



Health, Innovation, and the Economy

John Rother, Group Executive Officer, Policy and Strategy, AARP, United States

Thank you. This is the fifth year that AARP has participated in the OECD Forum, and we are always pleased to exchange ideas with such a distinguished group. This might be especially true on the subject of health care, where the United States has a lot to learn from the rest of the world.

AARP is a non-governmental, non-partisan organization with almost 40 million members who are 50 and older. We believe that people should retain independence, choice and control in their lives as they get older. And we see this as beneficial not only for individuals, but for society as a whole.

An important part of that vision is a health-care system that covers everyone. A system that delivers value and offers everyone the quality that modern medicine makes possible.

That is not the system we have in the United States.

Yet the outlook for health reform is now more promising than any time in the last 15 years.

The problems of coverage, cost and quality are converging in "a perfect storm" that could force long-needed change. What we're seeing is the beginning of a long overdue debate on how to fix the system.

And the focus has broadened. The debate is not just about access. Policymakers and politicians are now talking seriously about the reform of health-care delivery, including better ways to coordinate chronic care.

In the private and public sectors, pilot projects and innovations promise large payoffs in value, and they are being widely promoted.

We also are finally recognizing that the consumer and patient are part of the solution. Patient engagement is key to a high-performing health system. And innovations in technology will play a big role in this development.

Microsoft, Google, and AARP are all actively developing tools for patients to manage their own health, and to become better consumers.

Health care is a big subject in our presidential election campaign, where the candidates have a surprising amount of agreement on ways to re-engineer the system and foster quality.

The problems of our system are also stimulating a greater interest in how other countries deal with health care. More than ever, European health-care models are being discussed in U.S. policy and political circles.

As the New York Times put it in last fall, "The Swiss and Dutch health-care systems are suddenly all the rage."

We also had a nationally televised special that recently showcased health-care policies in five countries of Europe and Asia. These nations all have shown it is possible to cover their whole population -- and to allocate the cost in ways that the public is willing to accept.

One big change in the United States is that business has become an advocate for health-care reform.

Business leaders view the relentless cost increases they pay as harmful to their international competitiveness. This is especially true for older industries, such as autos, where the big manufacturers say that employee health-care costs push up the price of a car by \$1,500.

Overall, the U.S. now spends about \$2.4 trillion a year on health care, or 16% of its entire GDP. And the price tag is rising. We spend 50% more of our GDP on health care than other countries that cover everybody, that have longer life expectancies and better rates of infant mortality.

These concerns have stirred interest in new models of care that are not traditional to the U.S. system.

These approaches may be especially effective for an aging population that is vulnerable to chronic illness. And five diseases now account for 70% of health spending in the United States: diabetes, congestive heart failure, coronary heart disease, asthma, and depression.

One approach gaining popularity is known as the "medical home," which emphasizes an ongoing relationship between the patient and primary care provider. The medical home also stresses coordination of care among various specialists who work as a team. In some ways, this concept is consistent with the Danish style, where general practitioners often play a lifelong role in the care of their patients.

This approach has also proven worthwhile in France, Norway, the UK and other countries, where patients often have lasting relationships with their primary care physician.

In a medical home, a patient's doctor not only provides care but helps the patient navigate the system to find specialized care as needed. It places value on prevention, communication and good decision-making.

And the emphasis on coordination within an inter-disciplinary team makes it particularly helpful for dealing with multiple, chronic conditions – as become common in an aging population.

Researchers are also looking exploring the role non-doctors should play in delivering care to the chronically ill. Such patients benefit from education, emotional support and follow-up visits that are not necessarily handled by a physician.

Innovations in how we pay providers are also gaining interest.

For example, the government next year will launch a pilot project in four states that will bundle the payments for physician and hospital services for cardiac and orthopedic surgery. The goal of the new initiative, according to CMS Acting Director Kerry Weems, is both to better coordinate inpatient care, and to achieve cost savings.

The Medicare program, which provides coverage for senior citizens, also recently reported success in delivering coordinated care to patients with chronic conditions and saving money in the process. This initiative, which is ongoing, involves 5,000 doctors with 224,000 patients in 10 states.

A key to that effort was that doctors helped patients take better care of themselves, with the help of electronic health records.

Information technologies are also prompting new awareness of the role that patients can play in managing their own care, and efforts to increase consumer accountability are definitely on the rise.

There's even a bill in Congress, with bipartisan support, that would lower Medicare premiums for senior citizens who take steps to manage their own health, such as by reducing their blood pressure or their cholesterol or quitting smoking.

The push for reform is also reflected in the political arena.

Both John McCain and Barack Obama support efforts to improve the coordination of care and the management of chronic conditions. They also would put a greater emphasis on prevention, another important area that gets short shrift in the health-care system.

They support efforts to make greater use of information technology. And they both would move toward developing ways to measure quality and make providers more accountable.

The candidates also have some noteworthy differences, as well.

Obama is committed to the goal of universal coverage, starting with children but over time including everyone. McCain has not spoken out on that subject.

Unlike Obama, McCain would eliminate the tax benefit employers get for providing health care coverage, which could cause an unknown number of them to abandon their insurance programs. Instead, he would give workers a refundable tax credit to go out and buy insurance on the individual market.

This proposal represents a potentially huge change in the insurance marketplace. Supporters say it would prompt competition that would benefit consumers. Critics say it's a big risk.

The national debate on health care is just beginning.

But as the United States searches for ways to foster innovation, it seems clear that best practices in Europe are of growing interest.

We're all concerned about rising costs. We all want to preserve and enhance quality. We all are continuing to seek the right financial incentives and best ways to inform consumers and support their decision-making.

The UK's National Institute for Clinical Excellence stands out as an approach to spark innovation and enhance quality. Health-care structures in the Netherlands, Switzerland and other countries that rely on privately organized systems and firm public oversight provide important guidance for U.S. policymakers.

In closing, I'd like to point out that the Congressional Budget Office recently estimated waste in the U.S. health-care system was recently estimated at 5% of GDP. When it comes to wasted economic potential, nothing else compares in magnitude.

But that also means we have an enormous upside, with a great amount of room for savings and for innovation.

I don't mean to suggest that changes will happen swiftly. There are no magic bullets. Meaningful reforms will require changes in law, regulation and – perhaps most difficult – human behavior.

Overhauling the U.S. health-care system will take years.

But with America's growing resolve to address the problem, along with the instructive experience of other countries, I am confident that positive change ultimately will emerge.

As Winston Churchill once said: "You can count on Americans to do the right thing – but only after they've tried everything else."