

How Can We Improve Quality and Control Health Spending?

Medicare should lead delivery system reform.

National Academy of Social Insurance

21st Annual Conference

January 29, 2009

Washington, D.C.

Francis J. Crosson, MD

Kaiser Permanente

[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

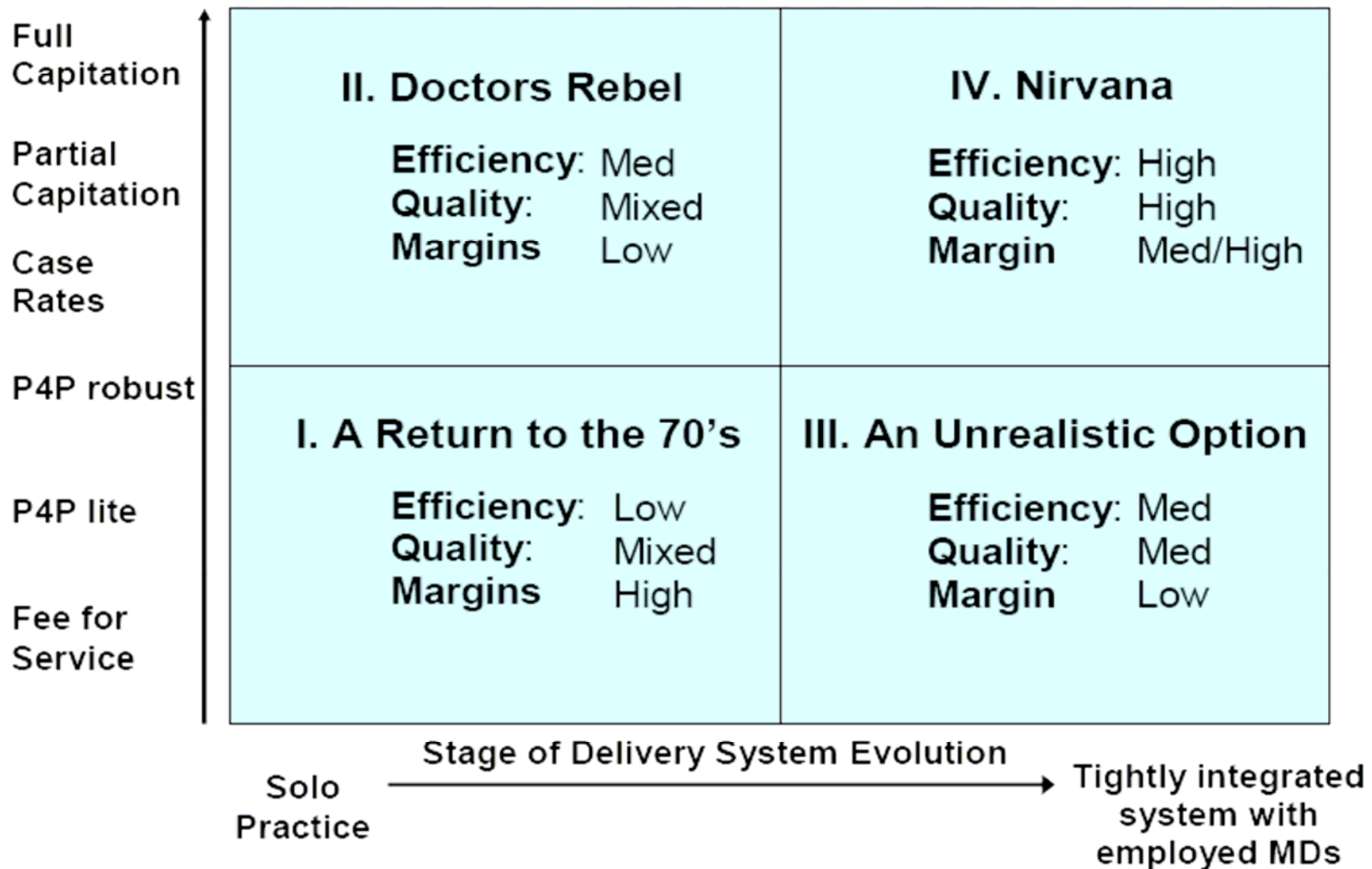
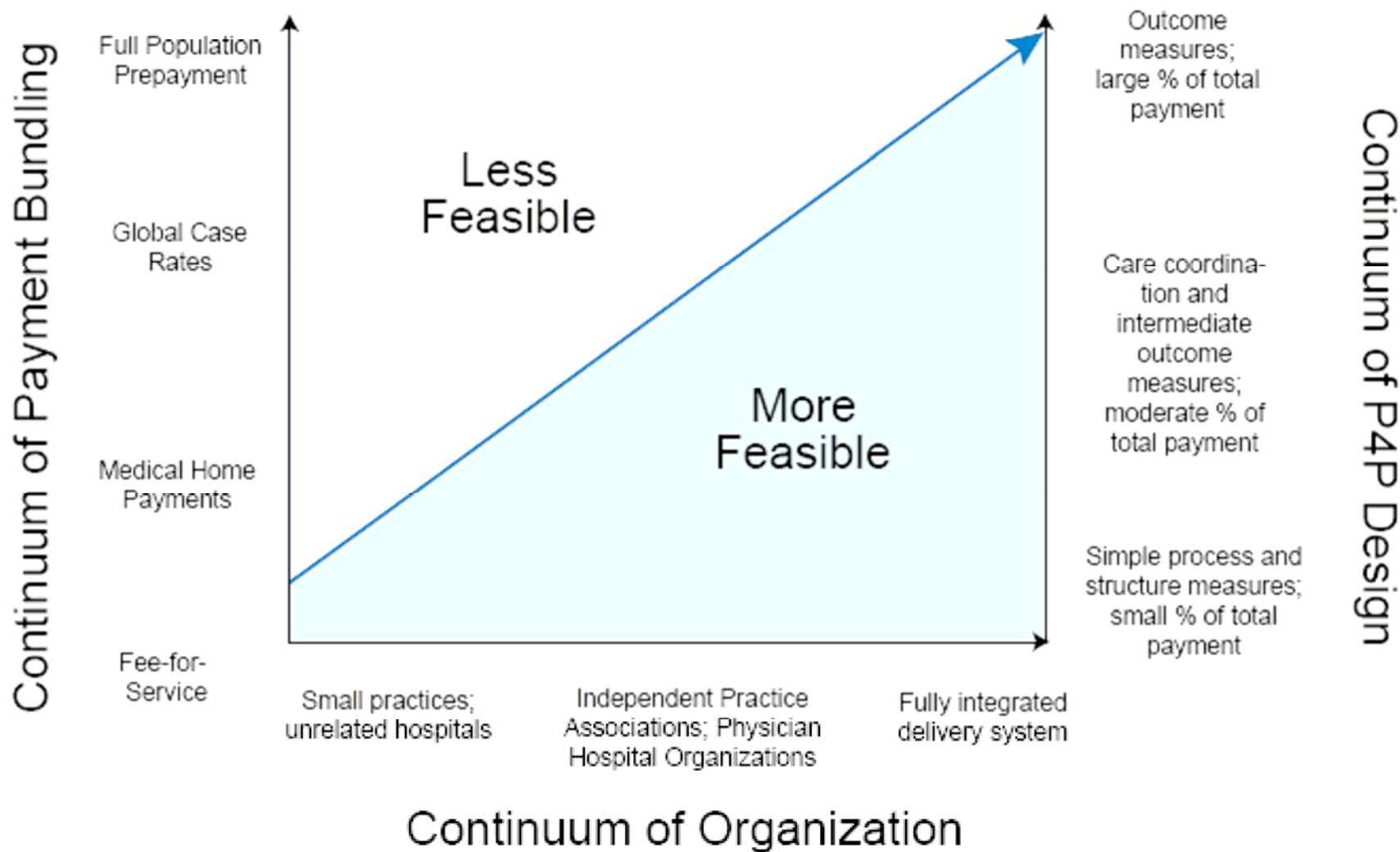


Exhibit ES-1. Organization and Payment Methods



[Medicare

**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**

[“Medicare Advantage” for Delivery Systems

- 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**