How Can We Improve Quality and Control Health Spending?

Medicare should lead delivery system reform.

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The Problem

Excess Health Care Costs = Access to Coverage

↓ ↓
Quality
The Cause

Expensive Medical Technology + Fee-for-Service Payment = Excess Health Care Costs

Supply-sensitive services
Preference-sensitive services
The Solution

… Reformed delivery systems for the U.S. that manage the use of technology through care coordination and the application of medical evidence to clinical practice, and are capable of receiving and succeeding with prospective payment methodologies.
Delivery System Reform

What are the elements?
- Payment/incentive changes
- Structural changes
## Payment and Delivery System Options

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<th>II. Doctors Rebel</th>
<th>IV. Nirvana</th>
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<th>I. A Return to the 70’s</th>
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The diagram shows the evolution of delivery system options fromSolo Practice to a tightly integrated system with employed MDs.

Exhibit ES-1. Organization and Payment Methods

Continuum of Payment Bundling

- Full Population Prepayment
- Global Case Rates
- Medical Home Payments
- Fee-for-Service

Continuum of Organization

- Small practices; unrelated hospitals
- Independent Practice Associations; Physician Hospital Organizations
- Fully integrated delivery system

Outcome measures; large % of total payment
Care coordination and intermediate outcome measures; moderate % of total payment
Simple process and structure measures; small % of total payment

Source: The Commonwealth Fund, 2008
The Medicare program should lead delivery system reform …

Because it can.
Current Medicare Delivery System Reform – Ideas

- Payment/Incentive Changes
  - P4P
  - Care Coordination payments
  - Bundled payments
  - Gainsharing
  - Group Practice Demonstration
Current Medicare Delivery System Reform – Proposals

- Structural Changes
  - Medical Home
  - Physician-Hospital Integration
  - Accountable Care Organizations
More Aggressive Medicare Delivery System Reform Ideas

- Enhance Medicare purchasing authority
- Enhance Medicare benefit design authority
- Targeted updates
- MA for delivery systems
Enhance Medicare Purchasing Authority

- Selective provider contracting
- Centers of Excellence
- Competitive bidding
Enhance Medicare Benefit Design Authority

- Differential OOP payments
- Catastrophic cap with end of Medi-Gap plans
Targeted Updates

- Separate physician “target pool” for practices that manage appropriateness of services
- Combined hospital/physician group updates
Recharge MA-PSO model

- Remodel to include hospitals
- Medicare developmental risk sharing corridors
Conclusions

- Delivery system reform is a vital step to improve quality and control health spending
- The Medicare program can and should lead delivery system reform