



Memo

To: Lily Rothman, Mike Lux, Presidential Transition Team

From: The Student PIRGs

Date: 12/15/2008

Re: 'Bending the Curve' of Healthcare Costs

The fastest growing uninsured population in the U.S. is young adults - of the 6.6 million people that have joined the ranks of the uninsured since 2000, nearly half are 19-34 year-olds. Furthermore, medically indebted 18-34 year olds had the highest level of credit card debt of any age group, averaging \$13,303 of debt per individual (young adults without medical debt averaged \$7,450 in credit debt). As such, young people have an enormous stake in reforms that will reduce healthcare costs and increase access.

Rising healthcare costs, however, continue to place an enormous burden on young people and their older counter parts. With the economy already making it hard for business, families and young people to pay for the coverage they have. America cannot afford to wait for health reform

As such, the Student PIRGs applaud the President-elect's decision to place comprehensive health reform high on his first year's agenda.

Next year's health reform legislation must focus on the root cause of our current crisis. Our health care system's skewed incentives encourage costly misplaced care, expensive insurance bureaucracy, and inflated prescription drug prices. Taking on these core problems is the only way to produce the lower costs that all Americans want. It is the only way to sustain, politically or economically, the extension of coverage.

As the new administration translates its campaign commitments into policy, we offer the following suggestions to help "bend the curve" of health care costs for all Americans:

Lower Wasteful Spending While Improving Quality

- Require all payers' payment systems to reward primary care
- Require all payers to incentivize coordination of care through medical homes, community health teams, and multi-specialty groups
- Require all payers to incentivize adoption of innovative pay for performance, bundling and capitation approaches to payment reform
- Mandate improved transparency from all providers and insurers
- Dramatically expand federal support for comparative effectiveness research, while accounting for disparate health needs of diverse populations
- Require all payers to offer wellness incentives, screen for chronic diseases, and develop a wellness plan as part of initial primary care visits



- Reorients our system toward prevention, wellness, and self care by building on S. 3674, the 21st Century Wellness Act (sponsored by Senator Hillary Clinton), and S. 1342, the Healthy Education Lifestyles and Prevention Act (sponsored by Senator Tom Harkin).

Cut Unnecessary Administrative Costs

- Require standard forms and procedures for enrollment, credentialing, billing and insurance payment across all payers
- Phase in electronic medical records, while protecting privacy
- Cap insurers' administrative expenditures to 15% of premium dollars

Tame Prescription Drug Costs

- Limit industry's gifts and payments to physicians and require drug companies to disclose more information about their marketing practices
- Authorize all federal programs to negotiate for the best possible prescription drug prices
- Eliminate drug company kickback arrangements to keep lower-cost generics off the market

Reduce Unnecessary Acute Care by Prioritizing Prevention

- Require all payers to eliminate cost-sharing for basic, evidence-based preventive care and chronic disease management

Special interests have amassed huge profits from the inefficiencies and waste in today's health care market, and they ultimately will line up against real change. When they do, they will take their case to the American people. The Obama plan can win passage only if ordinary Americans believe it will help them deal with rising costs.

U.S. PIRG and our 100 Student PIRG chapters across the country stand ready to help the Obama administration win strong cost-conscious health reform. This January, our *Affordable, Dependable Healthcare Campaign* will launch a national mobilization of consumers and community leaders to support this goal.