

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
“Improving Care, Lowering Costs: Achieving Health Care Efficiency”
October 18, 2023

Ranking Member Grassley and members of the Committee, Today’s hearing is about excess costs in health care and ways we can reduce the budget by spending health care dollars more efficiently.

As I point out often, and as this chart shows, the US continues to spend more on health care as a percentage of GDP than any other peer OECD country. The US also spends more on health care per person than any other peer country: over one and a half times more than the next closest country, Switzerland. Our national health expenditures total over \$4 trillion a year. And the Centers for Medicare and Medicaid Actuary estimate that health spending will grow to 20 percent of GDP by 2031.

Yet the average life expectancy in this country is lower than that of many peer countries. It has even declined over the last two years and Americans’ life expectancy is now the lowest it has been in two decades. We are on par with Estonia despite spending nearly double on health care as a percentage of GDP.

Put simply, we get very little bang for a *lot* of bucks.

It’s grim, but there are some signs of progress. And we’ll hear today from experts about how we can do better.

CBO has found that federal health care spending between 2010 and 2020 was more than \$1 trillion *lower* than CBO had projected prior to implementation of the Affordable Care Act. And, as this chart shows, CBO now projects the US will spend \$4.6 trillion less on the major federal health programs—mainly Medicare and Medicaid—over the next decade than projected pre-ACA.

CBO also found growth slowed in spending per beneficiary. While there are many contributing factors, the deceleration shows that smart policymaking and reforms can help bend the cost curve. The ACA fundamentally changed health care, and thanks to the payment modernization and care transformation it initiated, we’re seeing reduced health spending.

But our work isn’t done. Notwithstanding Medicare’s new power to negotiate the price of some drugs, thanks to the Inflation Reduction Act, Medicare spending continues to grow faster than the rest of the federal budget, and our national health expenditures are rising rapidly, too.

That’s because our fragmented and endlessly complex health care system creates the perfect environment for inefficiencies to fester. It is where excess costs live and grow. Today, we’ll hear from experts about three areas of inefficiency that have increased health care costs for patients, families, and the federal government.

First, we'll hear about the dizzying web of administrative tasks—the billing, the reporting, and all the non-clinical work incidental to the actual delivery of care—that providers face. We'll hear how these burdens are responsible for over half a trillion dollars in health care spending every year. Our discussion on this is especially timely. Research released last week revealed possible savings between \$40 and \$60 billion a year just from fixing the mess of health care billing and claims.

Next, we will hear about how consolidation in health care can raise prices for patients, leading to higher federal health spending. We will also learn about potential solutions, like health cost databases that don't just bring much needed transparency into the opaque world of health prices, but also enable stakeholders to take actionable steps to control spending based on that data. Eighteen states, including Rhode Island, are already making use of tools like these, known as all-payer claims databases, to reduce patients' costs and improve care.

Then, we'll hear from one of Rhode Island's leading health care experts, Dr. Al Kurose, about how our fragmented health system—with patients often navigating multiple providers at different sites, instead of obtaining care from a primary care provider—results in worse care at higher costs. We'll hear how delivery system reforms, like accountable care organizations, can promote higher quality care with less money spent. Patients seeking care are often lost in the maze of our current fee-for-service system. Transitioning to value-based care, predicated on strong primary care, can help achieve the long-sought Triple Aim: better care, better health, lower costs.

Within our current health care system, there is no doubt that value-based care is the best solution. Value-based care rewards providers, not based on how *much* care they deliver for patients, but how *well* they deliver care.

A decade on from the implementation of the ACA, we have learned a great deal. We've learned that simplifying non-clinical work in health care, changing how we pay for care, and transforming how we deliver that care can lower costs and improve outcomes. If we do all of this more often and at scale, we can deliver the best and most accessible health care for all patients.