82% in June 2002 to 97% in June 2003. In fact, several major airlines have announced that paper tickets will now have to be purchased for a \$25-\$50 fee, and after June 2004 will no longer be available.

Wal-Mart has carried this transformation to a powerful system by insisting that "everyday low prices are a function of everyday low costs." Their

emphasis on value and efficiency attracts 100,000,000 Americans to visit Wal-Mart or Sam's Club each week.

President George W. Bush recognized the power of transformation in 1999, and in a speech at the Citadel called for transforming defense. He specifically appointed Secretary of Defense Rumsfeld to transform the Pentagon, and the results have been breathtaking.

According to Admiral Ed Giambastiani, the combatant commander of the Joint Forces Command, the keys to transformation in defense are:

Knowledge:

- Our forces accessed nearly 40 times the bandwidth available in DESERT STORM.
- In the area of Intelligence, Surveillance, and Reconnaissance, we saw as much as 3 times the information output.
- Ten different unmanned aerial vehicles (UAV) were used in IRAQI FREEDOM ranging from tactical uses to missions covering large areas of the theater—in DESERT STORM, a single UAV was used.
- In DESERT STORM, it took several days for target photos to be processed and get in the hands of the warfighter; in IRAQI FREEDOM we performed the same task in a matter of hours.
- Speed:
  - We saw a *smaller overall force footprint* with increased capabilities close in theater in less than half the time (7 months in Desert Storm and 3 months for IRAQI FREEDOM).
  - These forces were also delivered with greater velocity, requiring less than half the ships while also clearing port much faster.

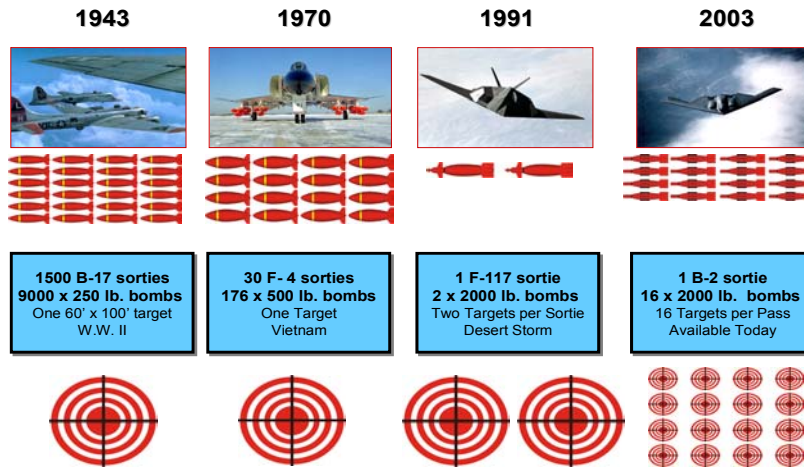
- The increase in knowledge capabilities mentioned above also enabled the speed of operations. Operations were conducted on three separate fronts, often simultaneously.
- We also saw ground forces cover more than twice the ground than DESERT STORM while contributing to the achievement of a far more complex joint mission: the defeat and change of a regime as opposed to the defeat of fielded forces in Desert Storm.
- Precision:
  - In DESERT STORM we had about 30 Special Forces operational detachments working separate missions from the conventional force; in IRAQI FREEDOM, we deployed over 100 operational detachments—and they were often closely wedded to our conventional forces, while in many cases merging the capabilities of ground and air, conventional and unconventional forces.
  - The net result is that we not only had precision munitions launched from air and ground but also “precision decision” to further direct our smart weapons by the combination of Special Operations and Conventional forces working jointly and all armed with new capabilities.
  - Use of those smart weapons increased significantly; about 8 percent of the bombs dropped in DESERT STORM were precision—in IRAQI FREEDOM, it was 66 percent.
  - This exploitation of precision enabled us to drop one seventh of the bombs used in DESERT STORM, but with greater effect.

Effectiveness:

- Only 10 percent of operations in DESERT STORM were even designed to allow integration of air and ground capabilities and even then, they were generally deconflicted. Conversely, IRAQI FREEDOM was deliberately constructed to achieve an unprecedented 98 percent integration of air and ground capabilities—creating a battlefield synergy that overwhelmed our opponent.
- Advances in technology and training also improved our performance; it took an average of 4 aircraft to kill 1 target in Desert Storm; in Operation IRAQI FREEDOM just one of our aircraft could kill 4 targets
- Similar “economies of innovation” occurred on the ground, where the ability to exploit joint fires resulted in nearly a two-thirds reduction in the 774 artillery systems used in DESERT STORM.

The point in a nutshell is that our traditional military planning, and perhaps our whole approach to warfare has shifted.

## Transformational Increases In Defense Productivity



Imagine applying the same scale of improvement we used in defense over the last 12 years to health and healthcare. Imagine applying an identical the ease of ordering an airline flight and picking up an electronic ticket to health and healthcare.

Transformation is all around us, but it has been particularly difficult to implement in the health zone as health is too disorganized and decentralized to be a system.

## TRANSFORMATION AND HEALTH

The efforts to avoid transforming health and healthcare and to remain trapped in an inefficient, archaic pattern of obsolescent behavior would seem funny if it were not so expensive in lost lives and wasted money.

Consider recent legislation in Florida which states "... A written prescription for a medicinal drug issued by a health care practitioner licensed by law to prescribe such drug *must be legibly printed*..."

As a transformational contrast to teaching doctors to print legibly, consider the Tufts decision to move to electronic prescriptions. Tufts University just issued free BlackBerrys to 5,000 doctors in their network, enabling them to do e-prescribing. This will impact prescriptions written for its 890,000

members. The contrast between the 20<sup>th</sup> century of healthcare delivery and the 21<sup>st</sup> century is very blatant in these approaches.

The impact of electronic prescribing and electronic health at Brigham and Women's eliminated 30,000 phone calls a month, clarifying prescriptions at \$6 a call. This resulted in a total savings of \$180,000 a month and a significant saving in medication errors.

In *Saving Lives and Saving Money* and at the Center for Health Transformation (Healthtransformation.net), we have outlined over 25 examples of systems that work and that are transforming health and healthcare. Each week more examples are brought to our attention.

The question is not IF the health zone could be transformed. It clearly CAN be.

Rather, the question is whether the political system has the will to save lives and save money by insisting on transformation comparable to the changes in aviation, banking, and defense.



TENS OF THOUSANDS OF SAVED LIVES  
SAVING A \$100 BILLION A YEAR

The Administration for Health Research and Quality (AHRQ) reported in June that a series of patient safety initiatives could save tens of thousands of lives and \$100 billion a year.

This report is almost certainly right. Consider the difference in safety in an airline and safety in a hospital.

**You are 2000 times more likely to die going to a hospital than flying on an airplane!**

9/11- Present

<p><b>Number of Hospital Admissions</b></p>  <p>140,000,000*</p> <p><small>*Figure from American Hospital Association</small></p>	<p><b>Number of Passengers Who Have Flown on Major U.S. Commercial Airlines</b></p>  <p>513,495,493*</p> <p><small>*Figure accumulated from traffic figures of the six major U.S. commercial airlines: Delta, American, U.S. Air, United, Continental, and Northwest</small></p>
<p><b>Number of People Who Have Died in Hospitals</b></p> <ul style="list-style-type: none"><li>•140,000* or,</li><li>•1 death for every 1,000 admissions</li></ul> <p><small>*Figure from 1999 Institute of Medicine Report, "To Err is Human".</small></p>	<p><b>Number of People Who Have Died in Plane Crashes</b></p> <ul style="list-style-type: none"><li>•276* or,</li><li>•1 death for every 1,860,491 passengers</li></ul> <p><small>*Figure from NTSB reports since 9/11. Based on U.S. commercial airplane fatalities</small></p>

The Administration for Health Research and Quality is not simply offering generalizations. It has a specific list of reforms that would transform the health system.

**Some reports suggest potential savings ranging in the *tens to hundreds of billions* for these few high value functions.**

<b>HIT Function</b>	<b>Impact on Quality</b>	<b>Impact on Cost/Net Savings</b>
Computerized Physician Order Entry (inpatient)	decrease rate of serious med error by 55%; decrease rate of potential adverse drug events by 84%	Total annual savings range from \$7 to 14 billion (nationally)
Clinical Decision Support Technologies	decrease ordering of drugs that pt. is allergic to; decrease in orders for wrong (ineffective) meds;	↓ antibiotic cost by ~\$200 per hospitalization; lower cost of hospital care (\$26,315 v \$35,283) and shorter hospital stays (10 v 12.9 days)
Automated Medication Dispensing Systems (inpatient)	Significantly fewer missed doses of drugs (↓ 16.9%);	One hospital realized savings of \$1.28 million over 5 yrs.
Bar Coding Technologies	75% decrease in errors caused by administration of wrong meds; 93% reduction in errors from wrong med to wrong pt.	Annual national savings of \$15.3 billion
E-Prescribing in Physician Practices	Decreased medication errors; Improved physician efficiency	One study demonstrated ↓ pharmacy costs of \$1.15 PMPM; 30% decrease in physician to pharmacy phone calls;
Computerized Physician Order Entry (outpatient)	Eliminate 2 million adverse drug events; Avoid 1.3 million office visits and 190,000 hospitalizations	\$27 billion savings in medication expenses (nationally)
Electronic Medical Records (Primary Care Settings)	34% reduction in adverse drug events; 15% decrease in drug utilization; 9% decrease in unnecessary lab utilization;	↓ Spending by \$44 billion per year: Savings of \$86,400 per provider over a five yr period.

## THE INFORMATION SYSTEMS NEEDED FOR BETTER QUALITY, PATIENT SAFETY, AND MEETING BIOLOGICAL THREATS

Clearly, a 21<sup>st</sup> Century Medicare Conference Report has to implement the required information technology changes, as outlined by the Administration for Health Research and Quality.

In addition to saving lives, information systems are the key to the bio-communications system which Homeland Security Secretary Tom Ridge, Health and Human Services Secretary Tommy Thompson, and Center for Disease Control Director Dr. Gerberding have been describing.

The same systems which are needed for national security reasons in cases of epidemics (either natural like West Nile or SARS or manmade) are the building blocks we need for saving thousands of lives through patient safety improvements.

The Medicare Conference Report bill can get both the patient safety and the national security jobs done in the same provision.

## IMPROVING HEALTH, SAVING LIVES, AND SAVING MONEY IN TRADITIONAL MEDICARE

Traditional Medicare was codified into law in 1965 and then encrusted with thousands of pages of regulations. Today many seniors are denied best medical care and best health outcomes because the private sector has evolved dramatically while the incentives and systems in traditional fee for service Medicare have not.

For example, everyone agrees that 5% of the Medicare population creates 50% of the expenses. That means we spend, on average, nearly 20 times as much on the least health senior citizens in Medicare as we do on the healthiest senior citizens. As a general rule, these are people with five to seven disease problems (called co-morbidities). For example, there is general agreement that a combination of health management for chronic disease, co-morbidity management for those with multiple diseases, and specialized healthcare for unique and very expensive problems such as kidney dialysis, would save lives, improve health and save money.

Saving lives through better health and better information is not a theory.

Evercare is a firm which specializes in the least healthy senior citizens in long term care facilities. Most of its patients are over 80 years of age and one-third have Alzheimer's. By putting the entire patient's record in a laptop and having a nurse practitioner responsible for the entire experience of that patient, Evercare improves their lives and saves money. The AVERAGE patient is reduced from 22 drugs a day to six. The result is fewer medication complications and a 50% reduction in hospitalization. Family satisfaction goes up dramatically for patients in the Evercare program write a living will than the norm.

Currahee is a health management firm that seeks to provide health plan sponsors with a proven method of identifying and managing healthcare costs and to provide plan enrollees with proven disease management protocols to manage their disease states. For every dollar spent on disease management

programs, employers realize a return of \$3 to \$5 according to an analysis Pricewaterhouse Coopers. Currahee Health Benefits Solutions is an Atlanta-based company that designs disease management and pharmacy management for employers who are savvy enough to recognize the financial and productivity benefits that come from a healthy workforce. Currahee's programs are designed to manage an individual's disease in the most cost-effective manner, while improving the quality of care and outcomes. The focus of these services is to target individuals with chronic diseases – many of which may be managed in the home and workplace – saving money and time through early intervention, before an acute care situation occurs. Once enrolled in the program, individuals receive benefits such as waived prescription co-pays, free medical equipment, and/or fitness center memberships.

Developing better systems of health management for chronic diseases, ActiveHealth Management is a leading provider of evidence-based clinical information and healthcare quality improvement solutions. The company's clinical and technical team has developed a suite of services that empower providers, health plans, and self-insured employer groups to improve healthcare quality, reduce medical errors, and lower overall medical costs. ActiveHealth's tools provide a return over the program costs of 3-7 times for Medicare and Medicaid populations.

The Medicare Conference Report can include a very powerful series of steps toward health management, co-morbidity management, and specialized care, even in the traditional parts of Medicare. Senior citizens want the best health, the highest quality of life, and the fewest days of illness and hospitalization. Improvements in care which help them live better lives are desirable and not threatening. AARP is strongly in favor of these kinds of changes because it will save the lives of its members and save a lot of money which could be better spent on drug benefits.