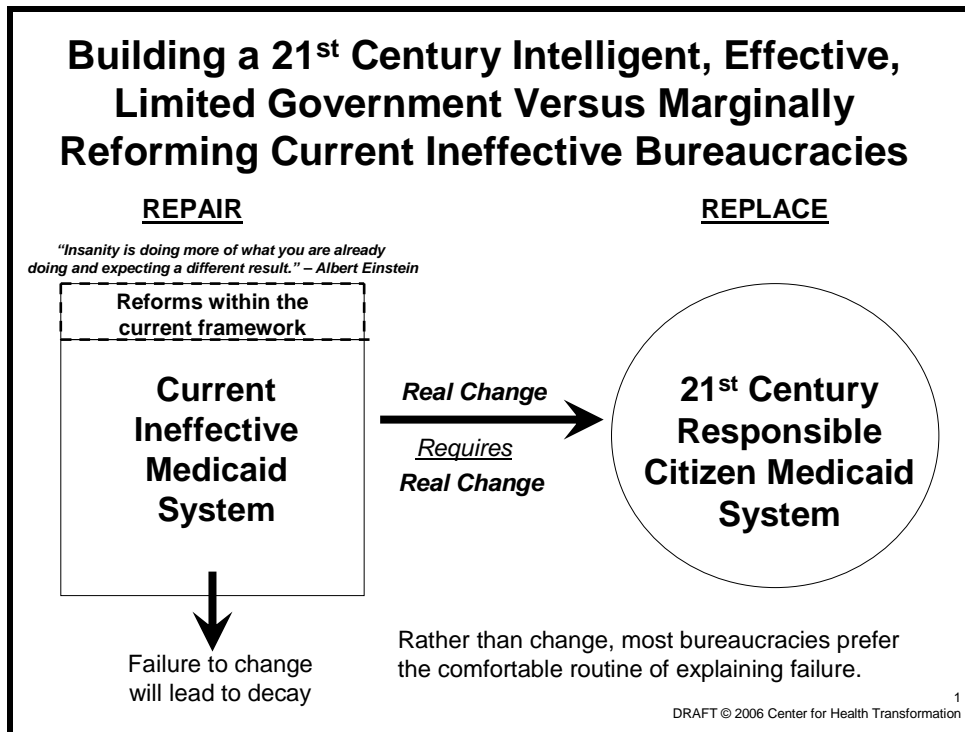


TESTIMONY OF
FORMER SPEAKER OF THE HOUSE NEWT GINGRICH
FOUNDER OF THE CENTER FOR HEALTH TRANSFORMATION
TO THE MEDICAID COMMISSION
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“Insanity is doing the same thing over and over and expecting different results.”
-- Albert Einstein

Real Change Requires Real Change



Chairman Sundquist, Chairman King, Governor Bush, Commissioners, and staff: Thank you for the opportunity to testify here today. I applaud the work you are doing on the Medicaid Commission and look forward to a productive exchange of ideas on this important topic. Indeed, the lives of millions of Americans depend on us getting it right.

Today, 26 percent of the federal government's budget is spent on health-related programs. Healthcare spending will continue to rise disproportionately relative to other federal and state budget priorities. We simply cannot balance the federal budget over the long term if we do not deal intelligently with health. There will not be enough dollars or doctors to take care of us on our current trajectory.

State budgets will not be able to cope either. Medicaid costs will crowd out other spending priorities such as education, law enforcement, road construction, and environmental protection.

I want to start then with a premise that I think is central to the debate and that is that real change requires real change. Understanding this requirement, the Missouri legislature passed and the governor signed a bill last year to sunset their Medicaid program on June 30, 2008. They did so because what they are doing now does not work so they are starting over with a blank piece of paper to design a brand new Medicaid system from the ground up. Notice, they are not trying to fix the current hopeless system; they are going to replace it. These are leaders committed to real change.

Today I wish to outline a vision of a 21st Century Responsible Citizen Medicaid System. Fortunately, there are examples of real change in Medicaid programs across the country and I will touch on some of them today. I would like to draw particular attention to the Center for Health Transformation's¹ state map of Medicaid best practices and the list of transforming solutions in Medicaid that are included in an attached appendix.

A properly transformed Medicaid system should have at its core the principles of individual ownership, personal health, and the right to know price and quality of health and healthcare services. These would form the basis of a system centered on wellness, prevention, early testing, and incentives for healthy behaviors before, during, and after any illness.

¹The Center for Health Transformation is a collaboration of leaders dedicated to the creation of a 21st Century Intelligent Health System that saves lives and saves money for all Americans. For more information on the State Medicaid Project, please contact Jim Frogue at 202-375-2065.

In 2005, Medicaid served 57 million Americans, nearly one-half of them children. This vital program must be transformed to promote and improve the health of low-income Americans in a far more effective manner. A 21st Century Responsible Citizen Medicaid System will focus exclusively on what makes people healthier and be quick to discard what is failing. It will use the leverage of incentive payments to providers and patients for better health outcomes. It will maximize cutting edge technologies to ensure accuracy in patient medical data. Medicaid dollars can also play a central role in ensuring that every American has access to affordable health insurance.

My testimony here today will focus on what is working in Medicaid now and what must be changed in order to work going forward. At the Center for Health Transformation we are less interested in how we got here than we are in where we need to go. There are too many smart people spending too much time discussing what Medicaid is, how much it costs, and what and who it covers. We need a dialogue where all interested parties actively participate in discussions, on-line chats, policy forums, and testimonies like this in which the focus is on what is working in Medicaid now and what is needed to make it work in the future. They must not be bound by the status quo, as successful and potentially successful initiatives may look radically different than what we've seen in the last forty years.

Medicaid is run largely at the state level. The sole question that governors, state legislators, and Medicaid administrators must ask themselves on a daily basis is: *Are the people on Medicaid in this state getting healthier?* If the answer is no, then subsequent inquiries must deal with how we can quickly introduce models that are more effective. The following is a checklist for governors in pursuit of a healthier citizenry.

CHECKLIST FOR GOVERNORS

1. PUT HEALTH BEFORE HEALTHCARE. According to research by the National Academy of Sciences and others (eg Michael Marmot and Al Tarlov), it is possible that half or more of each individual's health status is the result of behaviors. This being true, a governor who is serious about the health of his or her state's citizens (*healthcare* is already too late) must insist first on stripping the junk food out of schools and mandating physical education in grades K-12. These would be strong, positive initial steps toward fostering long-term healthy behaviors in children that will serve them well throughout their lives.

Obesity, diabetes, and related complications alone will swamp our ability to provide healthcare services to our citizens. These ailments, too often caused by poor choices such as sedentary lifestyles and bad diets, must be attacked at their roots from an early age if we are to have any hope of sustaining ourselves. The Medicaid program can and must promote better access to our health care system, but this alone will not be nearly enough. Entirely new behavior patterns are the ultimate long-term solution.

2. KNOW YOUR MEDICAID DATA. Every governor in America must have the answers to the following questions on his or her desk. Progress is futile without an initial grasp of the problems.

- Who are your highest users of healthcare resources?
- Who will emerge as the highest users in the future?
- Which providers and care managers are doing the best and most efficient job of managing care?
- Are current solutions making my populations healthier at lower cost?
- What interventions will help me with disease "hot spots?"
- What interventions are deployable to improve care at lower cost?
- Are children and adults on Medicaid getting their recommended regular health screenings?

Former New York City mayor Rudy Giuliani, with help from his first police chief Bill Bratton, was particularly successful in using metrics to determine where crime was most rampant in New York City. Their adherence to the COMPSTAT model of reporting and monitoring crime statistics succeeded

in lowering violent crime by an astonishing 75 percent over the course of Giuliani's two terms in office. Similar management models must be created and utilized so that governors can identify who is sick now and who is likely to be sick in the future using predictive modeling. Such technologies working in concert with strategies to quickly move sick, high-cost individuals into proper disease management programs will have dramatic positive effects on health status and on the state's bottom line.

3. CONSUMERISM IS THE LONG-TERM ANSWER TO AMERICA'S HEALTHCARE CRISIS. Behavior change at the individual level is the only way to solve our healthcare crisis over the long term. As stated, our choices determine fifty percent of our health status. People must act differently with regard to their own health and do so in an environment where they are rewarded. We at the Center for Health Transformation call this healthcare consumerism, and see it as the only way to achieve the simultaneous twin objectives of better health outcomes at lower cost.

To be clear, healthcare consumerism is not simply a high-deductible health plan where people are left with little or nothing to cover low-end costs in an environment of scarce and unreliable information about quality of care. It is not a system by which the only beneficiaries are the young, healthy, rich, and/or those who spend relatively little on healthcare. This is the picture painted by those who do not or can not understand the essence of consumerism.

Healthcare consumerism is about empowering every patient, from the healthiest to the most ill, with the information necessary to make optimum choices in an arena where financial rewards exist for good behaviors. We call this the "shared savings" model. This is particularly relevant and beneficial to individuals with high costs. If they follow recommended courses of treatment and as a result get healthier quicker than expected, then they should share in the savings generated. This can also be termed pay-for-compliance, a powerful motivator.

The most innovative insurers are already doing this in the private market using the flexibilities afforded by Health Reimbursement Arrangements (HRAs). They are paying enrollees to take a health risk assessment, paying

those who have one or more chronic conditions to enroll with a health coach, and paying them still more if they maintain and/or achieve certain health metrics such as a specified body mass index, blood pressure, cholesterol level, or A1C rating. A person who is asthmatic and found to be pre-diabetic in her initial physical would be incentivized under this model to take better care of herself. If she followed the recommended courses of action she would come out healthier and wealthier.

We must migrate this model to Medicaid, as it makes sense for patients and taxpayers alike. Innovative leaders in states such as Kentucky, Florida, West Virginia, Oklahoma, and Idaho (among others) are beginning to experiment with specialized accounts for Medicaid beneficiaries that will reward and incentivize healthy behaviors. There is significant potential in these new ventures and we must all watch them closely to learn what works and what does not.

4. RIGHT TO KNOW PRICE AND QUALITY INFORMATION OF HEALTHCARE SERVICES. Healthcare consumerism will work best when everyone can exercise the right to know price and quality information about providers of healthcare goods and services. 93 percent of Americans agree that they have the “right to know” price and quality information. By contrast, only 91 percent believe the phrase “under God” should remain in the Pledge of Allegiance.

The state of Florida under Governor Bush’s leadership has been the most transformational in this regard; the websites FloridaCompareCare.gov and MyFloridaRX.com are a wealth of free information for Florida residents. Anyone can visit these sites and be treated to user-friendly access. At the former site, individuals can view health outcome and price data from all hospitals and outpatient surgical centers in the state. At the latter, visitors can look up the prices of the hundred most prescribed drugs in the state of Florida at any pharmacy searchable to the zip code level. These sites cost less than \$200,000 per year to maintain and serve as models for the country.

5. RAPID MIGRATION TO HEALTH INFORMATION TECHNOLOGY. Transforming Medicaid also must necessarily involve the widespread adoption of interoperable health information technology. This

must be a national priority led by the President and Congress and paid for by federal dollars. State Medicaid programs would be among the beneficiaries.

First and foremost, the move to an interconnected national health information network is a matter of national security. Hurricane Katrina wiped out over one million paper medical records. Evacuees in places like Houston who had been undergoing medical treatment in New Orleans for a chronic condition had little information about where they were in their course of treatment leaving doctors scrambling to redo tests and recreate therapy regimens. In the event of an engineered biological attack or an outbreak of Avian Flu among humans, it will be critical that patient data is electronic.

The model for creating this health information superhighway is the Federal Aid Highway Act of 1956, signed by President Eisenhower fifty years ago. He declared rightly that “the obsolescence of the nation’s highways presents an appalling problem of waste, danger, and death.” Indeed the same can be said of what passes for a health information network today in America.

In consultation with the private sector, the federal government must lead in establishing the standards for interoperability so that every stakeholder will be able to securely exchange data. This is a large task, to be sure, as we are talking about over one million doctors, thousands of hospitals, tens of thousands of pharmacies, 300 million patients, all 50 states, and the federal government and all related agencies. But we can take heart from how the private sector developed the Internet as outlined in Thomas Friedman’s The World is Flat. Instead of competing to build islands of isolation, it became obvious early on that a cooperative effort where all systems spoke the same language was in everyone’s best interest. With the common framework in place, vendors could then compete on quality, speed, and price.

Technology can also take the lead in identifying and weeding out fraud. In a fascinating series of articles last summer in the *New York Times*, it was revealed that in one instance a dentist in Brooklyn had billed for 991 procedures in one day. Any rudimentary scanning program should be able to quickly identify providers that are four or five standard deviations from the mean for their specialty, location, and services rendered.

6. PAYMENTS DRIVES INNOVATION. Our current payment system rewards providers for the number of procedures and services that are delivered, regardless of outcome. Hospitals and providers that deliver better care are for the most part reimbursed at the exact same rate as those who provide poor care. Additionally, the system is designed to encourage over-utilization of resources. Doctors are not paid for keeping their patients healthy and out of their offices—they are paid when they treat their sick patients. This approach is so perverse that one could argue that medical errors actually reward a hospital or physician because they can then bill for additional services. We have a sick-care system when we need a healthcare system.

This is part of the reason why the Center for Health Transformation has embraced the Bridges to Excellence pay-for-performance model in our Georgia Project. We must move from paying only for acute care to a model that supports wellness, prevention, early testing, and innovative means of delivering care. Colorado just became 39th state to reimburse Medicaid providers for telemedicine services. This is progress.

Current pay-for-performance and other incentive programs are a first step toward an outcomes-based payment structure. One way to guarantee better health outcomes is to encourage the use of health information technology, such as electronic health records, decision support tools, barcoding, and computerized physician order entry. If we truly want better health at lower costs, the number one priority of every stakeholder in healthcare should be to get these technologies into the hands of every healthcare professional in the country. The surest way to accomplish this is to reimburse hospitals and physicians for using health information technology in the course of care.

7. KNOW THE FLEXIBILITIES WRITTEN INTO THE DEFICIT REDUCTION ACT (DRA). Every governor must be intimately familiar with what is allowed under the new DRA law passed earlier this year. The waiver process was significantly streamlined and in some cases, such as with certain home- and community-based services, eliminated for governors who want to experiment with new initiatives.

The DRA also gives states the ability to enroll specified groups in benchmark and benchmark-equivalent plans as an alternative to providing

the full set of traditional mandatory and selected optional benefits. This allows participating plans to come up with actuarially-equivalent benefit packages that can be more tailored to individual needs. This actuarial-equivalence flexibility is being allowed to participating plans in the new Medicare drug benefit. It is responsible for the very diverse range of deductibles and co-insurance that we see, and for the fact that the cost of plans to Medicare beneficiaries is 35 percent below original projections.

BEST PRACTICES IN MEDICAID STATE MAP

At the Center for Health Transformation (CHT) we are highlighting the best practices in Medicaid across the country. On our main homepage at <http://www.healthtransformation.net>, in the lower left corner we have a map of the country. Twenty-one states have submitted entries and several have already updated their submissions as their circumstances have changed. We are actively inviting leading state officials from all fifty states to submit their best practices and to make changes at any point into the future. The one-page survey consists of nine open-ended categories. We at CHT do not edit the responses in any way.

The form asks state officials to submit their best practices in the following areas:

1. Consumer-directed care demonstrations (include number of beneficiaries served now and in any expansion plans)
2. Delivering high-quality, coordinated, long-term care for the disabled and/or the infirm
3. Use of health information technology (electronic health records, e-prescribing, electronic billing, etc.)
4. Expanding coverage through private sector initiatives
5. Transparent and publicly-accessible measurements of patient outcomes and/or quality improvements
6. Efforts to combat fraud and abuse
7. Please include a link to your state webpage that details your existing state plan and state plan amendments
8. What changes would you make to Title XIX so that you could provide better services to individuals and families on Medicaid in your state?
9. What are your future plans?

The purpose of this map is simply to be a resource for reformers around the country. There is unlimited information from major think tanks and foundations about Medicaid, but very little highlighting innovation. Our map seeks to fill that void by acting as a kind of blog or wiki where ideas can be exchanged, edited, and eventually, discussed.

Florida is the state furthest out front in transforming Medicaid to a 21st Century Responsible Citizen Medicaid System. Governor Bush and his health team, led by Secretary Alan Levine, deserve substantial credit for being out front of all other states on Medicaid transformation. They started in the right place by ascertaining that the traditional Medicaid fee-for-service program was failing the people who depended on it. For example, just four percent of women in Medicaid had received the proper mammograms and only sixteen percent of children had undergone a preventive dental screening. These statistics were clearly unacceptable.

The new model is up and running as of this month. Individuals on Medicaid are selecting from a menu of plans with the benefit of an objective choice counselor to ensure a full understanding of the decision being made. Enhanced benefit accounts will reward healthy behaviors. Participating insurers are permitted to offer benefit packages that more appropriately meet the needs of individuals and families. Early evidence is already suggesting that plans are offering more benefits than originally anticipated. Plan performance will be monitored and publicized to ensure quality.

Governor Fletcher and the Kentucky legislature are the first leaders to go statewide with the new flexibilities afforded them under the new Deficit Reduction Act. Secretary Leavitt said, "Kentucky is leading the nation in crafting Medicaid benefit packages to meet the needs of its residents."

KyChoices introduces four tailored health plans to Medicaid beneficiaries designed to meet the unique needs of healthy people as well as those with disabilities and substantial long term care needs. Like Florida, the Kentucky plan is utilizing what they call "Get Healthy Benefits" to provide incentives for appropriate healthy activities. In January 2007, beneficiaries enrolled in the long-term care plans will have the option of controlling their own dollars through an individual budget.

Idaho is taking steps to separate Medicaid into three distinct programs in recognition of the fact that the elderly, the disabled, and the healthy have different needs. Officials are embracing the power of consumerism to modernize Medicaid by adopting the national cash and counseling demonstration model that has been so successful in other states. As of 2007, up to 24,000 Medicaid beneficiaries who indicate a desire improve their health by quitting smoking or reducing their body mass index will be eligible to earn preventive health assistance benefits to purchase additional health-related goods and services.

In New Mexico, Governor Bill Richardson is pursuing a highly innovative project that brings together seventeen different state agencies. Called “braided funding,” it is an effort to streamline care for each individual by eliminating duplicative and/or counterproductive services. The goal is to have an over-arching ability to coordinate the myriad of touch points on each individual and/or family. For example, a low-income person with a mental illness may be eligible for funding streams from Medicaid, food stamps, the justice system, and housing assistance among others. It is important to that individual’s well-being and to New Mexico taxpayers that those programs are communicating with each other to achieve maximum positive impact.

Governor Bredesen in Tennessee has shown bold leadership in introducing health information technology into Medicaid. Within the year, every Medicaid beneficiary will have an electronic health record. Tennessee officials project that for every \$1 spent on the new technology in its first years of operation, the state will save \$3 to \$4—savings generated from reductions in duplicate tests, adverse drug effects, and unnecessary inpatient admissions. They estimate the savings on this investment will grow to at least 9-to-1 as the number of doctors using the system increases.

These are just a few of the innovative states and governors. Successes are happening across the country and it is of critical importance that they be spread quickly when working and axed when failing.

Again, thank you for your time and I look forward to your questions.