Value-Based Purchasing in Medicare: Going Beyond Pay-For-Performance

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Should Medicare Act on Its Own to Reduce Medicare Spending?

- Does the clear need for broad delivery system reform preclude Medicare-specific activities?
- Concern about cost shifting
- Concern about Medicare “overusing” market power and authority
- But a value-based purchaser must balance access, cost and quality – already built-in restraints
The answer is --

Medicare should act on its own -- and lead others on delivery system reforms to hold down system spending
Why Medicare Can Act on Its Own

- Some spending in the health system is very much in Medicare – ESRD, Home Health, the Medicare fraud and abuse industry (see DME)

- Some spending reductions reside not in delivery system reforms but in basic issues of paying properly and reasonably
Why Medicare Can Act on Its Own

• Despite the reality of cost shifting, public and commercial sector payers share a number of common interests and should be encouraged to collaborate
  -- more private payer engagement in Medicare rule-making, e.g. the broken RBRVS valuations
  -- jointly sponsored demos, e.g. medical homes
Medicare-specific Purchasing

- Only have to flatten the spending growth curve 1-2% to change all of the dire prognostications about “insolvency” and eating up the entire budget.
- Plenty of opportunity, but for the “de facto political entitlement” that providers enjoy.
- In fact, Medicare has had fair success flattening the spending curve.
  -- Only 0.5% “excess growth” since 1997 – Chapin White
A Broader Notion Of Value-Based Purchasing

• Provider eligibility requirements  
  -- e.g., limited English proficiency
• Benefit Design  
  -- e.g., Part E – catastrophic and lower cost-sharing as a supplemental option; variable cost-sharing for chronic care medications under Part D
• Coverage policy – “reasonable and necessary”  
  -- comparative and cost effectiveness (but not necessarily formal CEA); protection from political interference, e.g. Senator Stevens and PET scans; selective use of prior authorization
Value-Based Purchasing (cont)

- **Payment policy**
  -- move off of strict reimbursement for average costs by incentivizing desired kind and mix of services, e.g. more geriatric services and fewer imaging services; use inherent reasonableness; one-size does not fit all

- **Pay-for-performance**
  -- use more opportunistically than currently envisioned

- **Consumer information and education**
  -- e.g., real time education based on data mining of claims; overhaul the website
Value-Based Purchasing (cont.)

• Technical assistance
  -- e.g., QIOs?
• Collaboration with other purchasers/payers
  -- e.g., demos, data sharing, patient education
• Medicare-specific regulation
  -- e.g., enhance self-referral restrictions in FFS
• Direct intervention/support in service delivery
  -- e.g., employment of community care nurses