

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

