



Center for Health Transformation E-Newsletters

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Newt Notes

While you probably wouldn't know it from listening to the mainstream media, the Medicare Drug Benefit Program is having an enormous positive impact on the wallets of America's seniors.

Originally estimated at about \$37 a month, the actual premium price paid by seniors to join the Medicare Drug Benefit is only \$23 per month on average. Thus the market is helping seniors save \$13 per enrollee per month from the original projection. Because of the competition engendered by the benefit's market-driven design, the typical American senior will save \$156 this year.

Without the injection of natural market forces into the drug benefit program, America's seniors would be paying dramatically higher premiums – more than fifty percent higher than they are actually paying today.

How significant is the savings? HHS Secretary Mike Leavitt reported this month that approximately 38.7 million elderly and disabled American have now signed up for the prescription drug benefit. At an average savings of \$156 per enrollee, that means the savings

for America's seniors will total over \$6 billion – and that's only in the first year.

This real savings is a terrific example of the power of the market over bureaucracies, and a testament to the enduring American tradition of simultaneously accelerating innovation and driving down prices. The country is witnessing the success of the Bush Administration's and Congress' commitment to markets: as a result, American seniors have more choices at a lower price than anyone in the bureaucratic scoring process projected.

The implementation of the drug benefit is providing further evidence that markets are the key to increasing quality while controlling excessive cost. Making the entire health system even more market-based and transparency-driven would lead to an even greater net savings in lives and dollars.

As we work together to build a 21st Century Intelligent Health System with more choices of higher quality at lower cost, it is important to remember what works. Markets are helping to make American seniors better afford their healthcare, and the country is stronger for it.

For an in-depth look at how market-based competition is leading to lower costs in healthcare, I invite you all to read CHT senior fellow Ron Bachman's white paper: "Medicare Rx Costs Below Estimates, Thanks to Private-Sector Competition." (Originally published on May 1 in [Health Care News](#)).

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New Members

The Center for Health Transformation would like to welcome our newest Associate member, the [American Cancer Society](#).

We would also like to note that [Booz Allen Hamilton](#) and [SHPS](#) have renewed their Charter memberships; [HealthTrio](#) and [Wyeth](#)

[Pharmaceuticals](#) have renewed at the Premier level.

Please visit the [list of members](#) often to keep abreast of who is joining the Center or the "[Member News](#)" page to learn about the awards or honors won by our members.

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Project Spotlight

On June 21, Speaker Gingrich testified about the life- and money-saving potential of health information technology before the Senate Commerce Subcommittee on Technology, Innovation and Competitiveness.

In his submitted written [testimony](#), Speaker Gingrich outlined a series of 11 key messages that the Center for Health Transformation urges be acted upon by the public and private sectors:

- 1) Build a National Health Information Network as a vital part of our national security preparedness and response strategies
- 2) Transform the reimbursement system to reward quality outcomes and drive adoption of health information technology
- 3) Create legislative exemptions to Stark and Anti-kickback laws to speed health IT adoption and deliver better care
- 4) Modernize the Congressional Budget Office to ensure accurate scoring and encourage transformational legislation
- 5) Pass federal legislation on health information technology now
- 6) Solve the interoperability issue by developing data standards for health information technology
- 7) Support community efforts to build RHIOs and health information exchanges
- 8) Empower consumers with personal health records, a significant step in building a 21st Century Intelligent Health System
- 9) Ensure consumer confidentiality by protecting privacy and strengthening security
- 10) Uphold the individual's right to know price and quality of health services
- 11) Create an Undersecretary of Commerce for Health to drive

innovation, economic growth, competition and quality care

During his spoken remarks, Speaker Gingrich focused heavily on the action item listed fourth in the above list, the urgent need to modernize the Congressional Budget Office to ensure accurate scoring and encourage transformational legislation. On June 15, CBO sent a letter to Ways and Means Committee ranking member Charlie Rangel (D-NY) projecting that certain provisions of the Health Information Technology Promotion Act would actually increase spending and reduce revenue.

"The CBO blatantly ignores the economic growth, efficiencies and cost-savings that result from implementing innovative and transformational policies," testified Speaker Gingrich, calling for the scoring methods used by the CBO to be made transparent to the public. Speaker Gingrich then detailed for the Committee and witnesses several examples of how health IT can save lives and save money by reducing errors and improving quality. (Speaker Gingrich's prepared testimony included nearly three dozen success stories, documenting real results from implementing health IT – for the complete list, see Appendix A of the [testimony](#).)

Responding to the Speaker's criticism, CBO Director Don Marron insisted that the "CBO and the former Speaker are not answering the same question...Mr. Gingrich is addressing whether an interconnected, interoperable, national health IT system would provide better health care and reduce total health care costs. CBO is answering the question of whether a specific piece of legislation, with fairly small effects relative to current law, would reduce the federal government's costs for direct spending programs over the next decade." (*Modern Healthcare*, 6/22/06)

While we regard it as a positive development that the CBO is willing to concede that a comprehensive and complete health IT system has the great potential to provide better care at lower cost, the Office's lack of accurate scoring mechanisms continues to impede America's progress toward a national, interoperable health IT system.

This is no small matter. Beyond the human toll exacted in lives due

to errors that could have been prevented with use of quality health IT, there is a grave economic consequence as well: healthcare spending is fast consuming federal spending and is threatening our ability to remain competitive in the global marketplace. The Congress, the CBO and the Office of Management and Budget must be held accountable for failing to recognize the savings potential of transformational legislation, such as that involving a national health information network.

A full 26% of all federal spending now goes to healthcare, and Medicare alone is a much greater financial challenge to our future – on a scale of 6 to 1 – than is Social Security. The federal budget will never be balanced without injecting transformational principles and innovations into America’s health policy process.

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Transforming Example

ACS Heritage, Inc.– SmartPA

ACS Heritage, Inc., a division of Affiliated Computer Services, Inc. (“ACS”) has developed a revolutionary solution to prospectively screen pharmacy claims - SmartPA.

Situation

In an effort to reign the rising costs of administering a quality healthcare program, many payors have turned to prior authorization programs that limit access to high-cost drugs. These programs require the provider to answer a litany of questions via phone or written application about the patient, so that the payor can determine if the provider is appropriately prescribing therapies. While these programs have controlled expenditures in some cases, the administrative costs to payors and providers have limited their applicability and effectiveness.

Solution

ACS Heritage, Inc., a division of Affiliated Computer Services, Inc. (“ACS”) has developed a revolutionary solution to prospectively

screen pharmacy claims - SmartPA. SmartPA represents a revolutionary platform to instill preferred prescribing patterns for the providers.

SmartPA uses a highly sophisticated clinical rules system to determine if evidence-based criteria for appropriate drug use are met. The application executes real time prior authorization ("PA") decisions within the pharmacy POS process by leveraging high performance, table driven clinical rules fueled by up to 36 months of client-specific drug and medical claims data.

SmartPA rewards physicians who adhere to proper prescribing patterns by streamlining the PA process. Those providers who prescribe outside the recommended guidelines are directed to contact the Clinical Call Center for a clinical discussion which is supported by the SmartPA web based call center application. With SmartPA, providers are rewarded for adhering to preferred prescribing habits. The reward comes in the form of no administrative hassle – i.e. no call to the call center.

Better Health and Lower Costs

The evidence-based approach rewards physicians for prescribing appropriately. This leads to a change in prescribing behavior, which leads to appropriate utilization, and therefore lower costs. For example, Missouri Medicaid was able to curb the cost of the prescription drug program by 9% - approximately \$83 million per year.

For more information, visit the CHT website and view the [Transforming Example](#).

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CHT in the News

Newt Gingrich Testifies on Health IT

Newt Gingrich testifies before the Senate Commerce Subcommittee on Technology, Innovation and Competitiveness. ([Testimony \(pdf\)](#); [Modern Healthcare](#), [iHealthBeat](#))

21st Century Healthcare Consumerism

CHT Founder Newt Gingrich and Project Director James Frogue provide the 'Perspective' feature for the June issue of *CDHC Solutions*.

Gingrich Leads Efforts to Reform, Improve Nation's Health System

Newt Gingrich discusses CHT's vision of a 21st Century Intelligent Health System. ([Atlanta Hospital News](#))

Congress Must Make Cancer Research a Priority

In an op-ed for the *Baltimore Sun*, CHT Founder Newt Gingrich and Project Director Robert Egge call on Congress to place people ahead of pork.

"Paper Kills" Should Be Healthcare's Mantra

In an article for *Patient Safety & Quality Healthcare*, HIMSS VP of Government Relations David Roberts evokes Speaker Gingrich's Congressional testimony on the life- and money-saving potential of health IT.

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Upcoming Events

Newt Gingrich to speak at the US Chamber's Association
Committee of 100 Meeting
Monday, June 26, 2006
White Sulphur Spring, WV

Newt Gingrich to speak at Siemens Medical Solutions Annual
Customer Symposium
Wednesday, July 26, 2006

Las Vegas, NV

CHT's 2nd Annual "Creating a 21st Century Medicaid System"
Event

Wednesday, September 27, 2006

Washington, DC

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