## 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 toCoverage

**↓** 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**

Full Capitation

Partial Capitation

Case Rates

P4P robust

P4P lite

Fee for Service II. Doctors Rebel

Efficiency: Med
Quality: Mixed
Margins Low

IV. Nirvana

Efficiency: High Quality: High

Margin Med/High

I. A Return to the 70's

Efficiency: Low Quality: Mixed Margins High

III. An Unrealistic Option

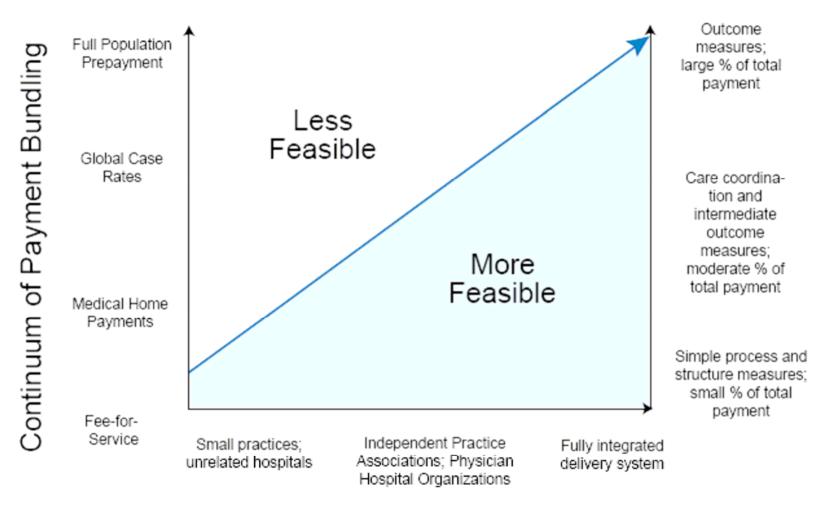
Efficiency: Med Quality: Med Margin Low

Stage of Delivery System Evolution

Solo Practice Tightly integrated system with employed MDs

# Continuum of P4P Design

#### Exhibit ES-1. Organization and Payment Methods



Continuum of Organization

Source: The Commonwealth Fund, 2008

## Medicare

The Medicare program should lead delivery system reform ...

Because it can.

### Current Medicare Delivery System Reform – Ideas

- Payment/Incentive Changes
  - o 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

# Fenhance 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