

Rate regulation: Fundamental to cost control and a solid platform on which to construct delivery system reforms with public and private plans.

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Rate regulation that standardizes billing:

- **Lower prices and administrative costs:** Systematically lower prices in all-payer systems than in the United States, which is mainly how other countries control costs. Price variation creates administrative costs; excessive payments lead to purchase of excess equipment which can then lead to excessive volume.
- **Likely significant savings:** Experience and evidence show that improved price regulation based on increasing payers' market power could yield major savings.
- **Better cost control:** All payers in same boat increases both market power for cost control and the political force for cost control
- **Better protections for individuals:** Increases transparency and accountability
- **Good research data to drive value:** It is much easier to keep reliable records on practice patterns, to identify providers with questionably high or low resource use, and to perform research about the consequences of care patterns
- **Substantial benefits for providers:** Both significant administrative savings within the provider organizations since billing is much less complicated and expensive, and fewer hassles because there will be fewer rules to understand
- **Level playing field between public and private plans.**

Without rate regulation:

- Insurers unable or unwilling to pay fair provider rates
- Many medical care providers in many markets have the ability to demand payment rates from insurers which make cost control extremely difficult.
- Excessive payment rates drive excessive purchase of equipment and excess capacity, making production less efficient in the U.S.
- No other way to achieve significant cost savings in next decade: CBO has analyzed cost implications of system reorganization.

Other methods of cost-containment will not work in foreseeable future

- Very uncertain whether **HIT** will contain costs. (CBO, Paul Ginsburg)
- **Pay for performance** might improve quality. No evidence reduces costs.
- Limited prospects for savings from **reducing geographical cost variation** because not all variation stems from unjustified utilization (MedPAC) and neither guidelines nor other measures to appropriately reduce utilization exist.
- Applying **comparative effectiveness** findings unlikely to offset research costs. (CBO)
- Reorganizing and **emphasizing primary care** delivery not likely to lower costs because it takes time set up new systems, incent doctors to go into primary care.
- **Medical home and care coordination** involve extra costs and do not show savings. (CBO and MedPAC)