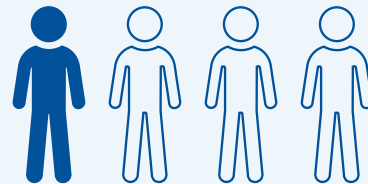


Affordability is one of the most important challenges influencing Americans' ability to access health care.¹ A number of factors affect the affordability of health care, including housing, transportation, education, personal choices, and the cost of health insurance, prescription drugs, and hospital services. Leaders from the American Hospital Association (AHA), hospitals, and health systems understand these challenges, have strategies to address them, and are deeply committed to ensuring that patients and consumers have access to affordable health care.

A wide range of stakeholders contribute to health care affordability – from payers to providers to pharmaceutical companies – and no single sector (or stakeholder) can solve the issue alone. Because of this complexity, a framework will be necessary to advance the affordability conversation forward without compromising access or quality. To this end, the AHA is developing a series of issue briefs that will:

- ➔ Discuss and frame the issue of affordability and why it matters;
- ➔ Explore the underlying factors that affect affordability;
- ➔ Examine the roles of various stakeholders in making care more affordable; and
- ➔ Share solutions and strategies that advance affordability.

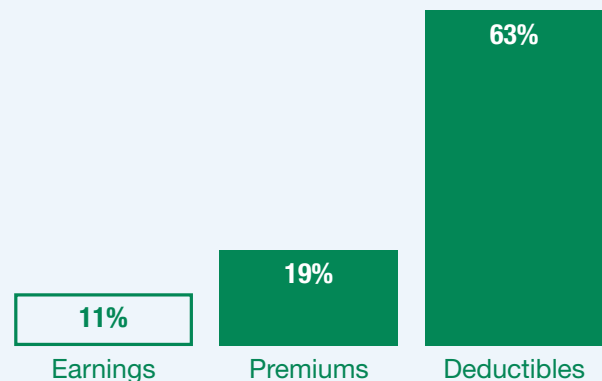
Figure 1: Consumers are concerned about affordability



One in four Americans (25%) say the cost of health care is the biggest concern facing their family.²



One in three Americans (33%) report that they could not access care in the last year because of cost.³



Between 2011 and 2016, workers' out-of-pocket health care costs grew faster than their earnings.⁴



Roughly one in four people (26%) taking prescription drugs report difficulty affording their medicine.⁵

What is affordable health care?

Affordability is highly subjective and means different things to different consumers, patients, employers, government, providers and payers. While there is no single, agreed-upon definition of “affordable health care,” it is often viewed generally as an issue of the cost of care.

Affordability is of increasing concern for many individuals and families, who report difficulty paying for health care services and prescription drugs, as depicted in **Figure 1**. Americans’ premiums, deductibles, co-pays, and other out-of-pocket health expenditures are growing faster than their earnings, and now consume almost 8 percent of the average household budget.⁶ Meanwhile, employers are anxious about their increasing contributions to employee health plans. In addition, federal and state governments are troubled by rising per capita spending on health care and growing budget deficits, illustrated in **Figure 2**, and must make tough choices as to which priorities to fund. For example, the growth of federal spending on Medicare and Medicaid is crowding out spending on other services, such as education and infrastructure.

Yet, discussing affordability solely in terms of cost provides an incomplete picture that fails to consider the level of access and quality of care received for each dollar spent. With this in mind, the AHA proposes that affordability must be discussed in the context of value, which is a function of both cost and outcomes.

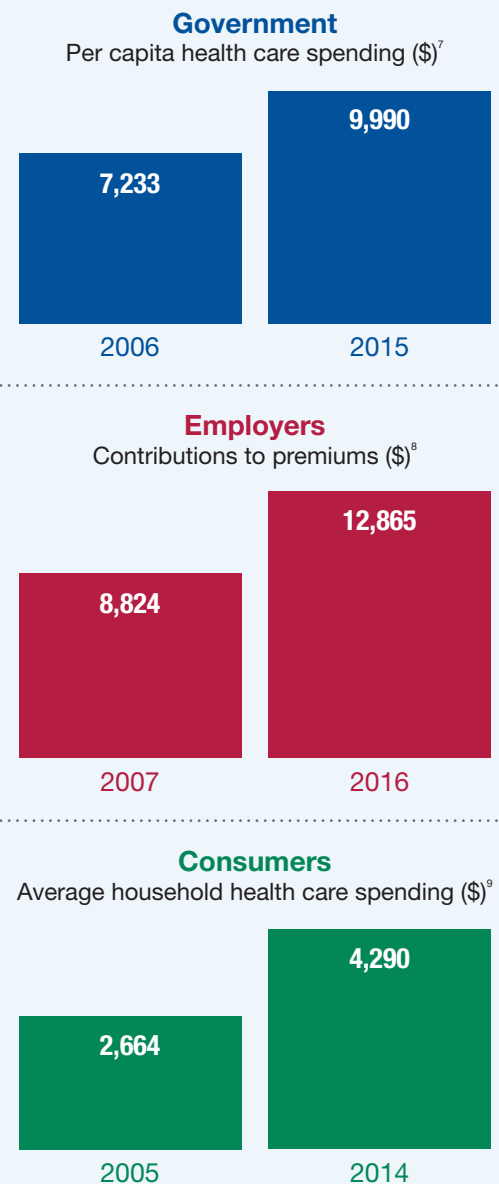
Why now?

The imperative is greater than ever to reduce the rate of health care spending growth and improve value.

The country is using more health care services as the population grows and ages, the number of individuals with chronic illness increases, and health insurance coverage expands. Additionally, the cost of providing these services is increasing due to advances in medical technologies, the rising cost of prescription drugs, system inefficiencies, and mounting labor shortages.

Hospitals and health systems are working to drive down the cost of care without compromising access or quality; this includes approaching this not simply as providers of health care services, but also as employers focused on making care more affordable for their employees and as stakeholders committed to the improved health of their communities. In addition, hospital leaders are innovating new ways to do more with less in response to value-based payment incentives from Medicare, Medicaid, and commercial insurers. There also has been a keen focus on identifying and removing unnecessary costs, and using the resulting savings to improve and expand care. These efforts are already having an impact: a September 2017 report found that hospital spending is growing at the slowest rate in more than 25 years.¹⁰

Figure 2: Health care spending trends



What factors influence affordability?

The AHA has classified the dynamic factors influencing affordability in three broad categories based on input from hospital and health system leaders:

- **Societal:** Only 20 percent of what influences the health of a group of patients is related to access and quality of health care. The other 80 percent – commonly known as the social determinants of health – is related to societal factors including housing, transportation, employment, education, and other non-medical determinants of population health.¹¹

International comparisons, illustrated in **Figure 3**, show that the U.S. under-invests these areas relative to other countries. Investing in services that address these non-medical determinants can have a dramatic impact on preventing serious illness among vulnerable populations and, therefore, drive health cost containment. Likewise, demographic shifts have important implications for the U.S. health care system; for example, the aging of the population has focused attention on advanced care needs. The same can be said of consumer preferences and behaviors, such as changing attitudes toward exercise and diet.

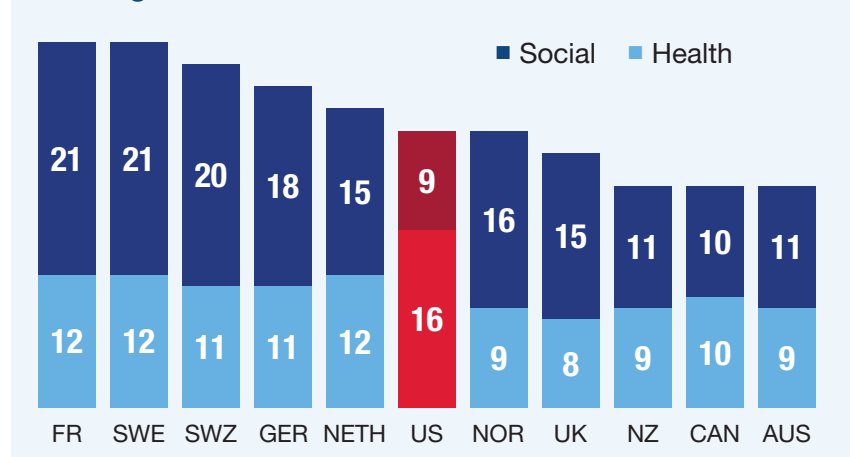
- **Systemic:** Affordability also is impacted by issues specific to the U.S. health care system. Systemic factors include questions of access (e.g., coverage rates); plan design (e.g., cost sharing and deductibles); equity (e.g., disparities in coverage and quality among underserved populations); and safety (e.g., variation across the delivery system). In addition, U.S. health care is undergoing a shift from fee-for-service to value-based payment models. This shift is an engine for sector-wide changes, such as an increased emphasis on population health, preventive care, and evidence-based practice.
- **Operational:** Finally, a unique set of challenges surrounds the inputs of health care delivery. These include existing and projected workforce shortages; rising prescription drug prices; rapid technology adoption; and the burden of regulatory compliance, among others.

There is no silver bullet to address the myriad societal, systemic, and operational factors that impact affordability. Moving the needle will require all health care participants – consumers, payers, hospitals, pharmaceutical companies, and community organizations – to innovate and adapt.

Hospitals and health systems are already working on their part.

Hospital and health system leaders understand the importance of access to affordable health care and the need to have community conversations on the scope and complexity of the challenge. There are many examples, including those highlighted on the next page, of hospitals leading the way and implementing new value-based strategies to improve health care affordability. These include redesigning the delivery of health care services, improving quality and outcomes, managing risk and new payment models and implementing operational solutions and efficiencies.

Figure 3: U.S. under-invests in social services.¹²



Hospitals and health systems are taking steps to address affordability

The AHA will be highlighting, through its *Members in Action* series, how hospitals and health systems are implementing new, value-based strategies to improve health care affordability. Several case examples are included below. For more information on these and other case examples, please visit www.aha.org/TheValueInitiative.

Redesigning the Delivery System. **University of Mississippi Medical Center** in Jackson created a Center for Telehealth in 2003 to provide specialized care and public health services to rural and underserved communities. In 2014, the hospital initiated a Diabetes Telehealth Network pilot program to treat targeted patients in the Mississippi Delta region, one of the most impoverished areas in the country. Patients were treated remotely through the use of tablet computers and other tools and were required to take and report their vital signs daily. If patients failed to check in or their vitals landed outside an acceptable range, a health practitioner would contact them. In addition, they created new educational content that provided smaller doses of education to patients during their 10-minute monitoring sessions. The early results of these efforts are promising. While it was anticipated that A1C levels for participants would be reduced by approximately one percentage point in the first six months, they actually decreased by 1.7 percentage points during the first six-month period.

Improving Quality and Outcomes. **Parkland Health & Hospital System** in Dallas launched a program that allows certain patients, rather than medical professionals, to self-administer long-term antibiotics. This has allowed Parkland to maximize limited resources and eliminate inpatient stays for patients that could be treated at home. In its eighth year, the program has shown that low-income patients, including non-English speakers and those with low literacy levels, can provide self-care that is equal to or, in some cases, better than that provided by medical professionals. In addition, in Parkland's fiscal 2015 alone, the program freed up 5,893 inpatient bed days, translating into direct cost avoidance of more than \$7.5 million in unreimbursed care.

Managing Risk and New Payment Models. **Sharp Grossmont Hospital** in San Diego operates a Care Transitions Intervention Program that provides 30-day post-discharge transition coaching and community resources for underinsured or uninsured, vulnerable patients. This program involves a multidisciplinary team of health care professionals who serve as coaches to patients who are identified as "high-risk" through the hospital's comprehensive risk assessment tool. In this program, the hospital also collaborates with community organizations to connect these patients to critical services such as access to fresh food, transportation and social support. The program has successfully reduced readmission rates and, during the period of May 2015 to November 2016, patients participating in the CTI Program had notably lower readmission rates than those not participating (13 percent vs. 22 percent, respectively).

Implementing Operational Solutions. **Russell (KS) Regional Hospital**, a critical access hospital, has focused on strategic investments to improve the hospital's energy performance. Initially, their maintenance team implemented some small solutions to reduce energy in-house. For example, they reduced steam pressure when it did not need to be high, adjusted temperatures when possible, installed occupancy sensors and upgraded T12 to T8 lightbulbs. In addition, they entered into a contract with an energy services company through which they were able to make significant improvements to lighting, energy management systems, boilers and chillers. These investments have allowed the hospital to significantly reduce costs and energy use. Specifically, they were able to reduce energy use by 43 percent between 2013 and 2016.

The AHA's commitment to affordability.

Consistent with the vision laid out in our Path Forward, the AHA is committed to promoting affordability and value to advance health in America. To that end, The Value Initiative is being launched to support AHA members tackle this issue in four important ways:

1. The Value Initiative will serve as a forum for **knowledge exchange** that provides our members with the tools and resources necessary to participate in the affordability discussion and fuel action that promotes value by improving quality and decreasing cost. We also will create opportunities for hospitals and health systems to collaborate, share best practices and learn from each other.
2. The Value Initiative will allow AHA to be a better advocate for our members. By dedicating resources to this issue, the AHA will improve our **advocacy and representation** by incorporating principles that promote improved value into our ongoing policy and advocacy activities. We will work to influence public discourse among policymakers, think tanks, advocacy groups, and academia with the goal of sustaining public programs and advancing issues such as reducing the regulatory burden on providers or the high costs of pharmaceuticals.
3. In addition, the AHA will use The Value Initiative as a vehicle to foster and encourage **thought leadership** within the hospital field. The AHA will examine ways in which to redesign the delivery system, improve quality and outcomes and manage risk and new payment models. We also will work to support hospitals and health systems around the country as they implement operational solutions and develop innovative strategies that make health care more affordable and communities healthier.
4. As the national voice for hospitals and health systems, the AHA is ready to serve as an **agent of change** to foster and facilitate an ongoing conversation across all sectors affecting affordability. We will convene multi-stakeholder conversations to ensure that representatives from other sectors in health care – including payers, employers, consumers and policy makers – are working together to reduce health care costs, enhance value, and help individuals reach their highest potential for health.

You are invited to explore The Value Initiative at www.aha.org/TheValueInitiative.

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