



UST Executive Conference on the Future of Health Care

Using Medicare Payment Policy to Transform the Health Care System

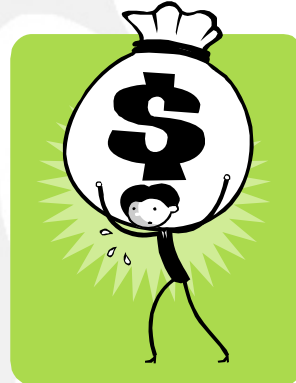
Commonwealth Fund
Stuart Guterman, M.A.
Assistant Vice President,

Director of Program on Medicare's Future

November 7, 2008



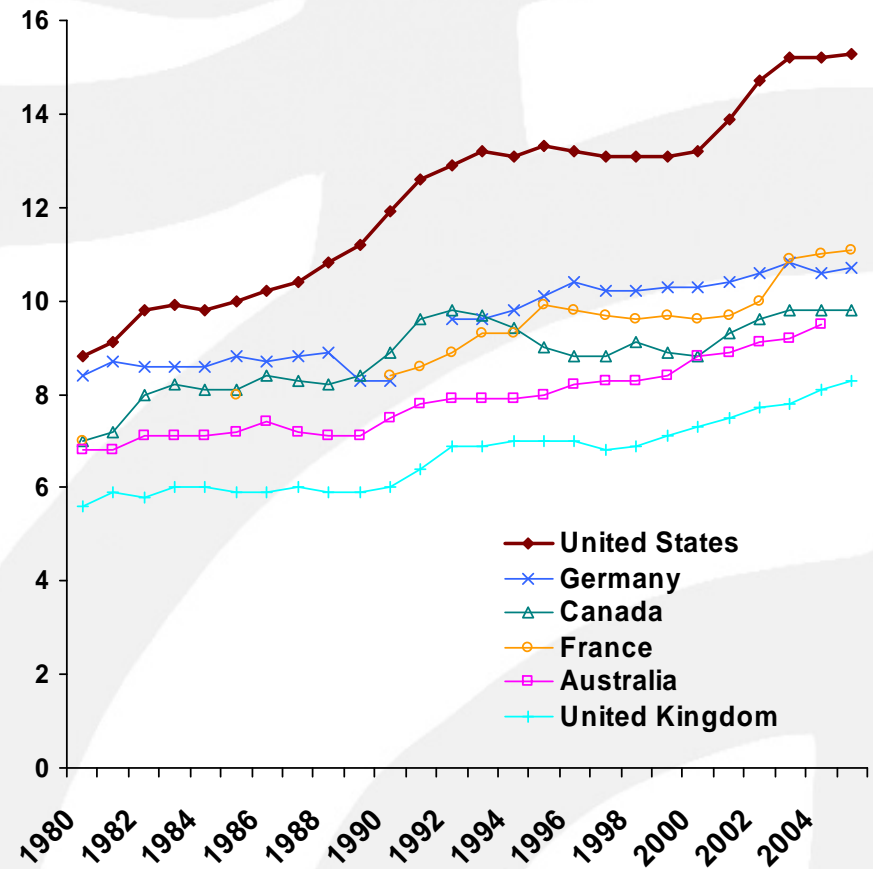
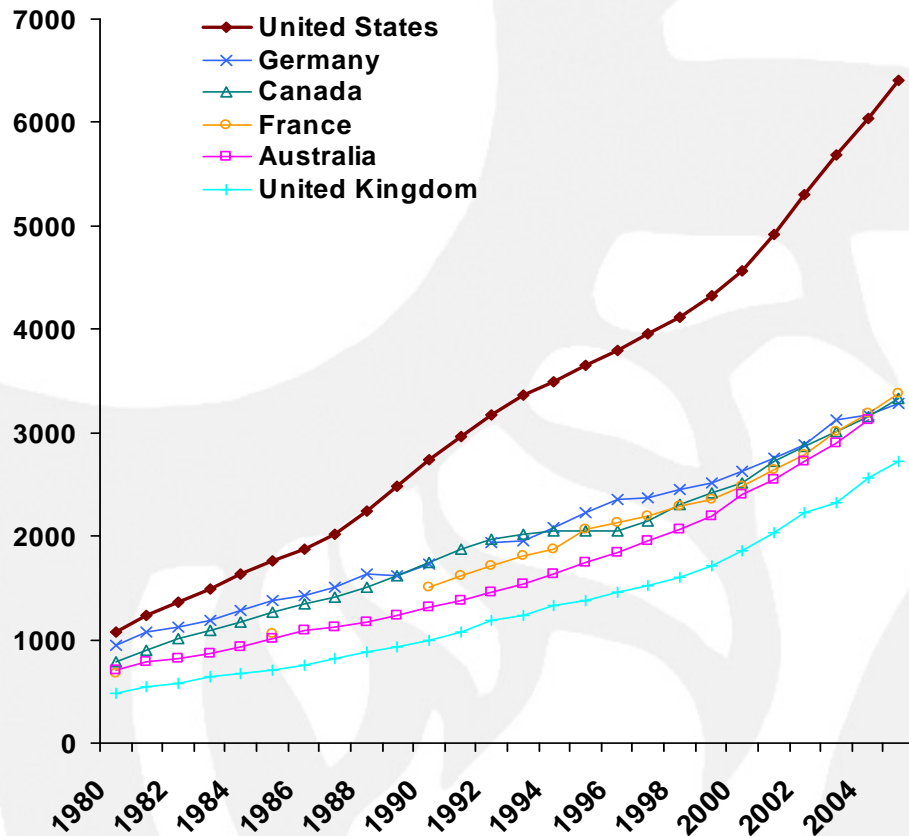
**We have the most expensive health
care system in the world**



International Comparison of Health Spending, 1980–2005

Average spending on health per capita (\$US PPP)

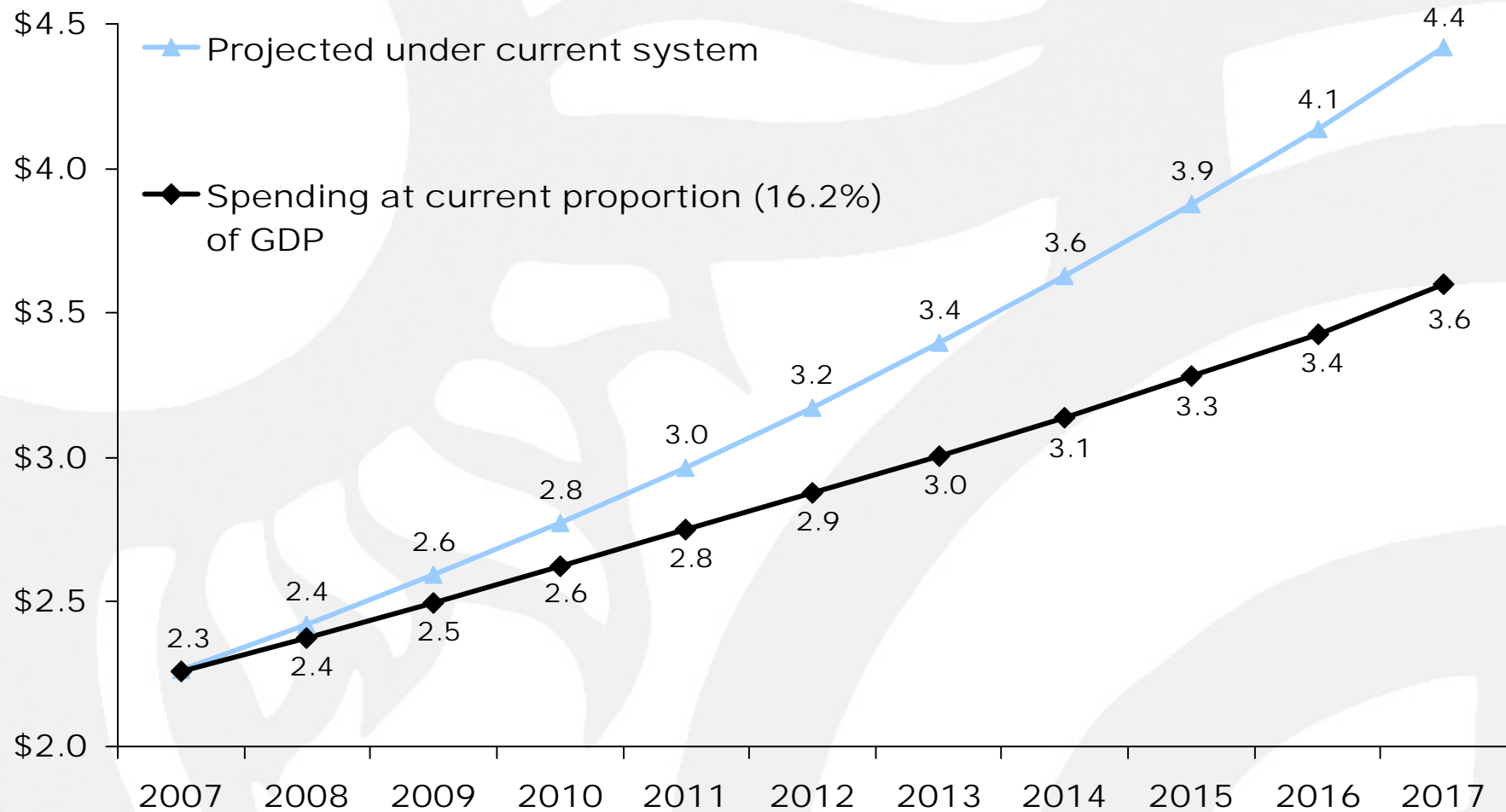
Total health expenditures as percent of GDP



Source: OECD Health Data 2007.

Total National Health Expenditures, 2008–2017 Projected and Various Scenarios

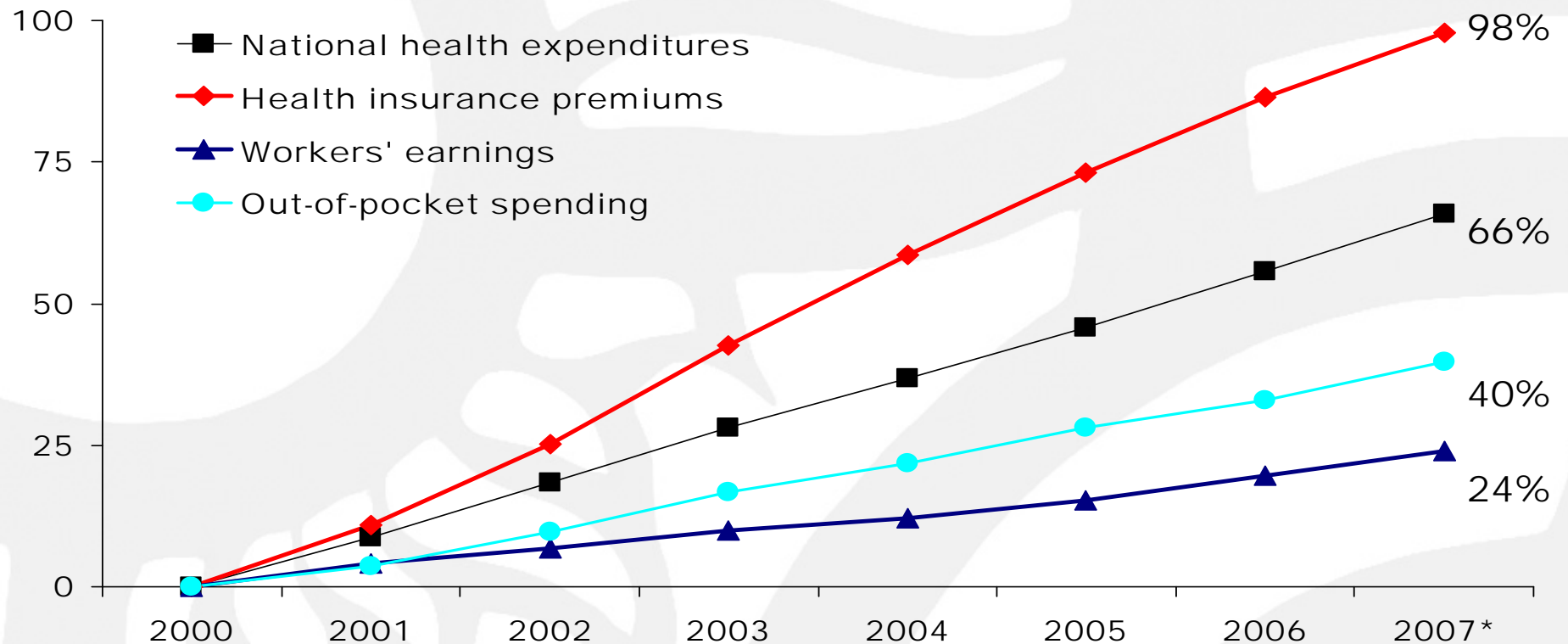
Dollars in trillions



Source: Schoen et al. *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending* (New York: The Commonwealth Fund, December 2007).

Cumulative Changes in Annual National Health Expenditures and Other Indicators, 2000–2007

Percent change

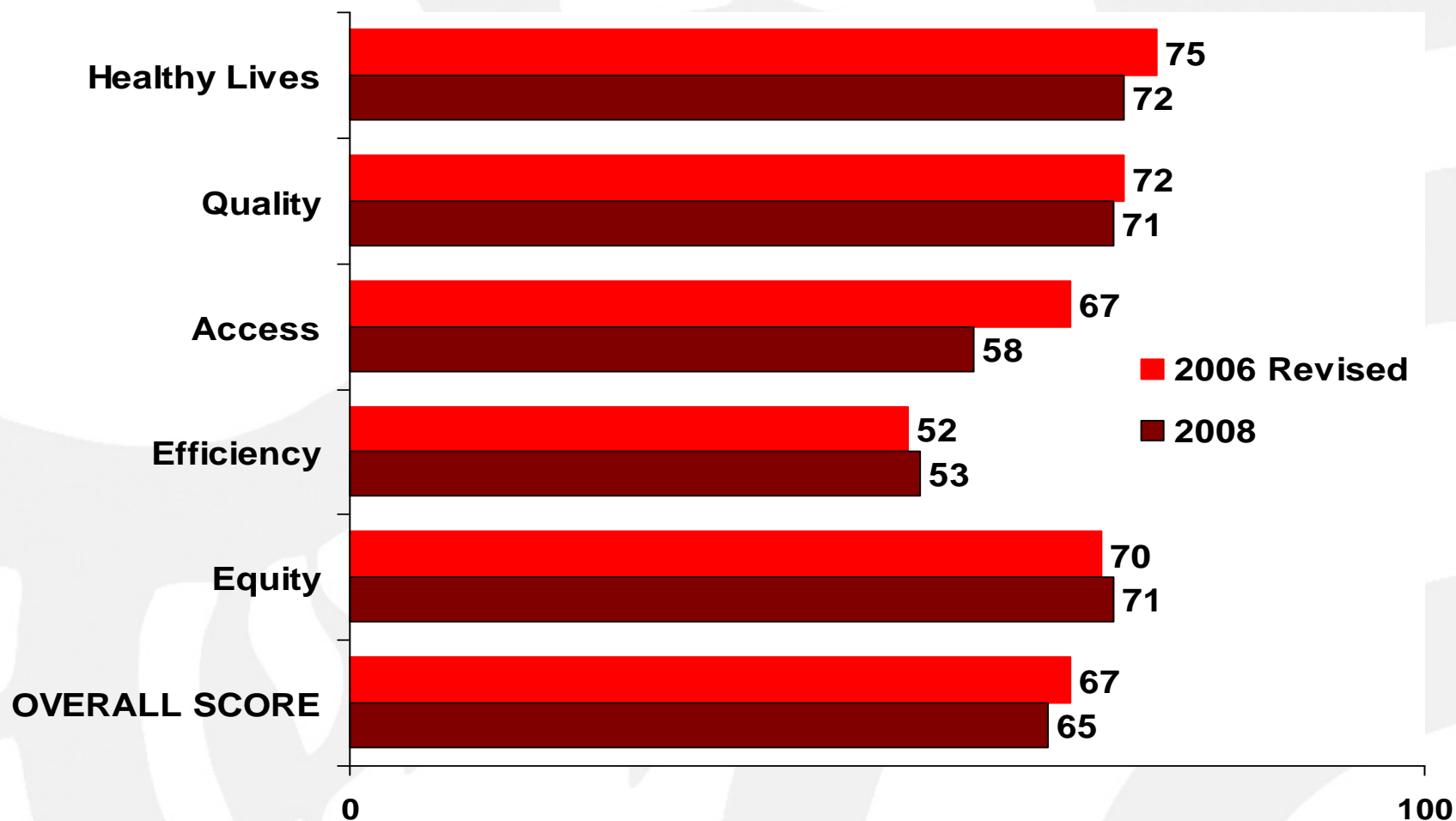


Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four/the average premium increase is weighted by covered workers. * 2007 national health expenditures and out-of-pocket spending are projections. Sources: Health insurance premiums and workers' earnings from Henry J. Kaiser Family Foundation/Health Research and Educational Trust *Employer Health Benefits: 2007 Annual Survey* (Menlo Park, CA and Chicago, IL: Henry J. Kaiser Family Foundation and Health Research and Educational Trust, 2007); National health expenditures and out-of-pocket spending calculated from National Health Expenditure data available from the Centers for Medicare & Medicaid Services at <http://www.cms.hhs.gov/NationalHealthExpendData/>, accessed May 4, 2008.

**But how do we stack up in terms of
access and quality?**



How the U.S. Health System Scores on Dimensions of a High Performance Health System

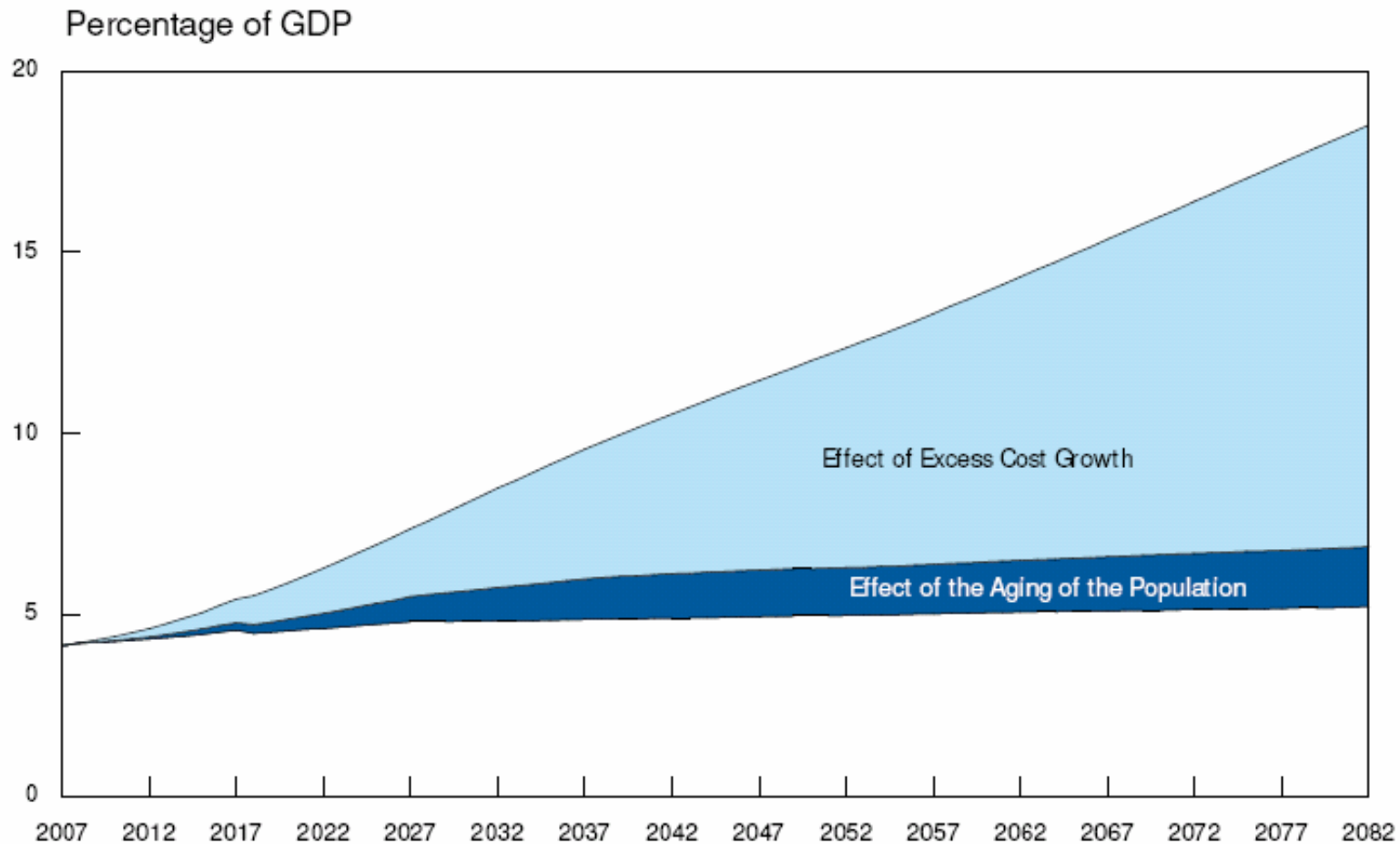


Source: Commonwealth Fund Commission on a High Performance Health System. *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance* (New York: The Commonwealth Fund, July 2008)

Medicare Spending Growth

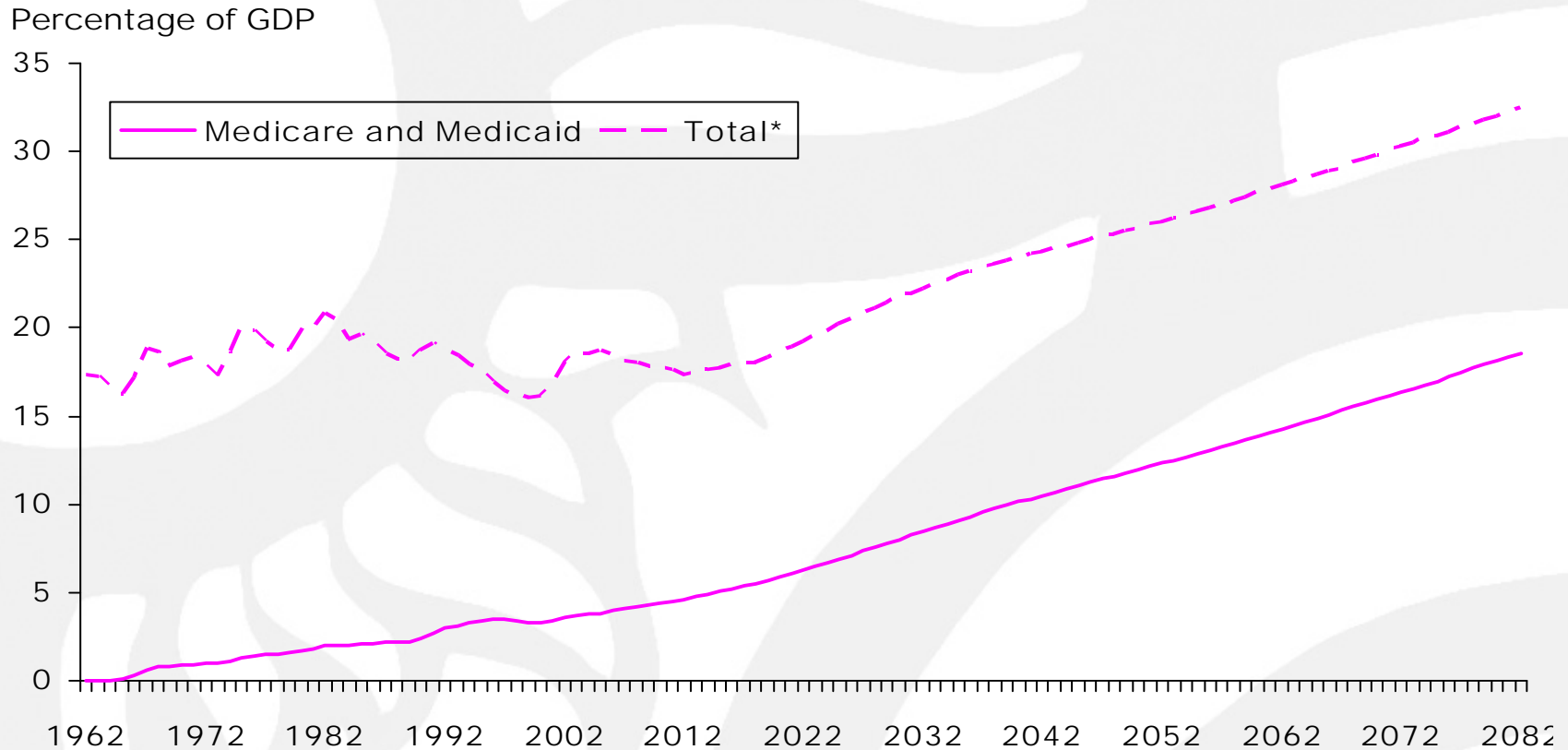


Sources of Growth in Projected Federal Spending on Medicare and Medicaid, 2007 to 2082



Source: Congressional Budget Office (2007). *The Long-Term Outlook for Health Care Spending*. Washington, DC, as presented by P. Orzag at the New America Foundation, November 2007, accessible at: <http://www.newamerica.net/files/Orzag%20PPT%20111307.pdf>

Federal Spending on Medicare and Medicaid and Total Federal Spending as a Percentage of GDP, 1962-2082



*Total includes all federal non-interest spending.

Note: Figures for 2007-2082 are projections.

SOURCE: Congressional Budget Office. *Budget Outlook*.

How Medicare Pays for Health Care



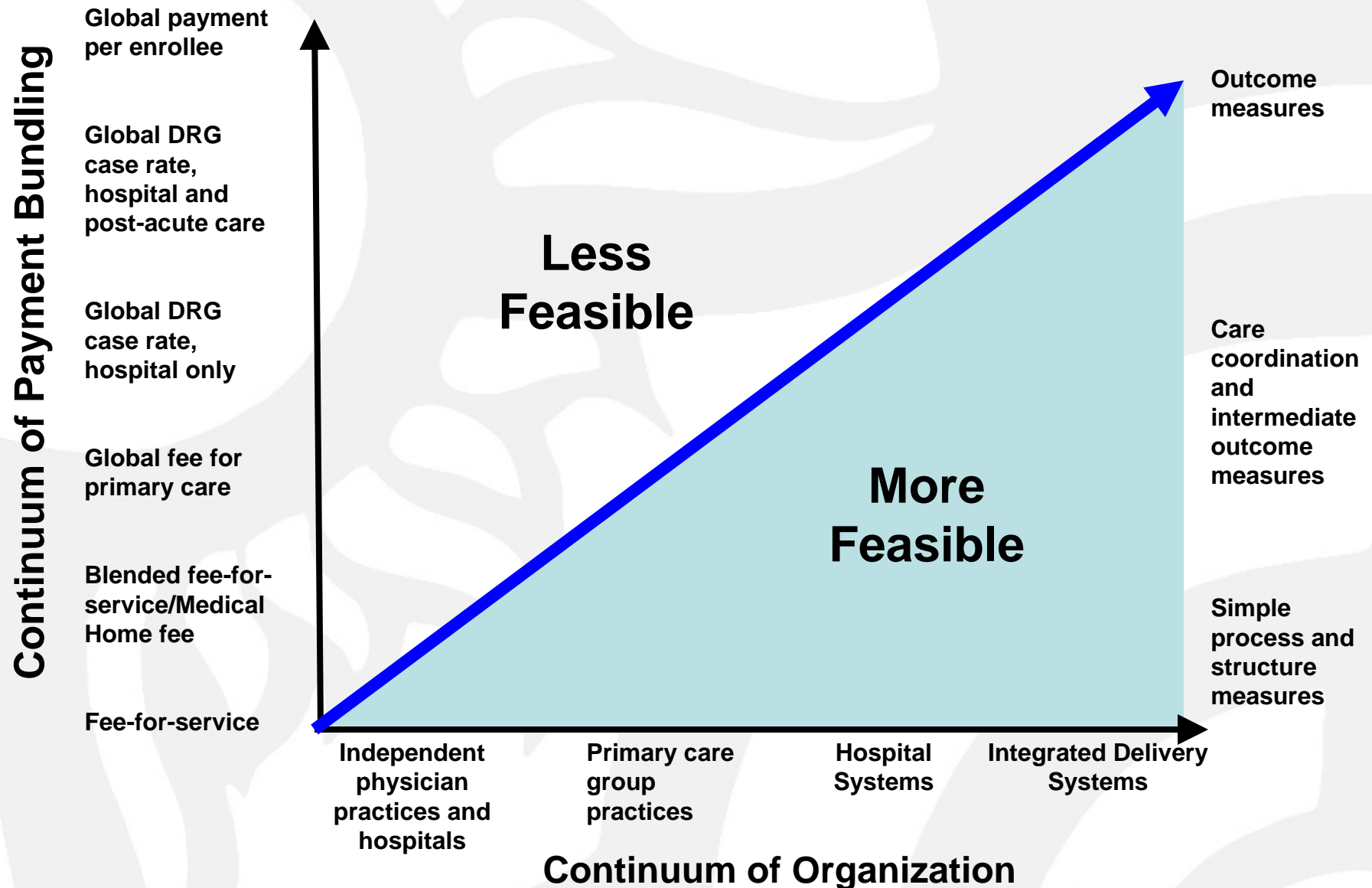
Medicare Payment Methods

- Hospital Inpatient—Fixed rate for each type of patient
- Hospital Outpatient—Fixed payment for each type of services
- Physician—Fixed payment for each type of service
- Skilled Nursing—Fixed payment per day for each type of patient
- Home Health—Fixed payment per episode (60 days) for each type of patient
- Medicare Advantage plans—Fixed payment per enrollee per month
- Prescription drugs—Fixed payment per enrollee per month
- At least 11 other payment methods for various types of providers and services

How can we 'bend the curve'?



Organization and Payment Methods



Applying an Array of Payment Methods to Encourage More Integrated Care

- Qualifying Organizations:
 - Primary care group practice
 - Multi-specialty group practice
 - Hospital systems
 - Integrated delivery systems
- Alternative Payment Methods:
 - Blended fee-for-service and medical home fee
 - Global primary care fee
 - Global hospital case rate including 30-days post discharge
 - Full capitation
- Requirements and Rewards:
 - Accreditation/certification, evidence-based medicine, IT, reporting
 - Shared savings (based on difference between expected FFS outlays and actual outlays)
 - Bonuses for excellence on outcomes, quality, patient experiences
 - Beneficiary incentives for enrollment (e.g., lower Part B premium)
 - Medicare rapid feedback on beneficiary utilization, outlays

System Reform

- **Accountability:** Quality standards and quality reporting
 - Physicians, hospitals, and integrated delivery systems receiving global payment must be certified as capable of assuming accountability for bundled services and meeting quality standards
 - All providers must report quality measures, with more comprehensive outcome and care coordination metrics for providers assuming broader accountability for bundled services
 - Payment rewards for quality and outcome results
 - Greater organization and accountability reap greater rewards
- **Transparency:** Medicare publishes quality, accountability, and provider profile information
- **Information technology:** Electronic medical records, health information exchange networks, personal health record accessible to beneficiaries
- **Comparative effectiveness:** Mechanism to coordinate evaluation of drugs, devices, procedures, with payment implications

Thank You!



Karen Davis, Ph.D.,
President



Cathy Schoen,
Sr. Vice President,
Research & Evaluation



Stephen
Schoenbaum,
M.D.
Executive Vice
President for
Programs



Anthony Shih, M.D.,
Vice President for
Strategic Planning
IPRO