Cost Containment in the Short Term: Refining and Applying Existing Tools

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It’s The Prices, Stupid: Why The United States Is So Different From Other Countries

Higher health spending but lower use of health services adds up to much higher prices in the United States than in any other OECD country.

Regional Variations in the End-of-Life Expenditure Index (EOL-EI) and average per-capita Medicare spending

Source: Elliot Fisher
Relative Profitability Within DRGs
Cardiac DRGs

Source: MedPAC
Relative Profitability across DRGs
Cardiac DRGs

Percent Expected Profitability

Surgical DRGs
Medical DRGs

-15 -10 -5 0 5 10 15 20

DRG
DRG 104
DRG 105
DRG 107
DRG 109
DRG 116
DRG 121
DRG 122
DRG 127
DRG 138

-15 -10 -5 0 5 10 15 20

Surgical DRGs
Medical DRGs
Potential Medicare Payment Modifications

• Skilled Nursing Facilities (MedPAC, June 2008)
  – Therapy payments based on need not use
  – Non-therapy ancillaries payments based on need

• Imaging Services (MedPAC, Jan. 2009)
  – Payments more closely tied to actual equipment costs

• Home Health Services (MedPAC, Jan. 2009)
  – Risk sharing of profits and losses
Variation in FEHBP Physician and Hospital Fees Across MSAs

## Hospital Consolidation

<table>
<thead>
<tr>
<th>MSAs Meeting DOJ and FTC</th>
<th>Definition of Highly Concentrated</th>
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<tbody>
<tr>
<td></td>
<td>1990</td>
</tr>
<tr>
<td>Percentage of MSAs</td>
<td>71%</td>
</tr>
<tr>
<td>Number of Residents</td>
<td>56.2  million</td>
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