



COMPREHENSIVE PLAN TO CONTAIN SKYROCKETING HEALTH CARE COSTS

Barack Obama has proposed the most bold and effective effort to reduce health care costs for American families. Expert project that the Obama plan will save the typical American family \$2,500 per year in medical expenditures by investing in commonsense cost-reduction measures like health information technology (IT), prevention and ensuring that all Americans have access to affordable, quality and portable health insurance. The Obama health care plan builds on his successful effort in Illinois to expand health insurance to 150,000 more children and parents, and expose wasteful practices in the health insurance industry through mandating all health care providers publish yearly “report cards” about their spending.

In contrast, John McCain has blocked efforts to reduce health care costs and has proposed the same failed Bush approach for health care reform.¹ John McCain voted against an effort to provide coverage for the uninsured,² and he even joined President Bush in opposing the expansion of the successful State Children's Health Insurance Program (SCHIP).³ And in this campaign, John McCain has advocated radically changing our employer-based health care system, which will leave insurance companies in charge with little oversight or attention to improving Americans' health.⁴ John McCain's deregulation of the insurance industry will not decrease costs for American families, rather his plan is expected to raise administrative costs up to \$20 billion per year⁵ and create “prohibitively high health premiums” for older and unhealthy workers.⁶ By recycling George W. Bush's failed health care policies, John McCain is guaranteeing another four years of record high health care costs and insurance industry profits while more and more Americans lose their health insurance because of skyrocketing prices. Barack Obama is the only candidate with the judgment, record and leadership we need to finally address the health care crisis and reduce health care costs for working families, business and government.

THE OBAMA PLAN TO REDUCE HEALTH CARE COSTS

Barack Obama's health care reform plan will save the typical family \$2,500 every year by:

Ensuring Patients Receive and Providers Deliver Quality Care: Experts agree that several steps should be taken immediately to help patients get the care they need and to help providers improve medical practice.

- **Support disease management programs:** Seventy five percent of total health care dollars are spent on patients with one or more chronic conditions, such as diabetes, heart disease, and high blood pressure. Obama will require that providers that participate in the new public plan, Medicare or the Federal Employee Health Benefits Program (FEHBP) utilize proven disease management programs. This will improve quality of care, give doctors better information and lower costs.
- **Coordinate and integrate care:** Over 133 million Americans have at least one chronic disease and these chronic conditions cost a staggering \$1.7 trillion yearly. Obama will support implementation of chronic disease programs and encourage team care to improve coordination and integration of care.

- **Require full transparency about quality and costs:** Obama will require hospitals and providers to collect and publicly report measures of health care costs and quality, including data on preventable medical errors, nurse staffing ratios, hospital-acquired infections, and disparities in care.
- **Promote patient safety:** Obama will require providers to report preventable medical errors, and support hospital and physician practice improvement to prevent future occurrences.
- **Align incentives for excellence:** Both public and private insurers tend to pay providers based on the volume of services provided, rather than the quality or effectiveness of care. Providers who see patients enrolled in the new public plan, the National Health Insurance Exchange, Medicare and FEHBP will be rewarded for achieving performance thresholds on outcome measures.
- **Comparative effectiveness research:** Obama will establish an independent institute to guide reviews and research on comparative effectiveness, so that Americans and their doctors will have the accurate and objective information they need to make the best decisions for their health and well-being.
- **Tackle disparities in health care:** Obama will tackle the root causes of health disparities by addressing differences in access to health coverage and promoting prevention and public health, both of which play a major role in addressing disparities.
- **Reform medical malpractice:** Obama will strengthen antitrust laws to prevent insurers from overcharging physicians for their malpractice insurance, and will promote new models for addressing physician errors that improve patient safety, strengthen the doctor-patient relationship, and reduce the need for malpractice suits.

Investing in Electronic Health Information Technology Systems: Most medical records are still stored on paper, which costs twice as much as electronic claims. Obama will invest \$10 billion a year over the next five years to move the U.S. health care system to broad adoption of standards-based electronic health information systems. By implementing this effort with comprehensive administrative and treatment reforms, both quality of care and efficiency in our health care system will increase. Obama will ensure that privacy is protected.

Increasing Competition in the Insurance and Drug Markets: The Obama plan will tackle needless waste and spiraling costs by increasing competition in the insurance and drug markets.

- **Increase competition:** The insurance business today is dominated by a small group of large companies that has been gobbling up their rivals. Barack Obama's National Health Insurance Exchange will help increase competition by insurers. His plan will also force insurers to pay out a reasonable share of their premiums for patient care instead of keeping exorbitant amounts for profits and administration.
- **Lower prescription drug costs:** Obama will allow Americans to buy their medicines from other developed countries if the drugs are safe and prices are lower outside the U.S. Obama will also repeal the ban that prevents the government from negotiating with drug companies, which could result in savings as high as \$30 billion. Finally, Obama will work to increase the use of generic drugs in Medicare, Medicaid and FEHBP, and prohibit drug companies from keeping generics out of markets.

Reducing Costs of Catastrophic Illnesses for Employers and Their Employees: Catastrophic health expenditures account for a high percentage of medical expenses for private insurers. The Obama plan would reimburse employer health plans for a portion of the catastrophic costs they incur above a threshold if they guarantee such savings are used to reduce the cost of workers' premiums.

Making Affordable, Quality and Portable Health Insurance Available to All Americans: The Obama plan will guarantee coverage for every American through partnerships among employers, private health plans, the federal government, and the states. The plan both builds on and improves our current insurance system, which most Americans continue to rely upon, and leaves Medicare intact for older and disabled Americans.

¹ Washington Post, 4/30/08, <http://www.washingtonpost.com/wp-dyn/content/article/2008/04/29/AR2008042902706.html?nav=emailpage>

² United States Senate vote #47, 3/11/04, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=108&session=2&vote=00047

³ United States Senate vote #307, 8/2/07, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00307; CNN.com, 10/3/07, <http://www.cnn.com/2007/POLITICS/10/03/mccain.interview/>

⁴ Wall Street Journal, 4/19/08, <http://online.wsj.com/article/SB120855770454527527.html>

⁵ Peter Harbage, "McCain's Hidden Increase in Health Care Costs", Center for American Progress, May 2008, http://thinkprogress.org/wonkroom/wp-content/uploads/2008/05/health_admin_costs.pdf

⁶ Len Burman, Testimony to House Committee on the Budget, 10/18/07, http://www.urban.org/UploadedPDF/901121_tax_code.pdf