

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

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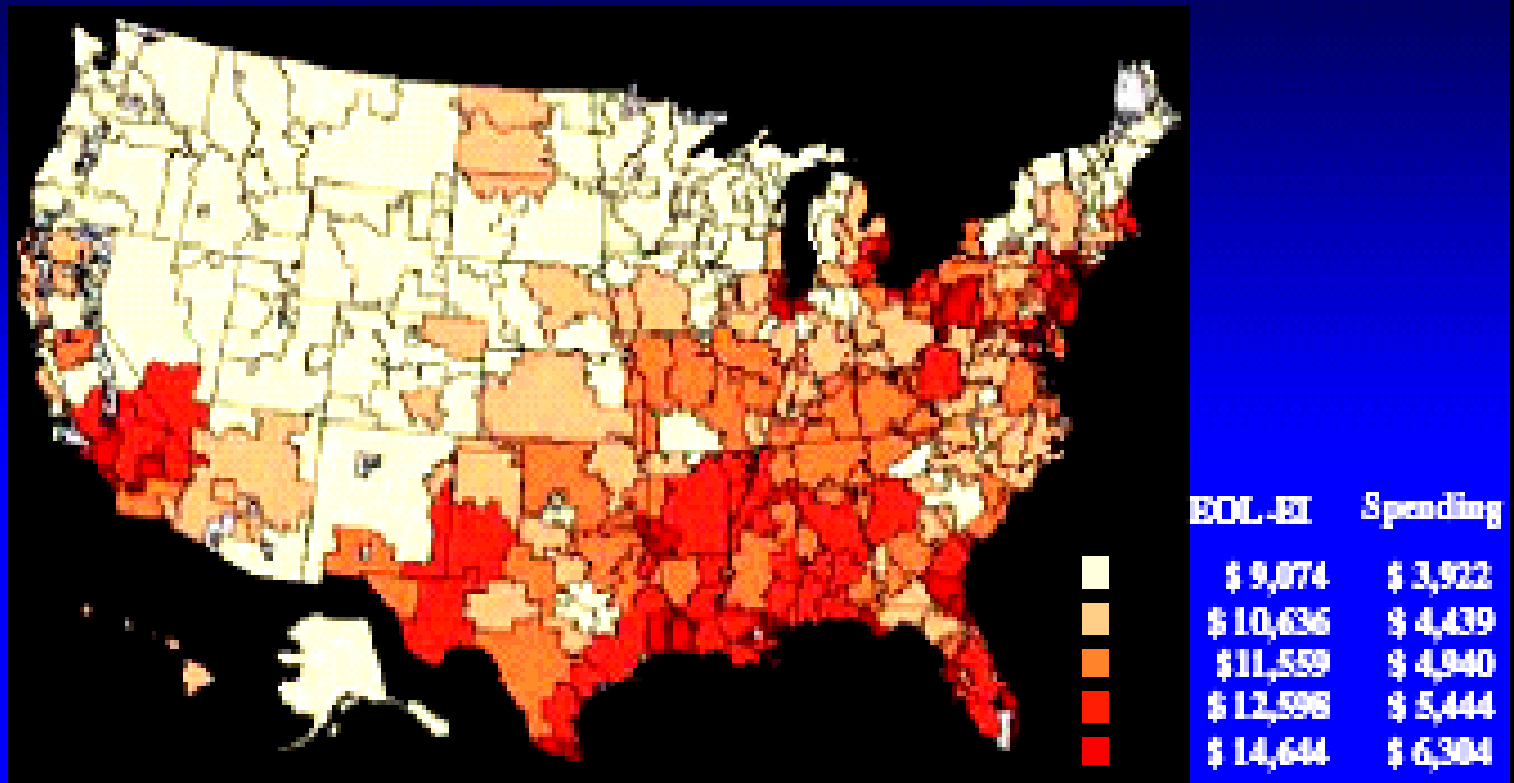
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It's The Prices, Stupid: Why The United States Is So Different From Other Countries

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.

by Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan, *Health Affairs*, Vol. 22. No 3, 2003.

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

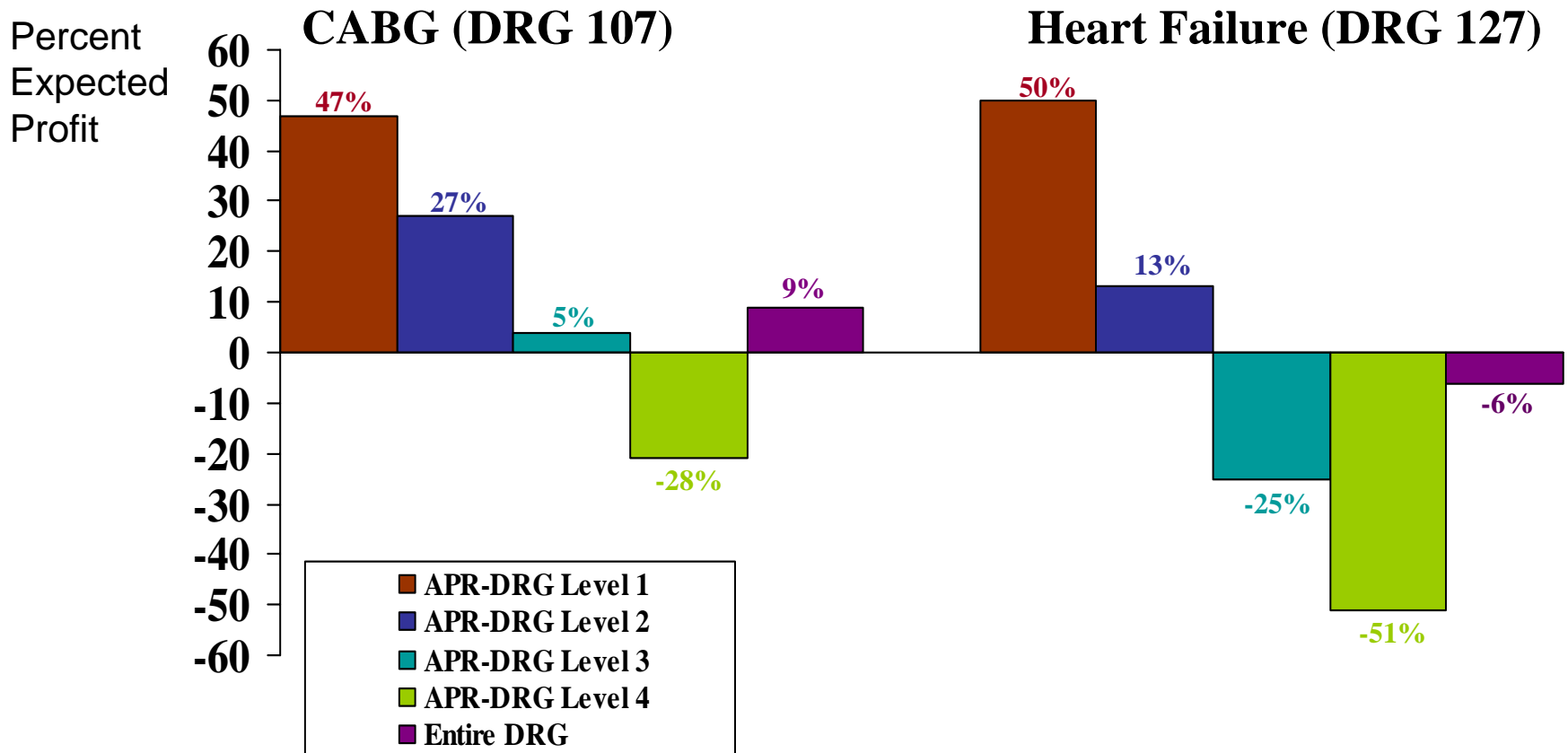


EOL-EI *highly* correlated ($r = 0.81$) with average per-capita Medicare spending

Source: Elliot Fisher

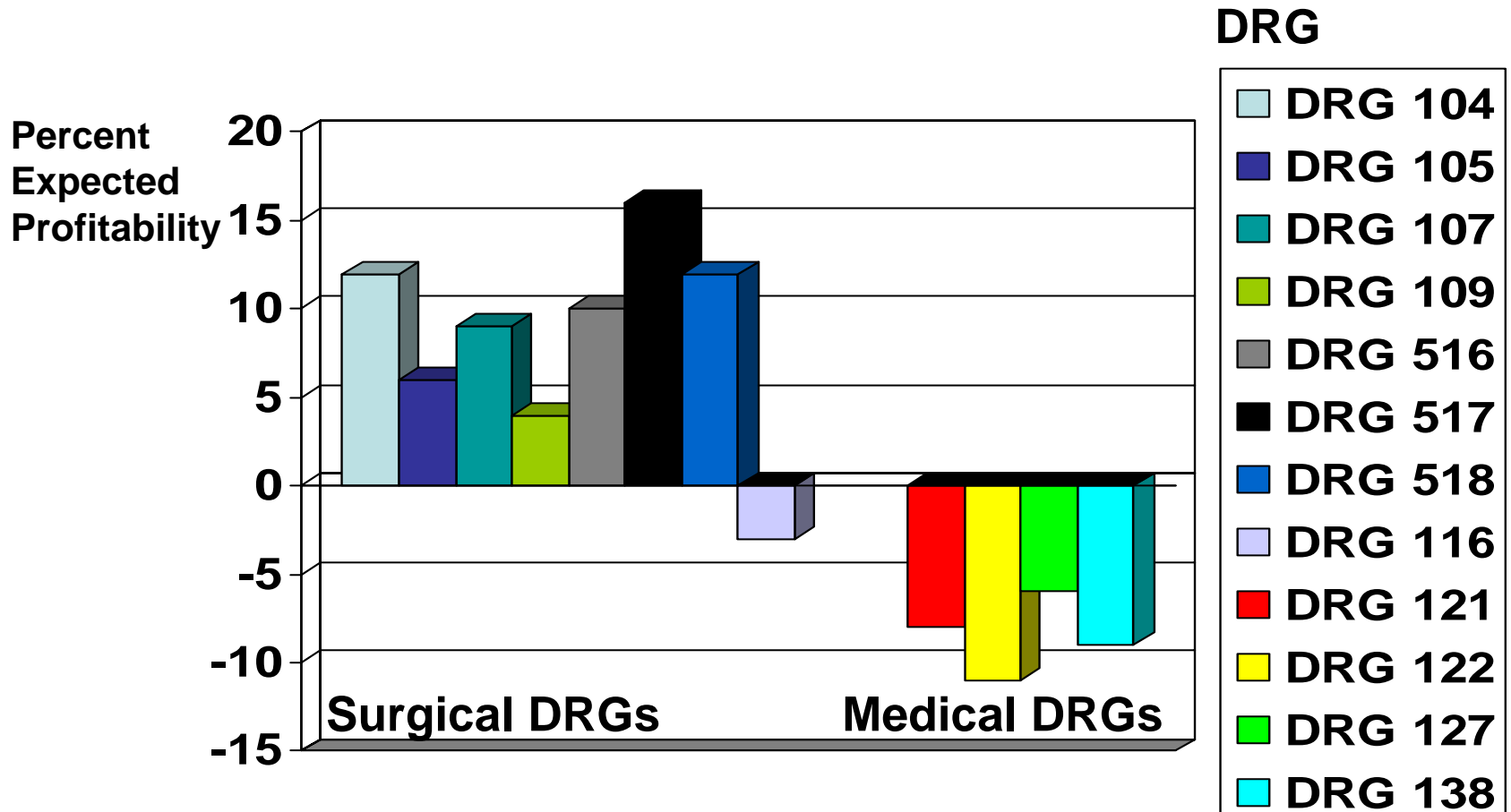
Relative Profitability Within DRGs

Cardiac DRGs



Relative Profitability across DRGs

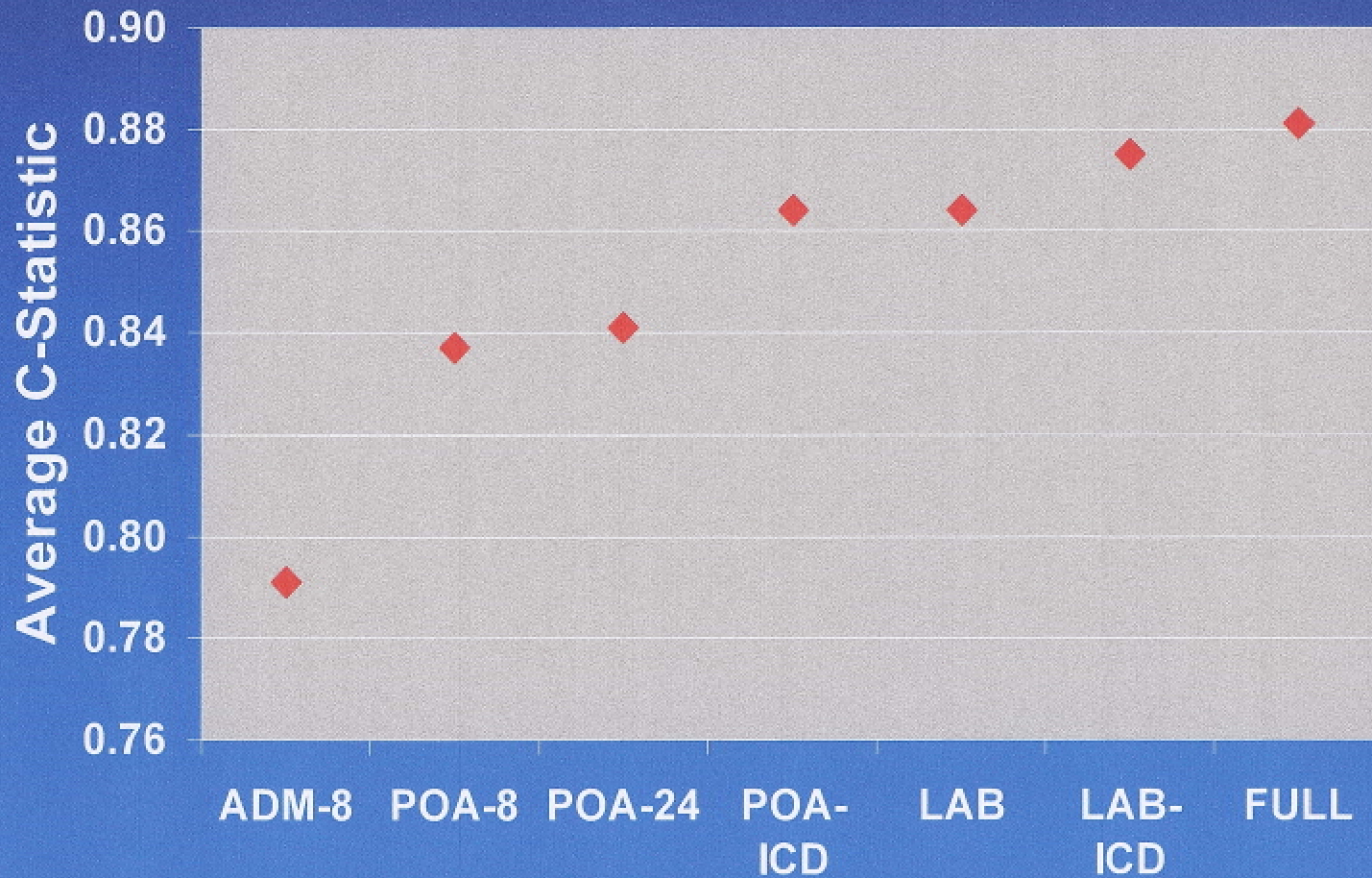
Cardiac DRGs



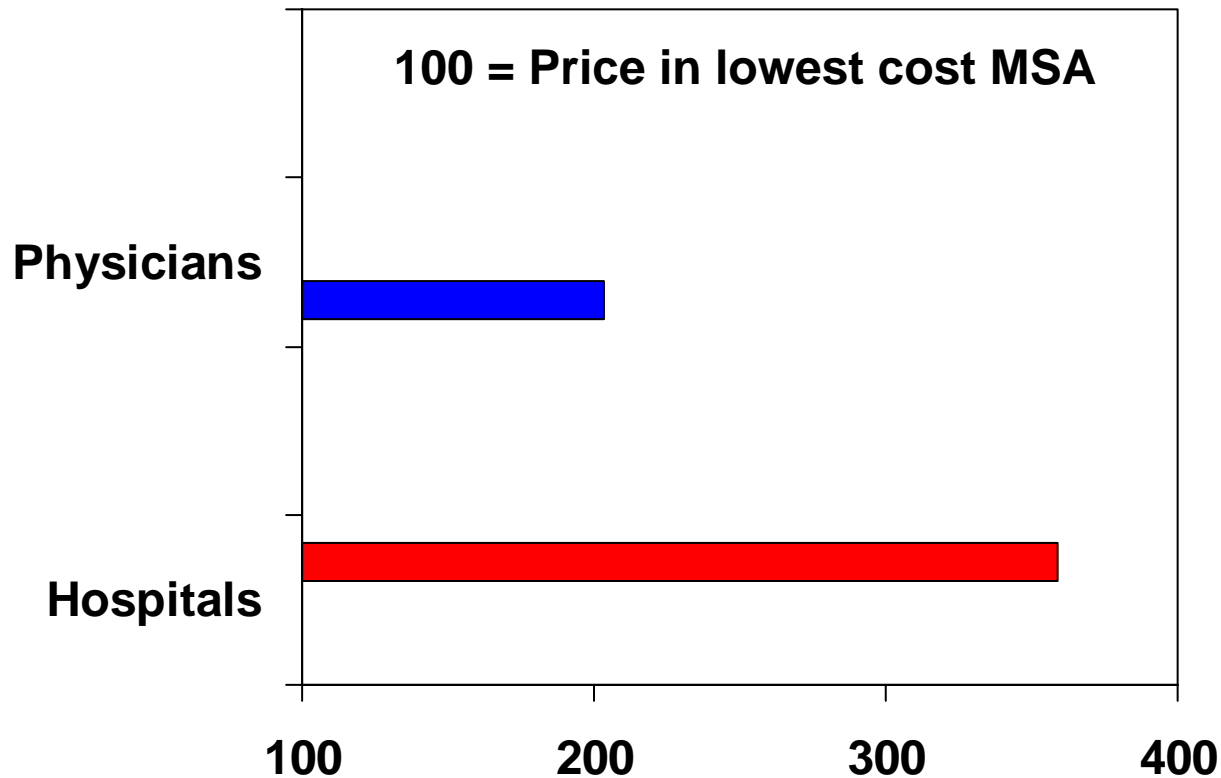
Potential Medicare Payment Modifications

- 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

C-Statistics for Mortality Models



Variation in FEHBP Physician and Hospital Fees Across MSAs



Source: US GAO, "Federal Employees Health Benefit Program: Competition and Other Factors Linked to Wide Variation in Health Care Prices." GAO-05-856, August 2005.

Hospital Consolidation

MSAs Meeting DOJ and FTC Definition of Highly Concentrated		
	1990	2003
Percentage of MSAs	71%	88%
Number of Residents	56.2 million	122 million

Source: w. Vogt and R. Towns, "How has consolidation affected the price and quality of hospital care." The Robert Wood Johnson Foundation: Research Synthesis No. 9, Feb 2006.