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Reducing inefficiency key to cutting health costs

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Comparative effectiveness and cost reform can go hand-in-hand, as long as the situation is approached appropriately. That's the gist of a study published Wednesday in the *New England Journal of Medicine*.

If hospitals and health plans look first to improve efficiency in the system, rather than just blindly cutting costs across the board, healthcare costs ultimately will come down anyway, regardless of any cost-cutting initiatives put in place, write the authors, Milton Weinstein and Jonathan Skinner.

"If health delivery areas that are expensive and inefficient were to cut back without reordering their priorities from less to more cost-effective services, then they, too, could have worse outcomes," they write. "We can save money without compromising outcomes--if we can induce providers to cut back on cost-ineffective services and replace them with more cost-effective but underutilized services."

Still, the authors acknowledge that both efficient *and* cost-effective is no easy task. They discuss how the situation is dealt with in Britain--essentially, the National Institute for Health and Clinical Excellence (NICE) requires a cost-effectiveness analysis for medical technologies as a basis for coverage recommendations. Such a system would be ineffective in the U.S., they acknowledge, because of our dislike for "command-and-control" regulations. One potential solution could be a system based on the premise of paying more for higher quality.

"To overcome the challenge of micromanaging prices according to characteristics of patients, price options could be offered to patients at the stage when they sign up for their insurance," they write. "[A] lower-cost insurance option might start patients on inexpensive drugs and switch them to more expensive drugs only if necessary, whereas a higher-cost option might provide immediate access to higher-cost drugs or to treatments without proven effectiveness."

To learn more:

- read the [study](#) [1] in the *New England Journal of Medicine*

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