



## REFORMING HEALTH CARE TO SAVE MONEY AND DRIVE QUALITY

*Five months ago, Governor Gregoire asked a group of business, nonprofit and government leaders to help her transform Washington government. She posed eight questions to guide the committee's deliberations. Using its advice and input from citizens across the state, the Governor recommends the following actions to reform the state health care system to hold down costs so we can invest those savings in essential services. Her proposals address the questions "Are there more cost-effective, efficient ways to do the activity?" and "Can the activity be the subject of a performance contract?"*

In the past decade, the amount Washington state pays annually for health care has doubled to more than \$5 billion — a rate of increase that dwarfs any other part of the state budget. As an employer, we provide health care to more than 335,000 public employees, retirees and their family members. An even greater percentage of our budget is dedicated to the care of 1.3 million low-income children and adults through Medicaid and other programs. Spending on health care substantially hinders our ability to invest in such essential services as education and public safety — each dollar spent on health care is a dollar not available for anything else. And it's not just critical public services that are being squeezed. Individuals, families and businesses are also overwhelmed by health care costs.



And this is true in a state that is among the national leaders in containing costs and promoting high-quality health care. Innovations such as our "generics first" prescription drug initiative and first-in-the-nation Health Technology Assessment Program, both of which deliver the safest, most appropriate care for every dollar spent, have helped hold down the costs of our Medicaid program. We have an exceptional track record in Medicaid, with per-person costs rising just 2.6 percent a year. This compares to a national average of nearly 4 percent a year, which is expected to exceed 5 percent a year in the coming decade. The cost per person for pharmaceuticals in the Department of Social and Health Services' medical programs is expected to drop during the current two-year budget period, and total monthly expenditures are \$450 million lower than they would be if our total per-person costs were at the national average.

Other examples of savings initiatives and assertive utilization controls that have lifted quality while reducing waste and inappropriate care include:

- » Reducing the number of avoidable Caesarian deliveries, and the accompanying risks to mother and baby.
- » Not paying for hospital "never events," or those adverse occurrences that should never happen in the first place, or for hospital readmissions directly related to a recent admission.

- » Diverting patients from more expensive and less appropriate emergency room care to care in community clinics through pilot projects in four counties.
- » Implementing intensive chronic care management programs for high-needs clients using “on the-ground” care managers, with a focus on individuals with significant behavioral health needs.
- » Monitoring care for clients with a history of overusing high-cost services, such as emergency rooms and prescription drugs, through a Patient Review and Coordination program.

But clearly it is not enough for us to simply continue our current successes. The Governor will be pushing for even more changes in our state’s health care delivery system that will result in higher quality, more affordable care. To facilitate this, and consistent with her intent to reorganize state government to operate more effectively and efficiently, she will introduce legislation in 2011 to consolidate a majority of the state’s health care purchasing into a single agency. This will position the state to use its full purchasing power to get the greatest value for its money, and allow other agencies to focus even more intently on their core mission.

The Governor will also be taking advantage of opportunities provided under federal health care reform — the Affordable Care Act. Following a recent meeting between the Governor and U.S. Department of Health and Human Services Secretary Sebelius, we have launched work with the newly announced Center for Innovation to have our state serve as a pilot in testing models that ramp up quality and tamp down costs. In particular, the Governor is interested in moving aggressively toward a system that pays on the basis of quality of outcomes instead of the number of medical procedures performed, where care is routinely

coordinated to ensure appropriate use of services, and where enrollees take personal responsibility for their own health and for making cost-effective treatment decisions — in other words, real health care reform done by Washington state for Washingtonians.

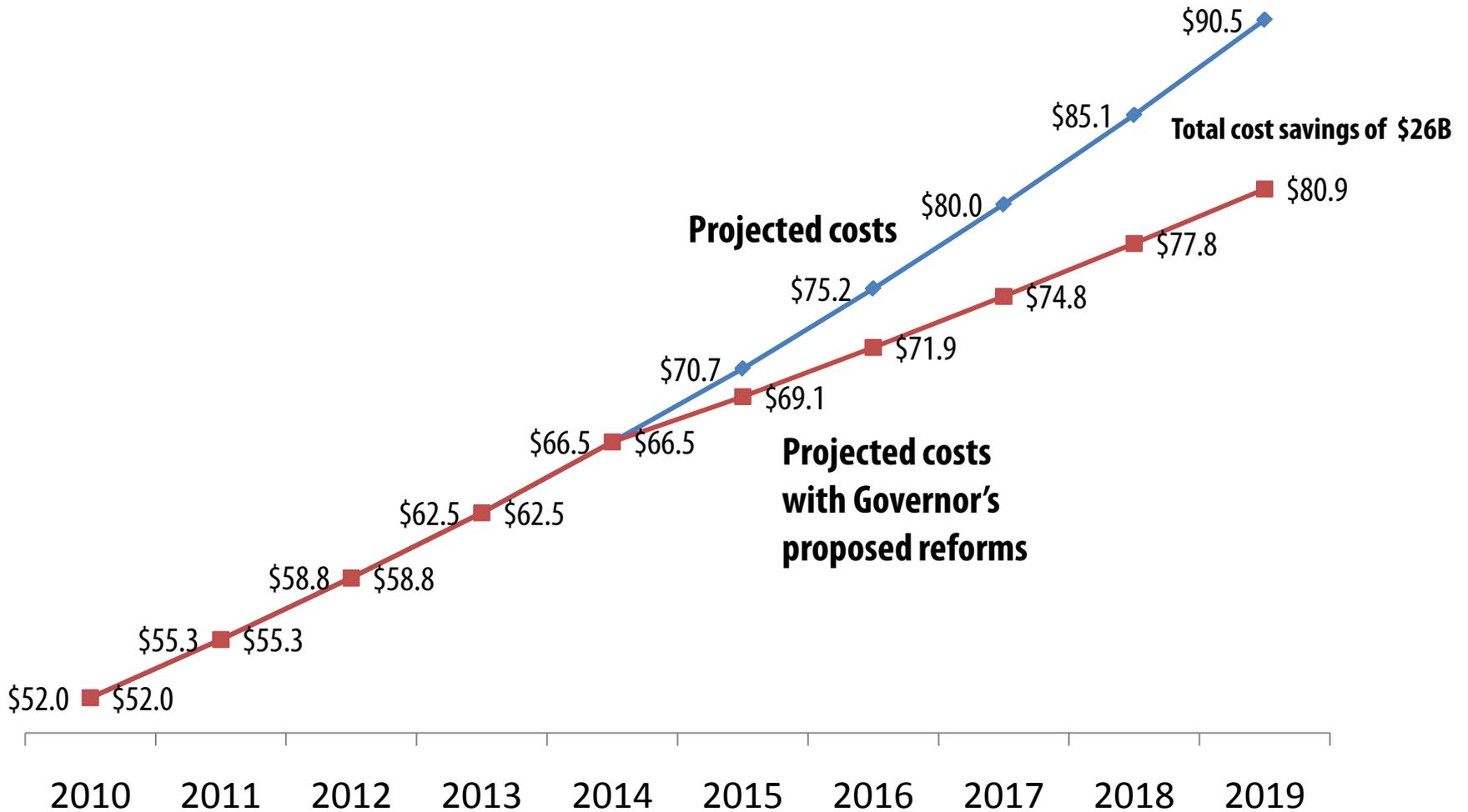
But it’s not enough for our state to pursue health care cost savings on their own. Our goal is to limit the growth of overall health care spending in Washington to between 4 and 5 percent a year by 2014. If achieved, we will save up to \$26 billion over what is projected to be spent in the next ten years.

To fundamentally change the delivery system and achieve this goal of affordable care for everyone, the Governor and state agencies will engage other public and private purchasers, and payers, to identify best practices and amplify those successes through shared and complementary initiatives. For instance, the state could borrow for public employees an idea developed by The Boeing Company that provides better, lower-cost care to those with chronic conditions, or collaborate with other employers to promote payment reform, or demand through performance-based contracts with insurance companies serving state clients that they partner with us in pushing for high-quality, affordable care. This principle will be reflected as the state develops the Health Insurance Exchange, called for in the Affordable Care Act and for which the Governor will introduce legislation in the 2011 session.

By building on what we have already accomplished, and taking full advantage of new opportunities, Governor Gregoire is redoubling her efforts to hold the line on health care costs so that Washington continues asserting leadership in providing high-quality, affordable care to all its residents. It’s sound public policy for our businesses, families and taxpayers.

# Health Care the Washington Way: Saving \$26 billion over 10 years<sup>1</sup>

(public and private spending in billions)



<sup>1</sup> Graph assumes spending increase held to 4.0%.