We Already Know How To Fix Our Health Care System – So Why Can't We?

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Agenda

- The Problem
- The Obstacles
- Some Solutions
  - –ACA
  - –Confronting Costs

COST

- $Billions in unnecessary and wasteful spending
- Overuse puts patients at risk, drains resources, and makes healthcare less accessible and less effective

QUALITY

Despite rapid advances, thousands of patients die each year from medical error

COVERAGE

52 million uninsured; many more underinsured

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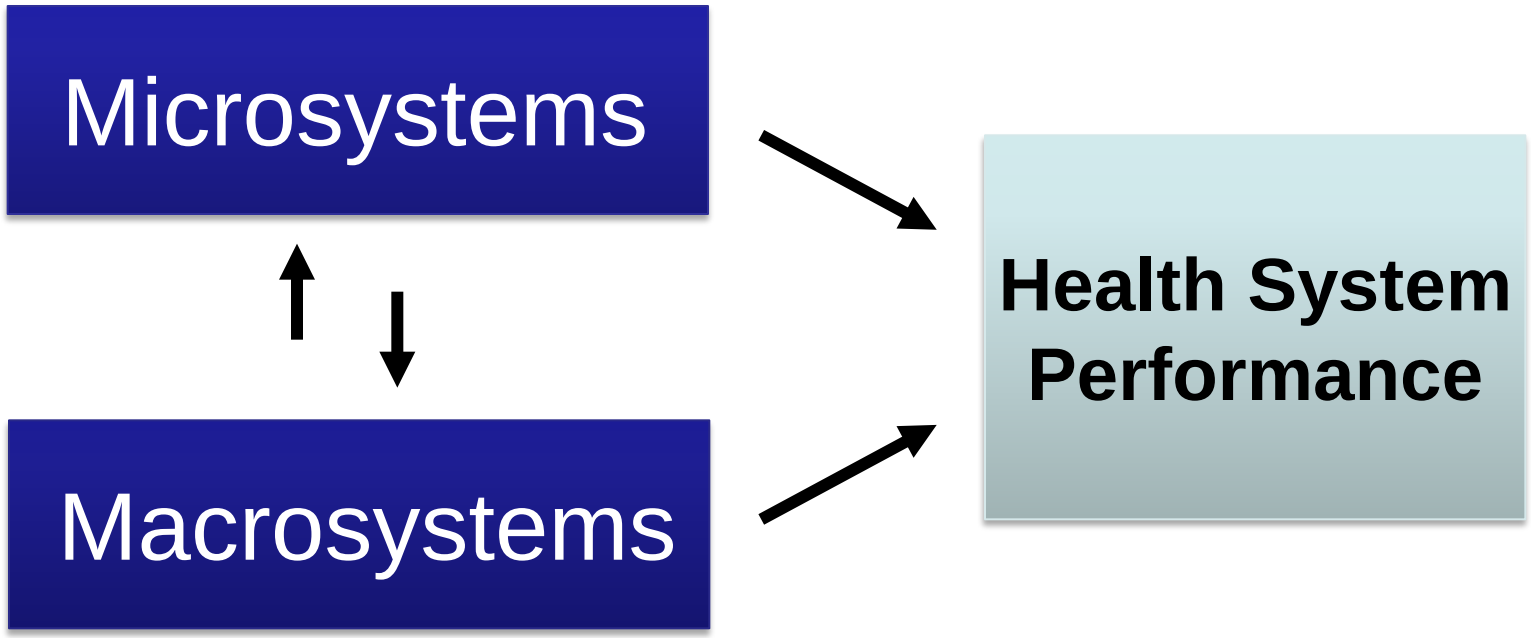
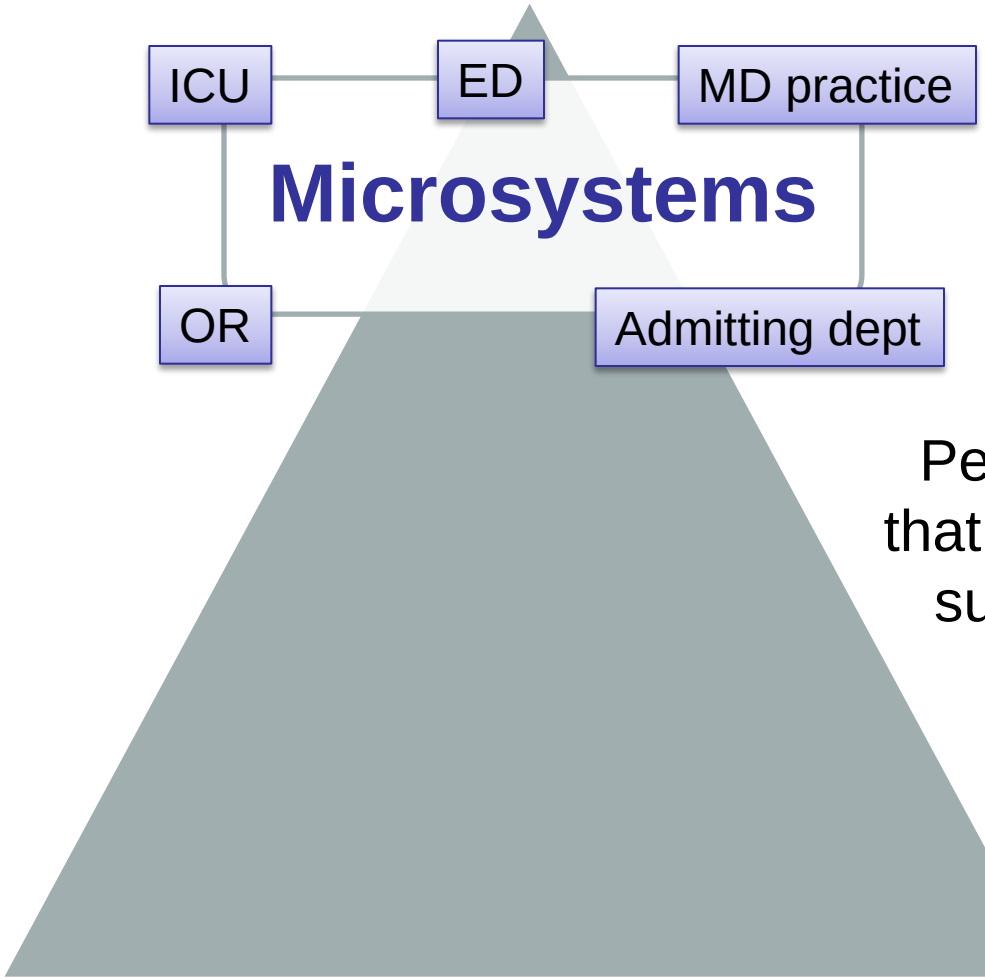
Levels of Health Care System



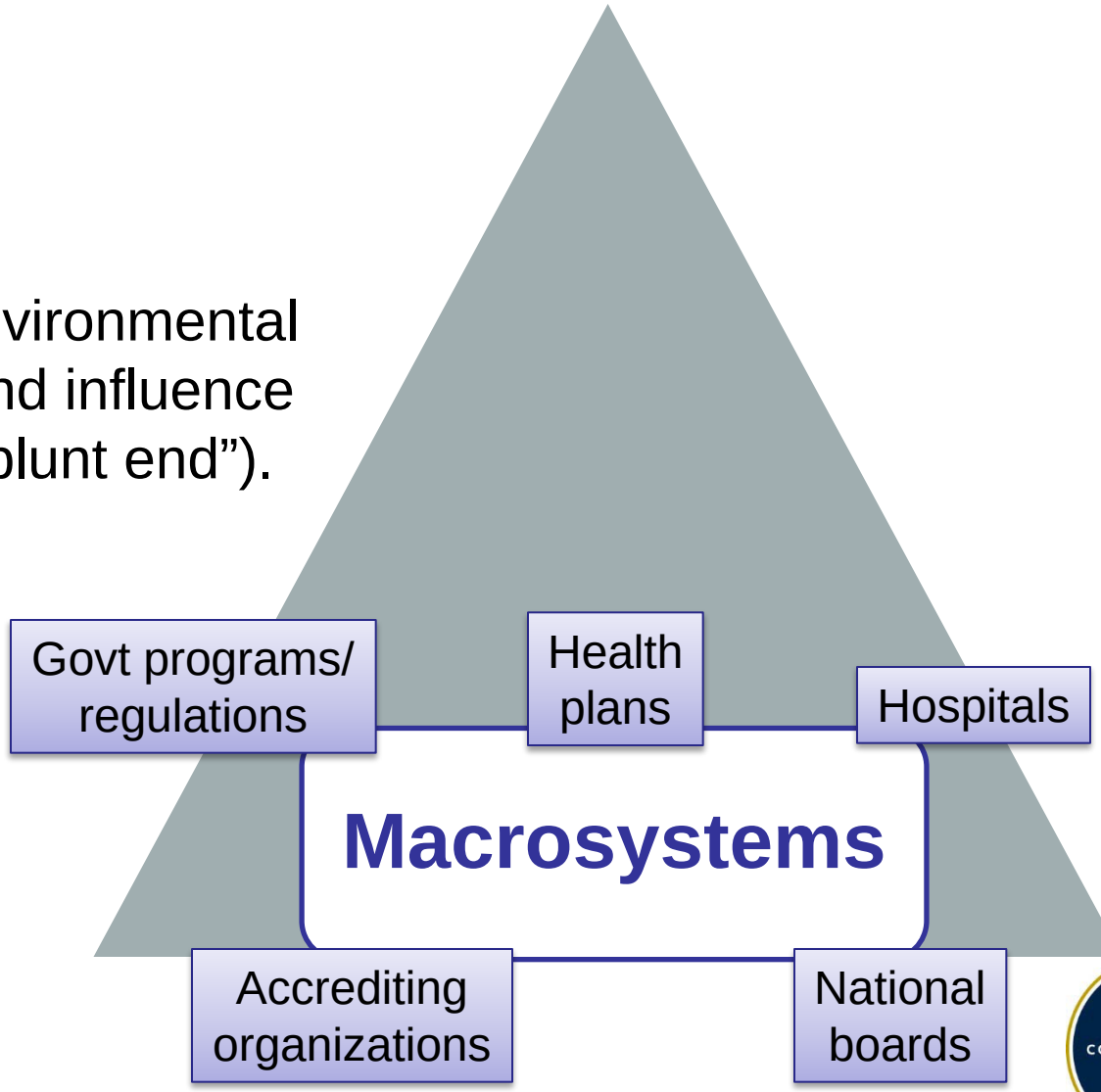
Microsystems



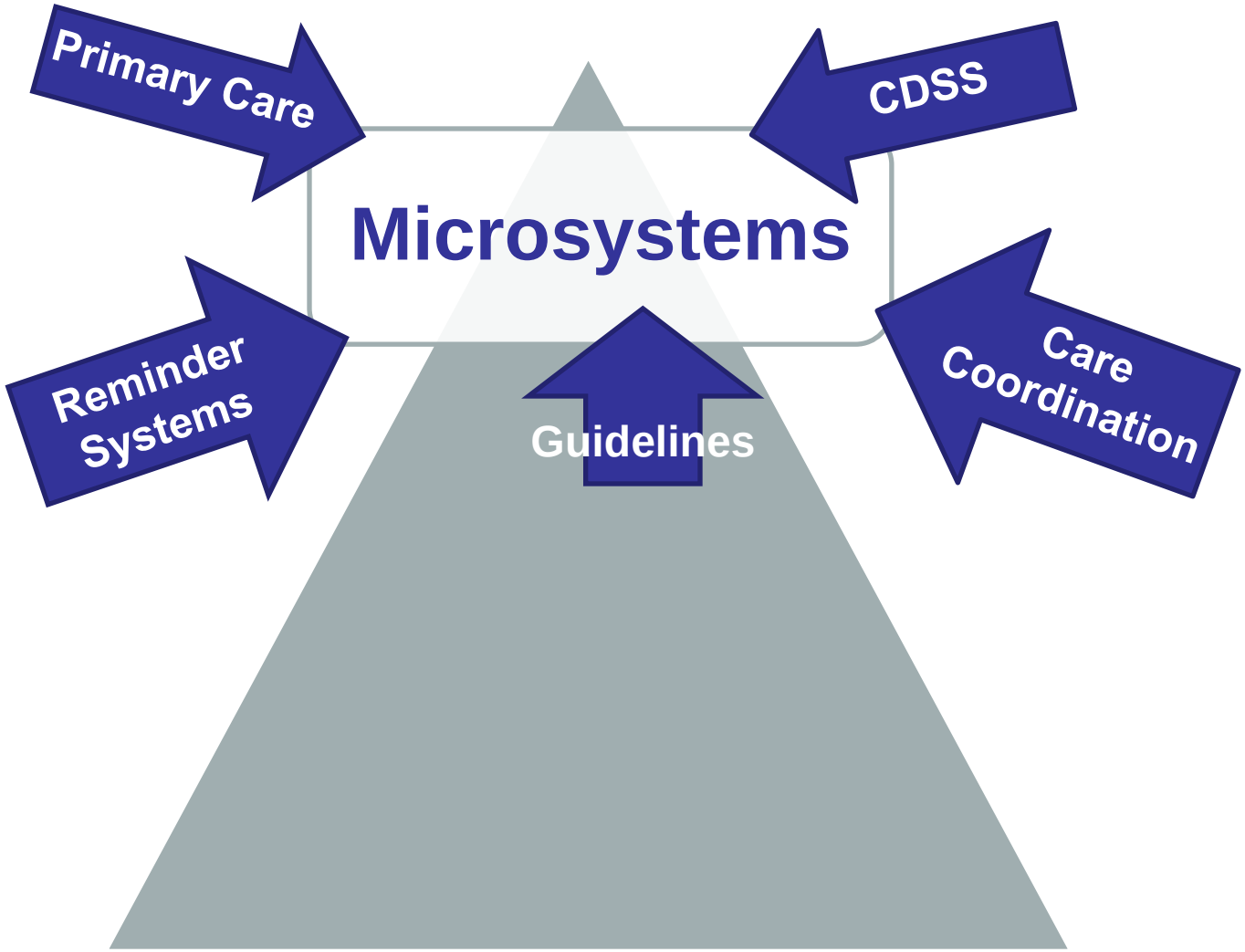
People, processes and practices that interact directly with patients or support patient care at the local level (the “sharp end”).

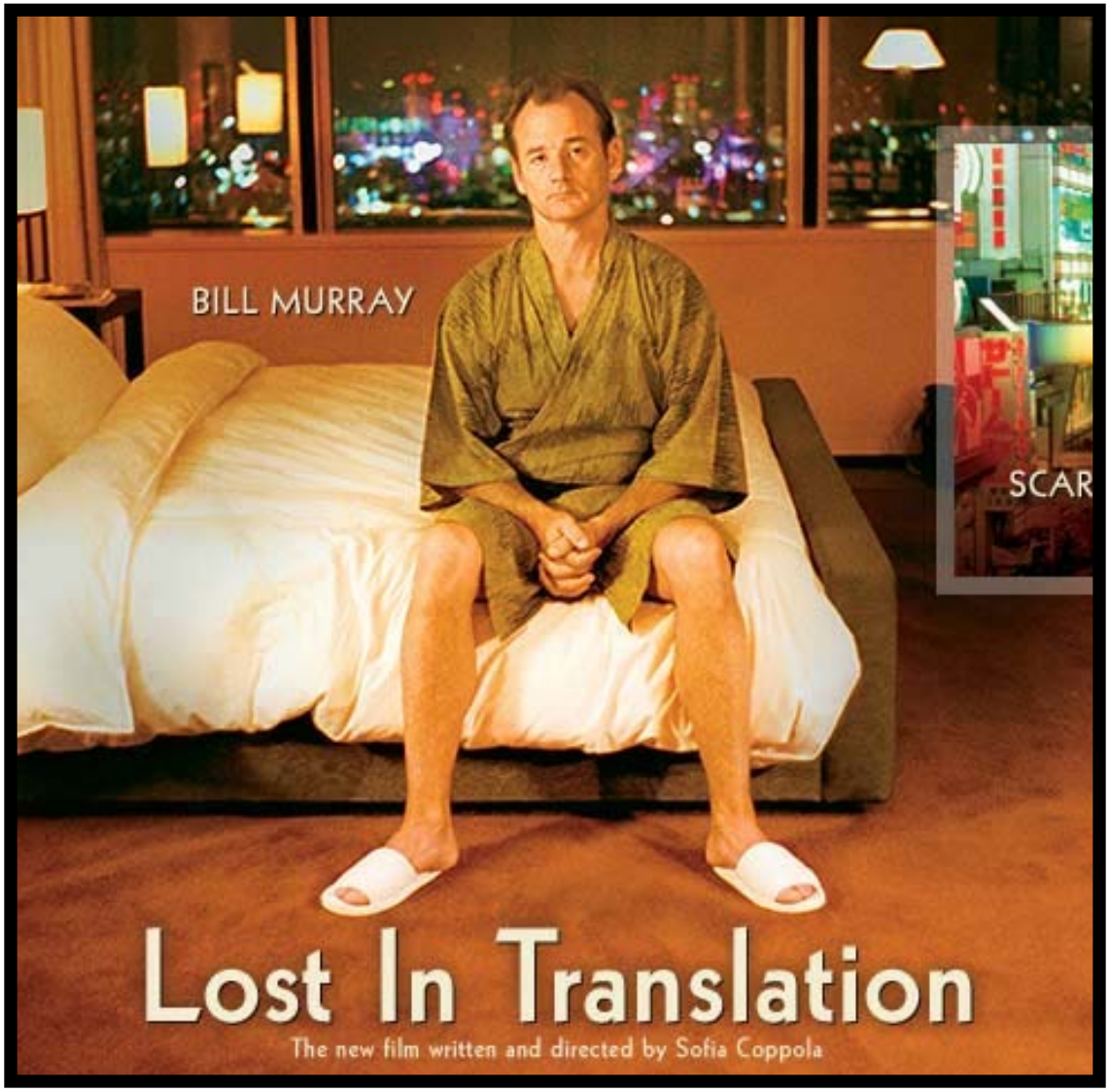
Macrosystems

Organizations and environmental forces that support and influence microsystems (the “blunt end”).



Interventions That Work: Microsystem





Macrosystems

We have failed to create macrosystems

that encourage and support use

of these solutions,

thereby changing the behavior

of large numbers of microsystems

and raising the performance

of the health care system as a whole.

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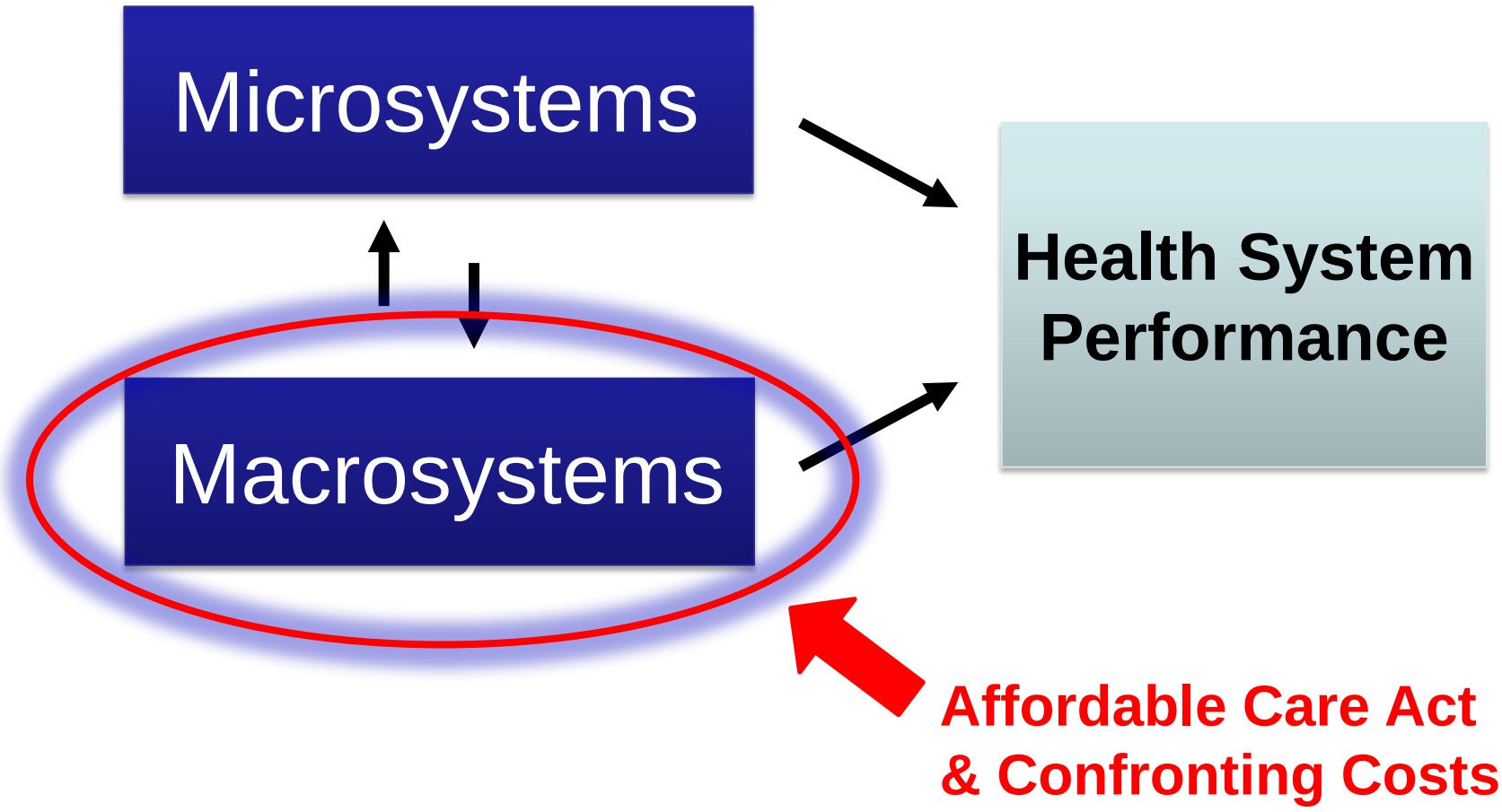
Simply Stated

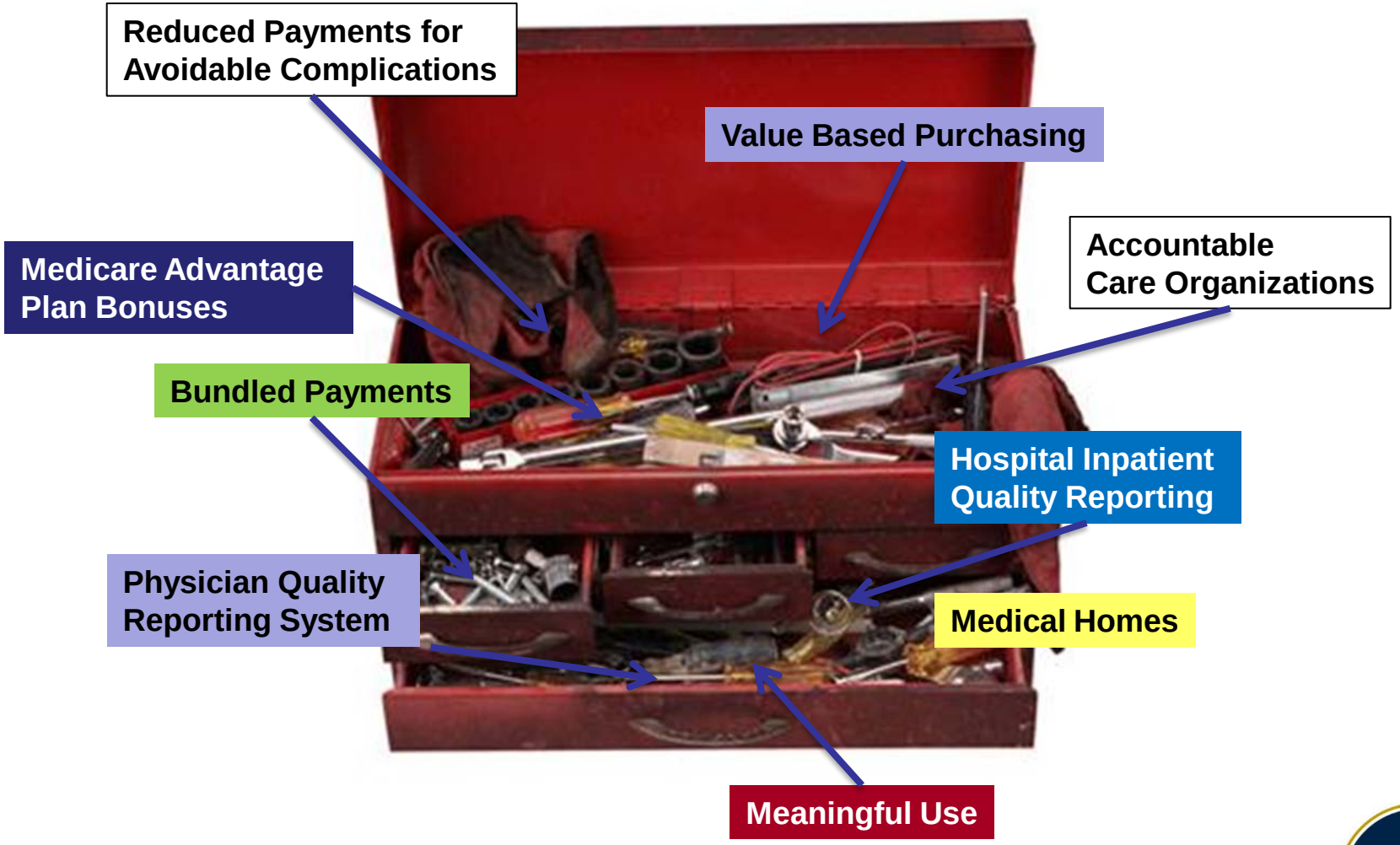
We need to make it easier to do the right thing…

Macrosystems Progress: Obstacles

- Professional
- Bureaucratic
- Legal
- Misaligned Incentives
- Ideology
- Knowledge gaps
- Politics

The Changing Macrosystem





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How to accelerate Macrosystem reform?

or

How to pull together these policy tools into a comprehensive, synergistic cost control strategy?

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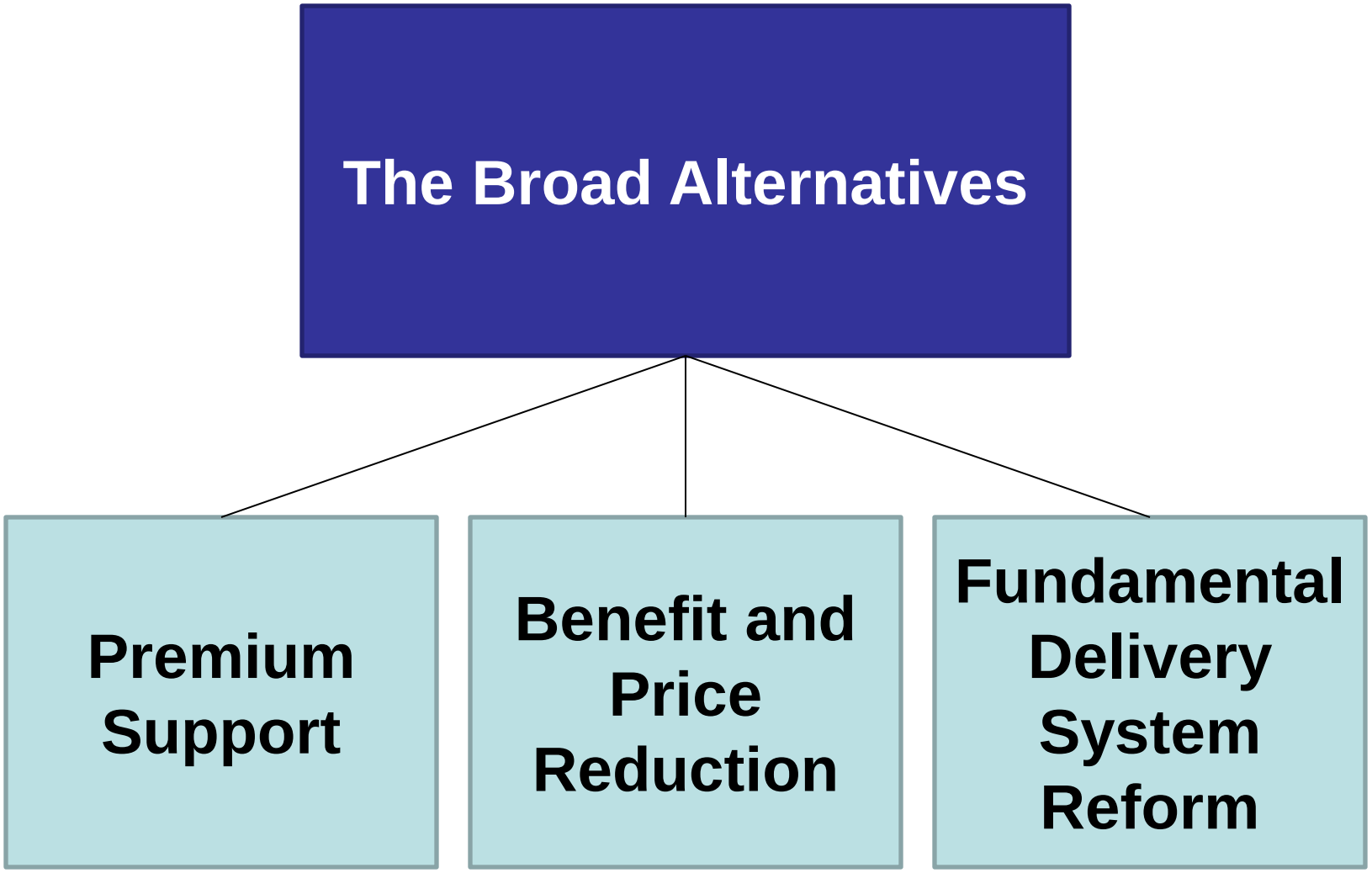
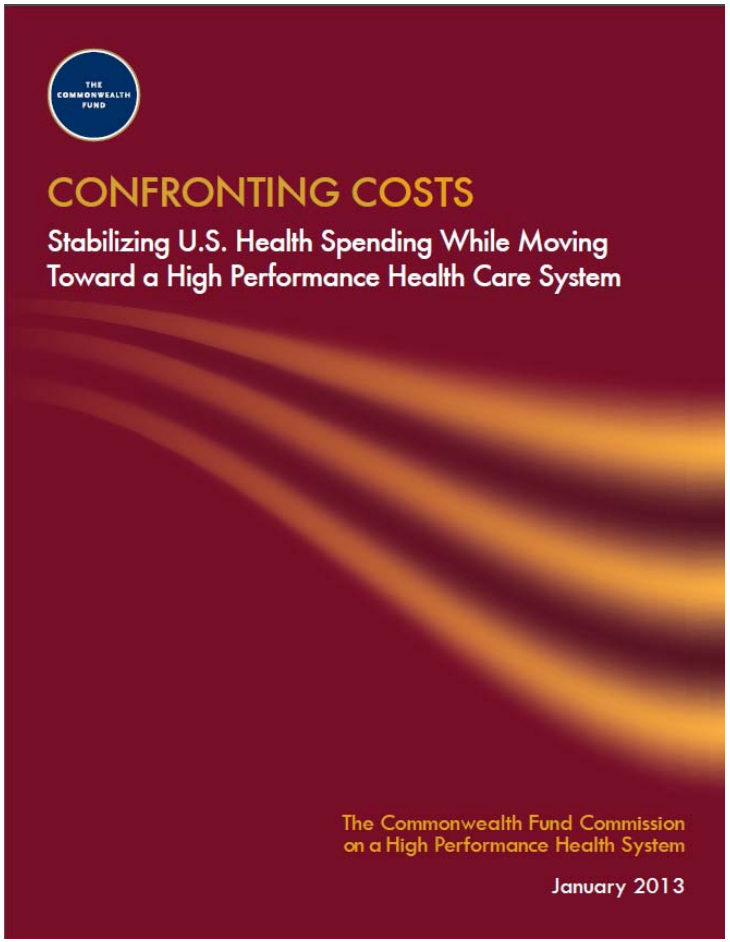


Next Steps – Synergistic Policies to Stabilize Costs and Improve Outcomes

- **Goal: Create incentives and structures for better care and lower cost throughout the continuum of health care services**
- **Bite the Bullet: National per Capita Cost Target**
- **Three pillars:**
  - **Payment Reforms to Accelerate Delivery System Innovation**
  - **Policies to Expand and Encourage High-Value Choices**
  - **Other Actions to Improve How Health Care Markets Function**



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The Target

- Set by Congress/public and private leaders
- A target, not a straightjacket
  - Accountability
  - Monitoring opportunity
- Design policies to achieve
  - Modify with experience
- Local/regional/state reporting

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Three Pillars for Confronting Costs

Payment reforms to accelerate delivery system innovation ($1,333 billion)

- Pay for value: replace the SGR with provider payment incentives to improve care
- Strengthen patient-centered primary care and support care teams
- Bundle hospital payments to focus on total cost and outcomes
- Align payment incentives across public and private payers

Policies to expand and encourage high-value choices ($189 billion)

- Offer new Medicare Essential plan with integrated benefits through Medicare, offering positive incentives for use of high-value care and care systems
- Provide positive incentives to seek care from patient-centered medical homes, care teams, and accountable care networks (Medicare, Medicaid, private plans)
- Enhance clinical information to inform choice

Systemwide actions to improve how health care markets function ($481 billion)

- Simplify and unify administrative policies and procedures
- Reform malpractice policy and link to payment*
- Target total public and private payment (combined) to grow at rate no greater than GDP per capita**

Notes: SGR = sustainable growth rate formula; GDP = gross domestic product.
* Malpractice policy savings included with provider payment policies.
** Target policy was not scored.

Pay for Value: Replace SGR with Provider Payment Incentives

- **SGR formula is repealed and replaced with a policy that holds basic Medicare physician fees at their 2012 levels through 2023**
- **Recalibration of the relative values for overpriced services and volume price adjustment for high-cost diagnostic tests**
- **Medical malpractice reform**
- **$228 billion in NHE savings, $155 billion to Federal government**

New Medicare Essential plan

- **Unified design:**
  - **Single premium for essential benefits and limit on out of pocket costs**
  - **Lower administrative costs**
  - **Beneficiary premium savings**
- **Reduce cost-sharing for high-value practices, teams, and networks (ACOs, PCMHs)**
- **Shared decision making and comparative information on care and treatment choices**
- **Single prescription drug formulary with value-design**
- **$180 billion in NHE savings**

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Reduce Administrative Costs and Complexity for Providers and Plans

- **Reduce administrative costs and complexity for providers and plans**
  - **Standardized benefit design, claims forms, coding, and electronic submission of claims**
  - **Core set of quality and cost metrics, measured and reported in the same way across public and private payers**
  - **Multi-payer negotiations to align payment methods**
  - **Regulatory relief for high-performance ACO networks**
- **$507 billion in NHE savings, $187 billion to Federal government**

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Potential Cumulative Savings by Payer Compared to Current Baseline Projection, 2013-2023

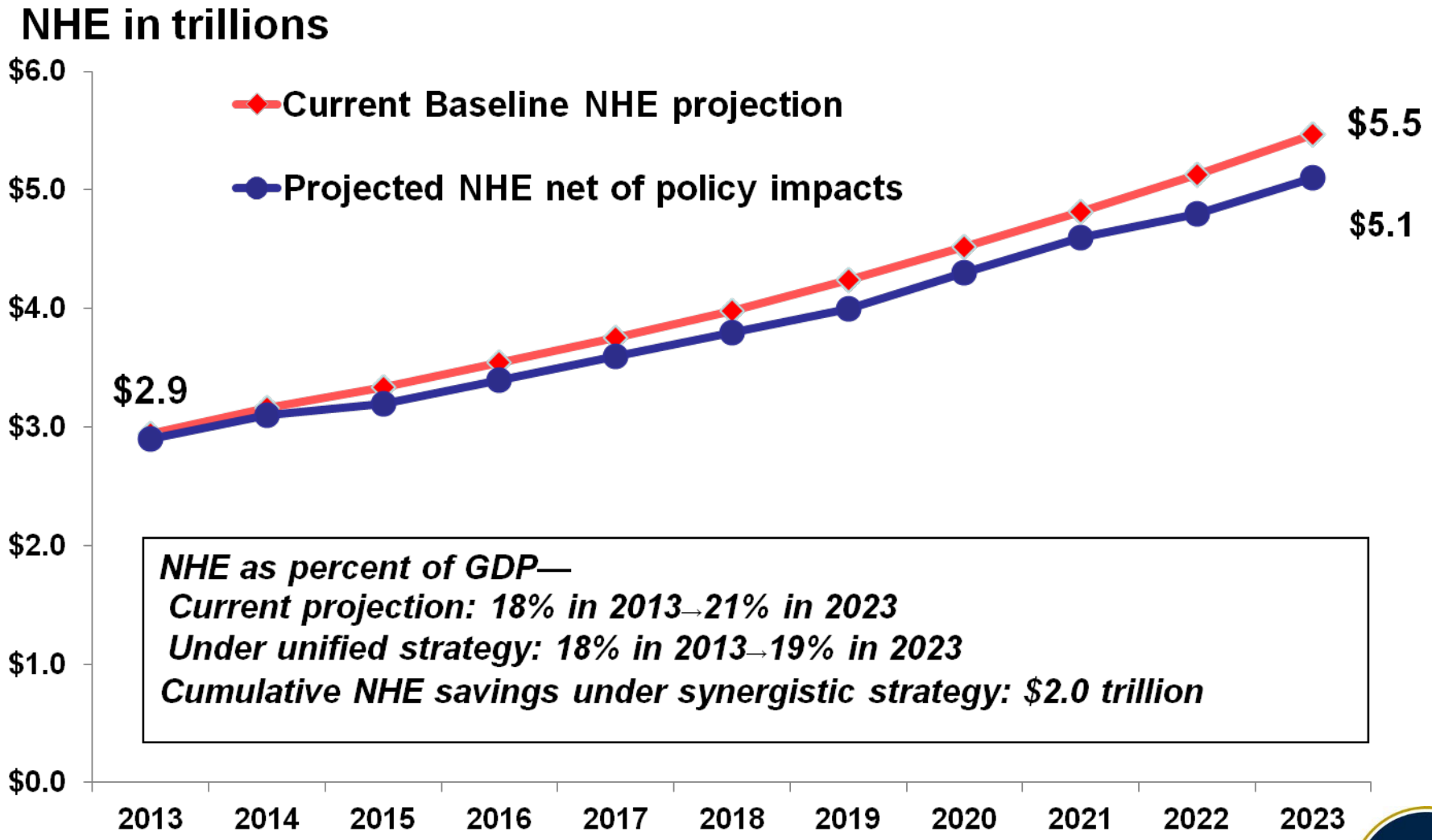
Net impact in $ billions*

	Total NHE	Federal govt.	State and local govt.	Private employers	Households
2013-2023	-$2,004	–$1,036	–$242	–$189	–$537

Note: NHE = National Health Expenditures.
*Net effect does NOT include potential impact of spending target policy.

Source: Estimates by Actuarial Research Corporation for The Commonwealth Fund. Current baseline projection assumes that the cuts to Medicare physician fees under the sustainable growth rate (SGR) formula are repealed and basic physician fees are instead increased by 1% in 2013 and held constant from 2014 through 2023.

Projected National Health Expenditures (NHE), 2013-2023: Potential Impact of Synergistic Strategy



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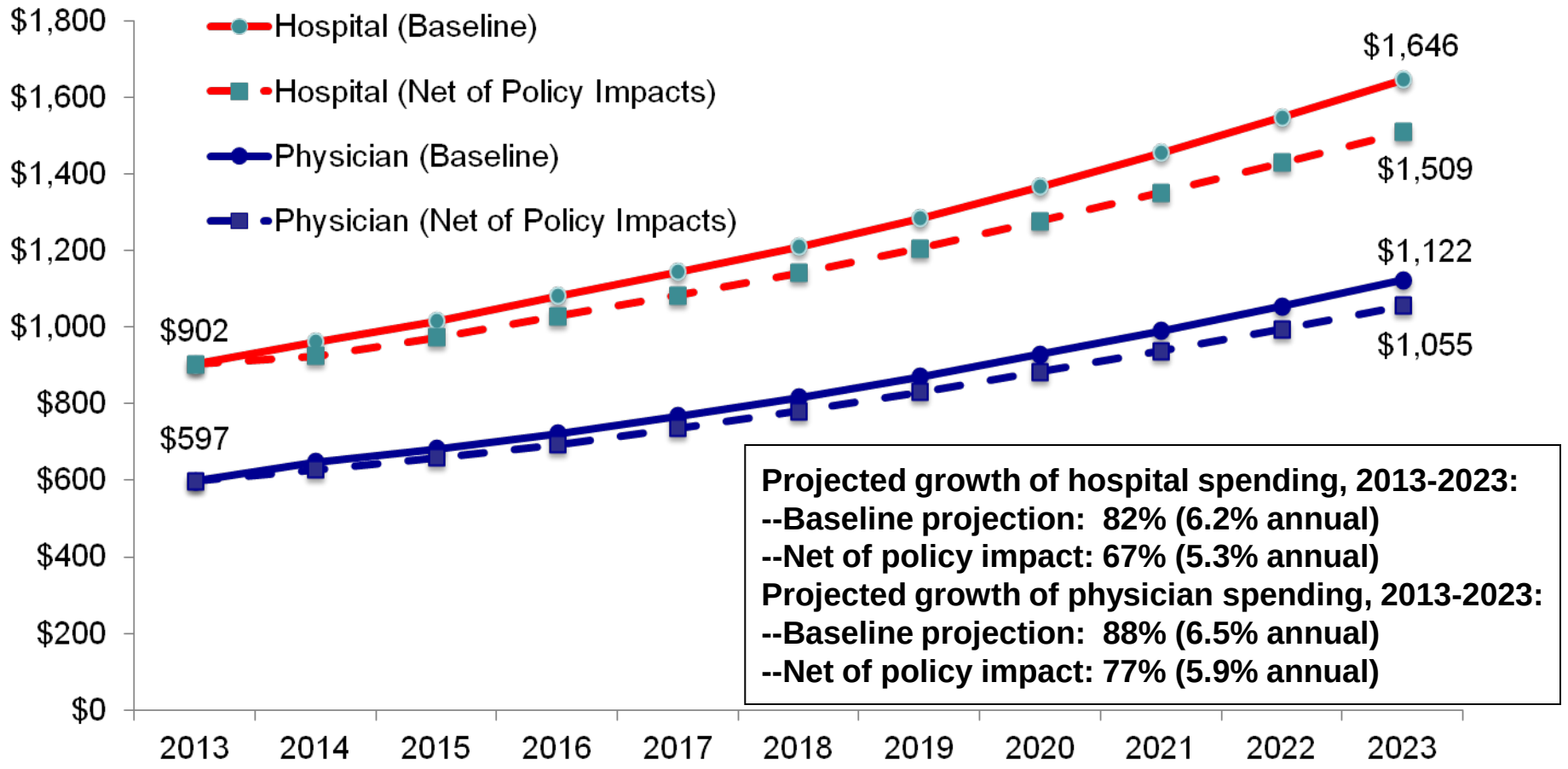
Impact of Synergistic Strategy on Projected Annual Spending for Hospital and Physician, 2013-2023

Spending in billions



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Coherent Multi-payer Action Essential

Aligning Payer, Consumer and Market Incentives to improve outcomes, stabilize and lower future costs

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Question and Answer

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