HILLARY CLINTON ANNOUNCES AGENDA TO LOWER HEALTH CARE COSTS AND IMPROVE VALUE FOR ALL AMERICANS

Senator Clinton laid out a major plank in her framework for providing affordable, quality health coverage for all Americans: her 7-step strategy for lowering spiraling costs. The rising cost of health care is threatening working families, American businesses, and the nation's economic competitiveness. Premiums have almost doubled since 2000 - up 87 percent - four times higher than wages. And if left unattended, health care spending will double to $4 trillion per year over the next 10 years. Senator Clinton stressed that the necessary commitment to cover all Americans will require the reform of our often irrational, inefficient and wasteful policies.

Senator Clinton proposed a series of initiatives that will cut the spiraling rate of growth by one-third over time. Her health care modernization strategy achieves this by targeting the drivers of health care costs, including (1) our back-ended coverage of health care that gives short-shift to prevention, (2) the nation's reliance on an antiquated, wasteful, costly and even dangerous paper-based medical records system, (3) unmanaged chronic illnesses such as diabetes and heart disease which account for over 75 percent of health care spending, (4) the over-utilization of medical interventions that provide little added value and the under-utilization of those that do, (5) and excessive insurance, drug, and malpractice costs.

Senator Clinton's proposals would reduce costs and improve quality in the health care system. Taken together they would lower national health spending by at least $120 billion dollars a year. If businesses received a proportionate reduction in their health benefits spending, they would achieve at least $25 billion in savings in 2004 dollars. Families would substantially benefit as well. In fact, Business Roundtable has estimated $2,200 in national health savings for the typical family. And these savings would be reinvested in the system to help cover the 45 million uninsured.

To achieve this goal, Senator Clinton's strategy would:

1. A Groundbreaking National Prevention Initiative to Reduce the Incidence of Such Diseases as Diabetes and Cancer that Impose Huge Human and Financial Costs
2. Institute a New "Paperless" Health Information Technology System
3. Transform Care of Today's Chronically Ill Population to Improve Outcomes and Decrease Costs
4. Ending Insurance Discrimination to Help Reduce Administrative Costs
5. Create an Independent "Best Practices" Institute to Empower Consumers, Providers and Health Plans to Make the Right Care Choices
6. Implement Smart Purchasing Initiatives to Constrain Excess Prescription Drug and Managed Care Expenditures
7. Put in Place Common-Sense Medical Malpractice

SENATOR CLINTON'S 7-STEP STRATEGY TO REDUCE HEALTH COSTS WHILE INCREASING AFFORDABILITY, ACCOUNTABILITY AND QUALITY

1. Install a Groundbreaking National Prevention Initiative to Reduce the Incidence of Obesity and Diseases Such as Diabetes and Cancer that Impose Huge Human and Financial Costs:

This century's plague is chronic illness including diabetes, heart conditions, obesity and other chronic conditions. Obesity rates have doubled among adults over the past 20 years; in fact Medicare could save over a trillion dollars over 25 years if obesity among seniors could be returned to levels in the 1980s. One out of three children born in 2000 is at risk of developing diabetes, and today's children are at risk of having shorter life spans than their parents - for the first time in our nation's history. Chronic illness accounts for 75 percent of health costs, and two-thirds of recent cost growth. Only half of recommended clinical preventive services are provided to adults, and less than half of adults had their doctors provide them advice on weight, nutrition, or exercise[i]. Only 38 percent of adults receive recommended colorectal screening and roughly 20 percent of children do not receive recommended immunizations.[ii]

Senator Clinton will:

- **Require all insurers participating in federal programs to cover prevention priorities:** Senator Clinton would make it a condition of doing business with the Federal government that health plans cover high-priority preventive services. Covered services would be based on recommendations from the U.S. Prevention Services Task Force. Insurers would provide both individuals and providers with the financial incentives, such as eliminating copays for high-priority prevention services. This approach is being taken by such businesses as Safeway, which not only covers all preventive services but provides an integrated health promotion model for many of it employees.
- **Target prevention by coordinating and pooling public funding:** Senator Clinton would coordinate public spending on prevention across federal programs in the Department of Health and Human Services to maximize high-priority prevention. A public-private collaboration would ensure that prevention is pushed outside of the boundaries of the health care system and into schools, workplace, supermarkets and communities through free provision of preventive benefits. It would enlist a new prevention workforce including pharmacists, church leaders and others who can best use funds to ensure 100 percent use of cost-effective prevention.

2. Institute a New "Paperless" Health Information Technology System:

Billions of dollars and millions of mistakes result from the use of an outdated, paper-based medical records and billing systems. Modernizing our health care system through the use of information technology will empower doctors and other healthcare providers to communicate electronically and will reduce waste and redundancy while improving safety and quality by reducing medical errors. Today, 75 percent of health care claims are submitted electronically. However, only 71 percent of these claims are automatically adjudicated (i.e. processed without any manual intervention). Paper claims that are clean (no manual intervention) cost about $1.60 per claim; however, electronic claims cost almost half that amount ($0.85)[iii]. And claims that require manual intervention/adjudication cost 40 percent more than an electronic claims.

Senator Clinton will:

- **Create system-wide savings from full use of health information technology and bring a paperless revolution to health care:** Require providers participating in federal programs to adopt private, secure, and interoperable technology
- **Provide one-time financial assistance:** An up-front and phased-out $3 billion a year investment fund would be provided to help hospitals and doctor's offices to adopt and implement HIT.
- **Maximize use and improve quality:** Health IT is a critical tool for ensuring patients receive the highest quality care. The proposal will give doctors financial incentives to adopt health IT and facilitate adoption of a system where high quality care and better patient outcomes can be rewarded.
- **Reduce 200,000 adverse drug events:** If all hospitals used a computerized physician order entry system, the tragic results of medication errors could be avoided and roughly $1 billion per year could be saved[iv].
- **Save $77 billion:** RAND estimates net savings to be $77 billion per year. If IT impacted the nation's healthcare system as much as it impacted the wholesale and retail industry - savings could be as high as $346 billion annually according to the series of RAND studies-over 15 percent of health care spending[v].

3. Transform Care of Today's Chronically Ill Population to Improve Outcomes:

The largest driver of health care costs in the nation is related to the small numbers of Americans who incur catastrophic expenditures, usually for the care of chronic diseases. These diseases, such as cardiovascular disease and diabetes, account for 75 percent of our total national health expenditures and are the leading causes of death in the U.S[vi]. In fact, the 23 percent of Medicare beneficiaries who suffer from five or more chronic illnesses account for 68 percent of total spending in the Medicare program[vii]. A recent RAND study projected nearly $30 billion in national health expenditure savings per year after implementing disease and lifestyle management programs. Combined with prevention and health information technology, with full participation, the U.S. health system could save $147 billion alone for better care of this vulnerable population[viii].

Senator Clinton will:

- **Ensure higher quality and better coordination of care:** Senator Clinton proposes using state-of-the-art chronic care coordination models within federally-funded programs such as Medicare and the Federal Employees Health Benefits Program (FEHBP), to provide care for Americans afflicted with these costly, multi-faceted and difficult to manage illnesses. Based on the concepts promoted by primary care physician groups, Senator Clinton would permit multi-specialty clinics (such as the Mayo Clinic), private plans (such as Evercare and the On Lok program in San Francisco), and provider-sponsored organizations to bid on and provide coordinated care services.
- **Provide incentives for participation in chronic care management programs:** Services provided would include: care coordination among and between providers, drug management, diet and exercise counseling, lifestyle management, and the promotion of patient responsibility for self-management. Medicare beneficiaries and federal employees could choose to opt-in to this program and many would do so because of the additional services (many of which would have no cost-sharing requirements) and the potential for

higher-quality care and outcomes. Physicians providing services within these programs would receive management bonus payments to compensate for their cost-effective coordination services.

4.End Insurance Discrimination to Help Reduce Administrative Costs:

Insurance is about spreading risk across a group of enrollees, yet insurance companies in the U.S. often discriminate against those with expensive, pre-existing conditions. A recent study showed that insurance companies in America spend tens of billions of dollars per year avoiding costly beneficiaries. Insurance companies' profits skyrocket by steering clear of expensive beneficiaries and misusing utilization management techniques for plan enrollees. Further, recent research has shown that health administrative costs in the U.S. total at least $294 billion, and the overhead for private insurers averaged 11.7 percent -- exceeding Medicare (3.6%) and Medicaid (6.8%)[ix]. In a reformed system where all Americans are covered and risk is spread extensively, administrative costs could be reduced by billions of dollars.

Senator Clinton will:

- **End discriminatory insurance practices:** A "guarantee issue" system will build on the concept of shared responsibility by allowing anyone to join a plan. It would not relegate high-cost people to separate plans or public programs. In addition, insurance companies would not be allowed to carve out benefits or charge higher rates to people with health problems or at risk of them.
- **Reduce marketing costs and improve value for the premium dollar:** Insurers would compete on low costs and high quality, not on successful underwriting and deceptive marketing practices. By insuring all Americans through accountable public and private plans, we can wring out administrative costs that do nothing but add to the bottom line.
- **Enact uniquely American and bipartisan health reform for all:** Success in covering all Americans will not only provide desperately needed coverage and security, but also reduce administrative costs in U.S. by as much as $20-30 billion a year[x].

5. Create an Independent "Best Practices" Institute to Empower Consumers, Providers and Health Plans to Make the Right Care Choices and Invest in Research for New Treatments:

Patients, providers and payers would benefit from getting better information on what works in health care and how treatments compare to one another. Little is known about how these procedures stack up, so we end up paying for them all, even when they may do nothing to improve health. Researchers at Dartmouth have found that more care is not better care, and that inefficient care may do more harm than good. Health care providers and patients are being bombarded with information. In the past decade, there has been an 80 percent growth in the number of drugs prescribed, 100 percent growth in new device patents, 300 percent growth in teaching hospital procedures, and 1,500 percent growth in diseases with gene tests[xi].

Senator Clinton will:

- **Create a Best Practices Institute:** A new Institute would be created, funded by both the private and public sectors, since its results will benefit all payers. Research will compare the effectiveness of alternative treatments such as pharmaceuticals, devices, and surgical interventions. For example, information supplied by organizations such as the Drug Effectiveness Review Project (DERP) has been used in North Carolina to educate providers and improve quality of care, saving the state an estimated $80 million in 2003. According to Congressional Budget Office Director Orszag, there is "an amazing opportunity in this long-term fiscal challenge to take cost out of the system without harming health...and that opportunity is remarkable." This research will facilitate the development of quality and outcomes measures.

6. Implement Smart Purchasing Initiatives to Constrain Excess Prescription Drug and Managed Care Expenditures:

Americans pay the highest prices in the world for drugs, and no other nation spends what we do for health insurance. In the last decade, prescription drugs accounted for 15 percent of the total increase in health spending, despite the fact that they account for only about 10 percent of all health spending[xii]. When Congress passed the Medicare prescription drug benefit, language was included to explicitly prohibit the Secretary of HHS from using the purchasing power of the federal government to negotiate lower prescription drug prices. Excess expenditures are not limited to prescription drugs. MedPAC, a non-partisan congressional advisory committee, reports that Medicare pays private managed care plans, on average, 12 percent more than traditional Medicare pays to providers to treat the same beneficiaries. This has raised Medicare premiums by $24 for all beneficiaries, even those not enrolled in these private plans[xiii]. The Medicare actuaries report that these overpayments are accelerating the depletion of the Medicare Trust Fund by 2 years.

Senator Clinton will:

- **Remove barriers to generic competition:** Eliminate loopholes in federal law that allow drug companies use the courts to prevent generic competitors from coming market. Increase funding for the Office of Generic Drugs at FDA to eliminate the backlog of generic drug applications. A one percent increase in the use of generic drugs could yield $4 billion in government savings[xiv].
- **Create a pathway for biogeneric competition:** Give FDA the authority to approve safe and effective biogeneric drugs -- ending the monopoly currently enjoyed by large biopharmaceutical companies. Creating biogeneric competition will spur innovation resulting in lower costs and more choices for patients, providers and employers. **Providing such competition will save $5-7 billion per year**[xv].
- **Allow Medicare to negotiate lower drug prices.** Eliminate the prohibition in federal law that prohibits the Secretary of HHS from negotiating prescription drug prices in Medicare.
- **Provide more oversight of drug advertising, marketing excesses and inappropriate financial relationships with providers.** Limit direct-to-consumer advertising, institute reporting requirement for financial arrangements between providers and manufactures, and protect physician prescribing data from being sold to pharmaceutical manufacturers. In 2000, for every dollar spent on direct-to-consumer advertising, pharmaceutical sales increased by $4.20[xvi].

- **Medicare to crack down on overpayments to private plans:** Reduce overpayments to private managed care plans and move toward a level playing field in the reimbursement of traditional Medicare and private managed care plans.

7. Put in Place Common-Sense Medical Malpractice Reforms:

In order to ensure greater stability and predictability for physicians to continue to practice, we need common-sense medical malpractice reforms. While some have overstated the role that malpractice insurance plays in the health care crisis, it is clear that we have to find a way that works for everyone, doctors and patients alike.

Senator Clinton will:

- Promote medical error disclosure and provider-patient trust:Senator Clinton has introduced the National Medical Error Disclosure and Compensation (MEDiC) Act. It would encourage the adoption of a model that provides liability protections for physicians who disclose medical errors to patients and who offer to enter into negotiations for fair compensation. Overall, these policies have resulted in greater patient trust and satisfaction, more patients being compensated for injuries, fewer numbers of malpractice suits being filed, and significantly reduced administrative and legal defense costs. At the University of Michigan, this program has saved $1-3 million in litigation costs.

BACKGROUND PAPER: STRATEGY FOR AFFORDABLE AND ACCOUNTABLE HEALTH CARE

Overall Health Costs Crisis and Impact of Reform

- **Costs are high and rising:** U.S. health care costs are the highest in the world, now total $2 trillion and expected to double to $4.1 trillion in 2016[xvii]. In that year, health spending will comprise nearly one-fifth of the entire economy.
- **U.S. spends more for less:** On a per-person basis, this is 50 percent higher than the next nation, and twice the average of competitor nations. Our spending if $6,100 in 2004 was significantly higher than that of the next most expensive nation, Switzerland, where the

average life expectancy is 3 years longer[xviii]. A recent analysis found that, controlling for income, the U.S. spends $477 billion more than peer nations on health care.

- **Impact on businesses:** In 2005, businesses financed $367 billion of private health insurance premiums[xx]; by 2008, with current cost trends, this could climb to $450 billion. One analysis found that health costs in Fortune 500 companies could exceed their profits by 2008[xxi].
- **Impact on families:** Premiums for employer-sponsored insurance have risen 87 percent since 2000, compared to a 20 percent increase in wages. The average family premium in 2006 was $11,480[xxii]. Median income in the U.S. dropped by nearly $1,300 between 2000 and 2005[xxiii].
- **Generally, reform lowers national health spending:** Comprehensive reform plans have the potential to reduce national health spending, even with the federal investment in insuring all Americans[xxiv].

<u>Preventing and Managing Disease</u>

- **Epidemic of chronic illness:** An estimated 45 percent of Americans had a chronic illness in 2000. This is projected to rise to 50 percent by 2020[xxv].
    - **Diabetes:** The number of people with diabetes has doubled in the past fifteen years, with the expectation that one-third of the people born in 2000 can expect to have diabetes in his or her lifetime[xxvi]. And this trend is even more disturbing for African Americans: the rate of diabetes is 50 to 80 percent higher for this group compared to non-Hispanic whites.
    - **Obesity and health:** About 24 percent of Americans were obese in 2005, up from 15 percent in 1995[xxvii]. Obesity contributes to a wide range of chronic conditions, from diabetes to stroke to cancer. If trends continue, children's life spans may be shorter than that of their parents for the first time in about a century[xxviii].
- **Chronic diseases drive costs.** Chronic diseases, some of which can be prevented, account for more about 75 percent of health care costs. In addition, about two-thirds of the rise in health care spending is associated with a rise in the prevalence of treated disease-more diabetics, more pulmonary disorders, etc[xxix]. Medicare is particularly affected: chronic diseases account for 68 percent of program costs, and 23 percent of beneficiaries have 5 or more chronic diseasesxxx.
    - **Obesity and costs:** About 30% of the rise in health care spending is linked to the doubling of obesity among adults over the past 20 years[xxxi]. Had the prevalence of obesity remained the same today as it was in 1987, we would spend 10 percent less per person - approximately $200 billion - on health care today.
    - **Impact on employers:** About 30 percent of total cost of diabetes results from work loss, disability, and premature death and the effects of preventable influenza present a major cost to employers in terms of sick days and reduced productivity[xxxii].
- **Proven prevention is underused and undervalued**
    - **Low use:** Only half of recommended clinical preventive services are provided to adults and less than half of adults had their doctors provide them advice on weight, nutrition, or exercise[xxxiii]. Only 38 percent of adults receive recommended colorectal screening and roughly 20 percent of children do not receive recommended immunizations[xxxiv]. Additionally, the percent of elderly people who received an

influenza vaccine in 2003 was 64 percent in the U.S., well below Australia at 79 percent and the United Kingdom at 71 percent[xxxv].

- **Difficult to provide only through insurance:** Health insurers typically do not cover the full range of recommended services. An employer survey found that only 57 percent cover flu vaccines, 20 percent cover tobacco cessation services and only 18 percent cover alcohol problem prevention[xxxvi]. Since people frequently change insurers, insurers have little incentive to invest in them. The average person in their 40s has already had 11 jobs[xxxvii].
- **Difficult to provide only through doctors:** One study estimates that it would take over 7 hours per day to deliver all of the U.S. Preventive Services Task Force-recommended clinical prevention to a typical patient panel of 2,500[xxxviii]. Moreover, our payment system does not value prevention. Reimbursement for a diagnostic, surgical, or imaging procedure often is three times as much as a thirty-minute visit with a patient involving management and counseling[xxxix].
- **Low spending:** The U.S. spends only an estimated 1 to 3 percent of national health expenditures on preventive health care services and health promotion[xl]. This is an estimated $70 billion per year[xli].

- **Primary prevention can reduce costs and improve lives**
  - **Immunization:** Fully vaccinating all seniors against the flu could save nearly $1 billion per year[xlii]. Full vaccination of seniors against pneumococcal disease could save $10 for every $1 spent[xliii].
  - **Obesity intervention:** If obesity among the elderly were to return to the level in the 1980s, then savings could total a trillion dollars over a 25 year period[xliv].
  - **Workplace wellness:** A systematic review of this literature evaluating workplace health promotion programs found that 88% of the 32 studies found that these initiatives reduced healthcare costs, and virtually all found they reduced absenteeism. The mean return on investment of the initiatives was $3.93 for health care costs and $5.07 for absenteeism savings[xlv].
  - **Safeway example:** Safeway covers all preventive care services appropriate for a patient's age group. It offers other benefits, such as a 24-hour hot line staffed by registered nurses, services to help people manage chronic conditions and incentives designed to promote healthier lifestyles. Safeway has integrated a health promotion/prevention model with care management. According to Safeway's analysis, overall, health coverage costs for Safeway employees enrolled in the new plan fell 11 percent in 2006, its first year of operation. It has projected that their 2007 spending will be flat[xlvi].
- **Chronic care management can produce savings:**
  - **Example of diabetes care management:** A comprehensive program to achieve and maintain weight reduction of 7% among adults with elevated blood sugar produced results so dramatic and quick, randomized trial was stopped a year early. The incidence of diabetes was 58 percent lower among at-risk individuals enrolled in the lifestyle intervention than the control group. The results were most pronounced among those aged 60 and older - a 71 percent reduction in the incidence of diabetes. These results have been replicated in studies in Finland and China[xlvii].
  - **Example of warranty for care:** Geisinger Clinic has experimented with a model that provides all follow-up care for up to 90 days after surgery through a "warranty". This has resulted in more aggressive follow-up (e.g., ensuring antibiotics or aspirin are used) and fewer subsequent hospitalizations[xlviii].

- **Example of the VA's use of HIT and chronic care management:** Between 1993 and 1999, the VA adopted electronic medical records, developed explicit evidence-based treatment protocols for chronic disease, and provided financial incentives to VA health centers to improve care outcomes. Quality of care indicators improved dramatically: VA patients received 67 percent of clinically recommended care compared to 51 percent nationally[xlix]. Moreover, use of hospital services declined dramatically—total hospital bed days declined by:
  - 51 percent for those with chronic obstructive pulmonary disease,
  - 49 percent for those with pneumonia,
  - 43 percent for those with heart failure, and
  - 49 percent among diabetics.

Health Information Technology

- **Medical mistakes:** In part due to our lack of health information technology, an estimated 195,000 Americans die each year due to medical mistakes. At least 1.5 million people - are ere given the wrong medication each year[li].
- **High cost of paper-based payment:** Today, 75 percent of health care claims are submitted electronically. However, only 71 percent of these claims are automatically adjudicated (i.e. processed without any manual intervention). Paper claims that are clean (no manual intervention) cost about $1.60 per claim. Claims that require manual intervention/ adjudication cost over $2 per claim. However, it costs 85 cents for an electronic claim[lii].
- **Lowers medical errors:** If all hospitals used a computerized physician order entry system, an estimated 200,000 fewer adverse drug events would occur, saving roughly $1 billion per year[liii].
- **Savings from duplication of tests:** A local study in Santa Barbara found that one in five lab tests and x-rays were ordered solely because the previous results could not be found[liv].
- **System-wide savings from full use of HIT:** RAND estimates net savings of $77 billion per year with 90 percent adoption. If efficiency in the nation's healthcare system increased by an additional 1.5 percent per year - what economists generally agree was the impact of information technology on the wholesale and retail industry - savings could be as high as $346 billion annually-over 15% of health care spending[lv].
- **Example of the VA:** The HIT system, known as the Veterans Health Information Systems and Technology Architecture (VistA), provides clinical, financial and management systems for the VA. The health record component of VistA, the computerized patient record system (CPRS), is used in outpatient, inpatient, mental health, intensive care unit, emergency department, clinic, home care, nursing home and other settings. CPRS contains all components of a patient's health record, such as laboratory test results, medical images, bar code medication administration, progress notes, and appointments. CPRS permits VHA clinicians to access a patient's record from anywhere within the health enterprise, at the point of care. The CPRS is fully operational at all medical centers and most other VHA sites of care. The VA efficiently delivers some of the best quality health care in the United States. Between 1999 and 2003, the number of patients enrolled in the VHA system increased by 70 percent, yet funding (not adjusted for inflation) increased by only 41 percent. Health care spending per capita averages $6,300 in the U.S.; at the VA, however, the per-patient cost is $5,000, 21% lower than the national average[lvi].

Reducing Drug and Insurance Costs

- **Drugs continue to drive costs:** In the last decade, prescription drugs accounted for 15 percent of the total increase in health spending, despite the fact that they account for only about 10 percent of all health spending[lvii]. In 2002, patented drugs cost 67 percent more in the U.S. than in Canada[lviii].
- **Promoting generic drugs:** While 53 percent of all prescriptions are generic medicines, they account for only 12 percent of total pharmaceutical costs. A 1 percent increase in the use of generic drugs could yield $4 billion in government savings[lix].
- **Direct-to-consumer advertising:** In 2000, for every dollar spent on direct-to-consumer advertising, pharmaceutical sales increased by $4.20[lx].
- **Medicare overpayments to private plans:** MedPAC has found that private plan payment rates are about 12 percent higher, on average, than traditional Medicare pays to treat the same beneficiaries. This has raised Medicare premiums by $24 for all beneficiaries, even those not enrolled in such plans[lxi]. CBO reports that the cost to the budget is $54 billion over 5 years, and about $160 billion over 10 years[lxii]. The Medicare actuaries report that the overpayments are depleting the Medicare Trust Fund: and advancing the date that Medicare Hospital Insurance will become insolvent by 2 years.

Research for a Value-Oriented Health System

- **Proliferation of options:** Health care providers and patients are being bombarded with information. In the past decade, there has been an 80 percent growth in the number of drugs prescribed, 100 percent growth in new device patents, 300 percent growth in teaching hospital procedures, and 1,500 percent growth in diseases with gene tests[lxiii].
- **Need for improved quality:** Adults get recommended care only about 55 percent of the time[lxiv].
- **Use of comparative effectiveness information:** Information provided by the Drug Effectiveness Review Project (DERP) has been used by some states in setting policy. For example, North Carolina used this information to educate providers, saving the state an estimated $80 million in 2003[lxv].
- Example of need for comparative effectiveness: Today, more than 45 million people - 26% of adults - are diagnosed with arthritis. That figure is expected to jump to 67 million by 2030. The total costs attributable to arthritis and other rheumatic conditions (AORC) in the United States in 2003 was approximately $80 billion[lxvi]. The current therapy for rheumatoid arthritis (RA) is based on disease-modifying antirheumatic drugs (DMARDs). And today, new DMARDs are being developed which offer hope for better prevention and control of the pain and disability associated with rheumatoid arthritis (RA). But we have little information on the safety and effectiveness of new DMARDs as compared to traditional DMARDs.

Administrative costs:

- **Administrative costs drive our costs above our competitors:** The U.S. pays 6 times more per person on administrative costs ($412 per capita in 2003) than similar nations, partly due to the complexity of and cracks in the system. Of the $98 billion in excess administrative costs, $84 billion came from the private sector, where 64 percent of the administrative costs

were incurred due to underwriting health risks, and sale and marketing, costs that aren't in public systems of most OECD countries[lxvii].

- **Administrative costs exceed spending on long-term care and public health:** In 2007, roughly $167 billion will be spent on administrative and private insurers' overhead. This is more than will be spent on nursing home care ($132 billion) and public health ($66 billion)[lxviii].
- **Significant savings could result from simplified administration:** Most estimates of the impact of comprehensive reform plan suggest savings due to pooling and reduced administrative costs for small firms. A recent analysis of one plan suggests that system-wide administrative savings could be $30 billion a year[lxix].

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