Health Reports
PREFACE

The July 1993 issue of Health Reports is a list of health products including reports and testimonies issued by the General Accounting Office (GAO) over the past 2 years. Organized chronologically, the entries provide a title, report number, and issue date for each GAO health product. Reports and testimonies on the same topic may be combined into a single entry.

The first section—Recent GAO Products—summarizes reports and testimonies on selected health issues published from March through June 1993. This section is followed by a list of additional products published during the same period and then a section listing summaries of most frequently requested health reports. The remainder of Health Reports is a list of health products published from July 1991 through June 1993 organized by subject areas as shown in the table of contents. As appropriate, entries have been cross-indexed and are included in more than one subject area. An order form to be placed on our mailing list for Health Reports is on page 46 of this report. An order form to request GAO products is on page 47.
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Abbreviations

ADMS Alcohol, Drug Abuse and Mental Health Services
ADP automatic data processing
AIDS acquired immunodeficiency syndrome
CDC Centers for Disease Control and Prevention
CHAMPUS Civilian Health and Medical Program of the Uniformed Services
DC District of Columbia
DOD Department of Defense
DOE Department of Energy
ERISA Employee Retirement Income Security Act of 1974
EPA Environmental Protection Agency
FDA Food and Drug Administration
GAO General Accounting Office
HCFA Health Care Financing Administration
HealthPASS Philadelphia Accessible Services System
HHS Department of Health and Human Services
HIV human immunodeficiency virus
HMO health maintenance organization
IHS Indian Health Service
JCAHO Joint Commission on Accreditation of Healthcare Organizations
MRI Magnetic Resonance Imaging
OSHA Occupational Safety and Health Administration
RBRVS Medicare Resource-Based Relative Value Scale
SSA Social Security Administration
USDA United States Department of Agriculture
VA Department of Veterans Affairs
WIC Special Supplemental Food Program for Women, Infants, and Children
SUMMARIES OF SELECTED REPORTS


EPA and FDA acted correctly in halting the sale of Sporicidin Cold Sterilizing Solution and other products that are disinfectants in December 1991. Although FDA took proper action against Sporicidin International, its overall regulation of other manufacturers of hospital sterilants and disinfectants has been inadequate. In this regard, only a few sterilant and disinfectant manufacturers have registered their products with FDA, and few of the hundreds have been authorized for marketing by FDA, as required by law.


GAO discussed how state insurance departments regulate health insurance, the resources they commit to these efforts, and the implications that health care reform could have on state insurance departments' roles and responsibilities. The departments' authority extends over only part of the market and varies widely among states. Past GAO studies have raised serious questions about the effectiveness of states' efforts to monitor insurer financial solvency. In our current survey, GAO found wide variations in states' practices and procedures for approving premium rates and policy forms. Any health reform plan adopted should clearly specify expectations for the departments in enforcing whatever new requirements may be imposed on health insurers.


The states and the private sector have initiated a number of efforts to address the problems associated with an inefficient and inequitable compensation system and the adverse effects on the way physicians practice medicine. Four of these efforts currently receiving considerable attention are (1) risk management at the Harvard medical institutions, (2) the use of practice guidelines in Maine, (3) alternatives to litigation in several states and some health maintenance organizations, and (4) no-fault approaches in Virginia and Florida. Any reform of the malpractice system should address the issues of (1) reducing the incidence of negligent care, (2) fairly compensating individuals injured through medical negligence, and (3) dealing with the complexities involved in
efforts to enhance the overall quality of care provided in the United States.


GAO randomly selected 30 Medicare audits of 124 dialysis facility cost reports and found that the audits were incomplete and poorly done. If the audits had been adequately performed, additional costs would probably have been disallowed and removed from the cost reports. This would have resulted in a further reduction of the median cost per treatment. Cost report data show that vertically integrated firms (those that own manufacturing, pharmacy, and dialysis facilities) and horizontally integrated firms (those that own a group of dialysis facilities) provided dialysis treatments at a substantially lower cost than nonintegrated firms (those that own only one dialysis facility).


GAO reviewed certain aspects of the Philadelphia Accessible Services System (HealthPASS), and found that (1) women who seek pregnancy-related care are receiving quality services, but they did not avail themselves of this care early or often enough, (2) premature and low birth weight babies were delivered with great frequency by both HealthPASS and fee-for-service providers, (3) some HealthPASS providers were not furnishing children required and timely preventive care services, and (4) enrollment of eligible HealthPASS members in the Special Supplemental Food Program for Women, Infants, and Children (WIC) is no greater than the enrollment of eligible Medicaid fee-for-service women and children.


In assessing the organ allocation and procurement system, GAO found that existing practices raise questions as to equity of organ allocation decisions. The lack of an adequate measure of organ procurement effectiveness hinders efforts to monitor and improve organ procurement. Although the National Organ Procurement and Transplantation Network has improved the procurement and allocation of organs for transplant, further improvements are needed.

Freestanding diagnostic imaging centers have proliferated in many parts of the country and are also among the most popular types of physician-owned joint ventures. Referral practices for diagnostic imaging varied among the medical specialties. GAO's study of diagnostic imaging referral practices provides further evidence that physician investment in medical facilities is associated with more frequent referral to those facilities and higher health care costs.

Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-48).

GAO reviewed the availability of health care services to American Indians and Alaska Natives residing in five Indian Health Service (IHS) areas--Aberdeen, Alaska, California, Navajo, and Portland. While they differed greatly in the way they delivered health care services, the five areas reported generally similar availability of basic clinical services. Service units officials generally identified alcohol and substance abuse services as their greatest unmet health need. IHS lacks data on alcoholism rates among Indians and the effectiveness of current prevention and treatment programs. Without such data, IHS is hard pressed to develop effective strategies that maximize the use of its limited resources.


Beginning in 1980, the Congress enacted a number of laws making Medicare the secondary payer for most beneficiaries covered under employer-sponsored group health insurance. These amendments have reduced Medicare costs by billions of dollars. Medicare has had problems recouping funds from other insurers when it discovers that it has mistakenly paid for the services for which another insurer was liable. GAO believes opportunities exist to identify a more efficient and less costly approach to identify Medicare secondary payer activities.


GAO found that use of the Texas disproportionate share program formula favors public hospitals that receive a relatively large
amount of state and local revenue. The formula does not give full credit to hospitals' charity care that is not tax supported—such as that provided by some private hospitals. Four other states—Florida, Louisiana, Michigan, and Virginia—reviewed by GAO have established qualifying formulas which include a measure of charity care provided to low-income patients.


Most state Medicaid programs could save money if low-cost vaccines acquired through Centers for Disease Control and Prevention (CDC) contracts were made available to all health care providers administering vaccinations to poor children. Savings on vaccine costs, however, will do little to improve preschool immunization levels unless funds are provided for educating parents and tracking and following up on the immunization status of children to help ensure that preschool children receive timely immunizations. Most states do not systematically carry out these three activities.


The Yale University forecasting model, which GAO found to be credible, estimated a 33 percent reduction in new HIV infections among New Haven, Connecticut, needle exchange program participants over one year. Despite the potential of such programs as an AIDS prevention strategy, HHS is currently restricted from using certain funds to directly support the funding of exchange programs. Only three of nine needle exchange programs reviewed by GAO had published results showing changes in needle sharing behaviors based on strong evidence. Two of these three programs reported a reduction in needle sharing while a third reported an increase. Five programs found that injection drug use did not increase among users; four reported no increase in frequency of injection and one found no increase in the prevalence of use.


Nine pharmacies in Illinois and Maryland received about 19 percent more Medicaid reimbursement for selected drugs than the total amount paid for these drugs by the pharmacies. For the Illinois pharmacies, the amount by which reimbursements exceeded purchase costs ranged from 10 to 23 percent. For the Maryland pharmacies, the range was from 11 to 34 percent.

Most states are rapidly developing or expanding their managed care programs. States choosing managed care for their Medicaid programs report facing difficult implementation issues. Medicaid managed care plans have had mixed results in improving access to care, assuring the quality of services, and saving money. States moving to managed care are under increasing pressure to monitor access and quality of services to ensure that providers' medical decisions are not compromised by financial incentives.

Health Insurance: Remedies Needed to Reduce Losses From Fraud and Abuse (Testimony, Mar. 8, 1993, GAO/T-HRD-93-8).

Health insurance experts estimate that fraud and abuse contribute to some 10 percent of the $800-plus billion currently spent on health care. Overcoming obstacles, which frustrate insurers' efforts to prevent or detect and pursue cases involving fraudulent or abusive billing, will require systematic collaboration by insurers, law enforcement agents, regulators, and providers, on problems involving health insurance fraud and abuse. Resource constraints add to the problems of pursuing health care fraud.

LIST OF ADDITIONAL GAO HEALTH PRODUCTS ISSUED BETWEEN MARCH AND JUNE 1993


Long-Term Care Case Management: State Experiences and Implications for Federal Policy (Report, Apr. 6, 1993, GAO/HRD-93-52).


MOST FREQUENTLY REQUESTED HEALTH REPORTS


Rochester, New York, has succeeded in keeping health care costs lower than costs in other communities without sacrificing its residents' access to care. Rochester residents are more likely to have health insurance than populations of other cities and the nation. Rochester's system is distinguished by the interaction of several factors, beginning with a long history of community-based health planning. These planning initiatives have included limiting the expansion of hospital capacity, implementing global budgeting that capped total hospital revenues, and controlling the diffusion of medical technology.


Nationwide emergency department patient caseloads grew dramatically from 1985 through 1990. Growth was concentrated among patients whose medical care is often not reimbursed, such as the uninsured and Medicaid patients in some states. This disproportionate growth may make it more difficult for hospitals to absorb or offset losses due to unreimbursed emergency department patient care costs. Nationwide patterns of caseload growth, payer mix, and timeliness of care conceal substantial variations in emergency department conditions among hospitals.


Manufacturers' prices to wholesalers for identical prescription drugs are typically higher in the United States than in Canada. The price differences are largely attributable to actions taken by Canada's federal and provincial governments to restrain drug prices, not to any differences in manufacturers' costs in the two countries. The implications of adopting Canadian regulations in the United States are in dispute. It is not clear how such regulations would affect manufacturers' ability to develop innovative drug products.


Many employers are facing rapidly increasing health insurance premiums and are frustrated by their unsuccessful efforts to contain health care costs. Firms most vulnerable to rising health
costs are those whose health insurance plans offer extensive benefits and cover a large number of retirees or dependents; those whose workers are older, less healthy, or earning higher incomes; those with relatively few workers; and those in high health-cost areas. Individual firms can do little to lower their health care costs because they cannot readily change their size, location, or employee demographics.


States have taken a leadership role in devising strategies to expand access to health insurance and contain the growth of health costs. A difficult hurdle to overcome, however, is the restrictions imposed by the preemption clause of the Employee Retirement Income Security Act of 1974 (ERISA). This clause effectively prevents states from exercising control over all employer-provided insurance. Hawaii is the only state with an exemption, in part because its law requiring employer-provided health insurance took effect before ERISA was enacted. Other states have tried to move toward coverage of all their citizens within ERISA's constraints. Some state initiatives have been more narrowly focused, creating programs to assist specific groups. State budgetary constraints, however, have limited these programs to serving a small fraction of the uninsured population.


In some localities, Medicare's technical component payments for Magnetic Resonance Imaging (MRI) do not reflect the lower costs per scan now being achieved through faster scanning and higher machine utilization. Current payment levels are based, in part, on the charges allowed by local Medicare contractors in the mid-1980s. The 1991 payment levels in some localities were more than twice as high as in others, reflecting wide geographic disparities in the historical allowed charges. Medicare should base its payments on the costs incurred by high-volume, efficient facilities to reduce Medicare program expenditures and to discourage providers from adding excess capacity to the health care system.


Weaknesses within the health insurance system allow unscrupulous health care providers to cheat insurance companies and programs out of billions of dollars annually. Repairing the system's weaknesses
presents a dilemma to policymakers: on the one hand, safeguards must be adequate for prevention, detection, and pursuit; on the other, they must not be unduly burdensome or intrusive for policyholders, providers, insurers, and law enforcement officials. GAO has asked the Congress to consider establishing a national health care fraud commission as a way to unite the efforts of public and private payers and to build consensus among representatives of divergent viewpoints.


France, Germany and Japan achieve near-universal health insurance coverage. This report describes these countries' health insurance and financing method, their policies intended to restrain health care spending increases, and the effectiveness of these policies. While GAO does not endorse the specific health systems in the reviewed countries, their strengths and weaknesses could be instructive in helping resolve U.S. health care problems.


This report contains testimony presented to the House Committee Ways and Means on April 17, 1991, on health care costs in the United States as well as on long-term strategies for reform of the U.S. health care system.


If the universal coverage and single-payer features of the Canadian system were applied in the United States, the savings in administrative costs alone would be more than enough to finance insurance coverage for the millions of Americans who are currently uninsured. There would be enough left over to permit a reduction, or possibly even the elimination, of copayments and deductibles. With the authority and responsibility to oversee the system as a whole, as in Canada, the single payer could potentially constrain the growth in long-run health care costs. Canadians have few problems with access to primary care services. The Canadian method of controlling hospital costs has limited the use of expensive, high technology diagnostic and surgical procedures.
HEALTH FINANCING AND ACCESS


Health Insurance: Remedies Needed to Reduce Losses From Fraud and Abuse (Testimony, Mar. 8, 1993, GAO/T-HRD-93-8).

Major Issues Facing a New Congress and a New Administration (Testimony, Jan. 8, 1993, GAO/T-OCG-93-1).


Hospital Costs: Adoption of Technologies Drives Cost Growth (Report, Sept. 9, 1992, GAO/HRD-92-120).


MEDICARE AND MEDICAID


Resource-Based Relative Value Scale (RBRVS) and Administrative Costs (Letter, July 13, 1992, GAO/HRD-92-38R).


Medicaid: Factors to Consider in Managed Care Programs (Testimony, June 29, 1992, GAO/T-HRD-92-43).


Medicaid: Factors to Consider in Expanding Managed Care Programs (Testimony, Apr. 10, 1992, GAO/T-HRD-92-26).


Medicare: Over $1 Billion Should Be Recovered From Primary Health Insurers (Report, Feb. 21, 1992, GAO/HRD-92-52).


MANAGED CARE


Medicaid: Factors to Consider in Managed Care Programs (Testimony, June 29, 1992, GAO/T-HRD-92-43).


Medicaid: Factors to Consider in Expanding Managed Care Programs (Testimony, Apr. 10, 1992, GAO/T-HRD-92-26).


PUBLIC HEALTH AND EDUCATION


HEALTH QUALITY AND PRACTICE STANDARDS


Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-48).


LONG-TERM CARE AND AGING


Long-Term Care Case Management: State Experiences and Implications for Federal Policy (Report, Apr. 6, 1993, GAO/HRD-93-52).


Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-48).


PRESCRIPTION DRUGS


VA Health Care: Closure and Replacement of the Medical Center in Martinez, California (Report, Dec. 1, 1992, GAO/HRD-93-15).


VA Health Care: Copayment Exemption Procedures Should be Improved (Report, June 24, 1992, GAO/HRD-92-77).


Medical ADP Systems: Composite Health Care System is Not Ready to be Deployed (Report, May 20, 1992, GAO/IMTEC-92-54).


Defense Health Care: Efforts to Address Health Effects of the Kuwait Oil Well Fires (Report, Jan. 9, 1992, GAO/HRD-92-50).


EMPLOYEE AND RETIREE HEALTH BENEFITS


Fraud and Abuse: Stronger Controls Needed in Federal Employees Health Benefits Program (Report, July 16, 1991, GAO/GGD-91-95)
OTHER HEALTH ISSUES

ENVIRONMENTAL IMPACT ON HEALTH


FOOD AND DRUG ADMINISTRATION


Nonprescription Drugs: Over the Counter and Underemphasized (Testimony, Apr. 8, 1992, GAO/T-PEMD-92-5).


MEDICAL MALPRACTICE


OCCUPATIONAL SAFETY AND HEALTH


RESEARCH


SOCIAL SECURITY DISABILITY


MISCELLANEOUS


HHS Staff for Board and Care Issues (Letter, Apr. 1, 1992, GAO/HRD-92-29R).


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