

Payment Reform Pilot Projects and Initiatives in the US

Meredith B. Rosenthal, Ph.D.
Professor of Health Economics and Policy
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A watershed moment in U.S. health policy –
was it only a year ago?



This year, a new health outcome measure: national debt



Payment reform heats up

- Patient Protection and Affordable Care Act of 2010 commits the federal government to major coverage expansion
- Urgency of cost control:
 - Individual mandate only works if there are affordable plans with meaningful coverage
 - Medicaid expansion will cripple first the federal budget, then states, if costs increase at current pace
- Reframing in terms of macroeconomic concerns

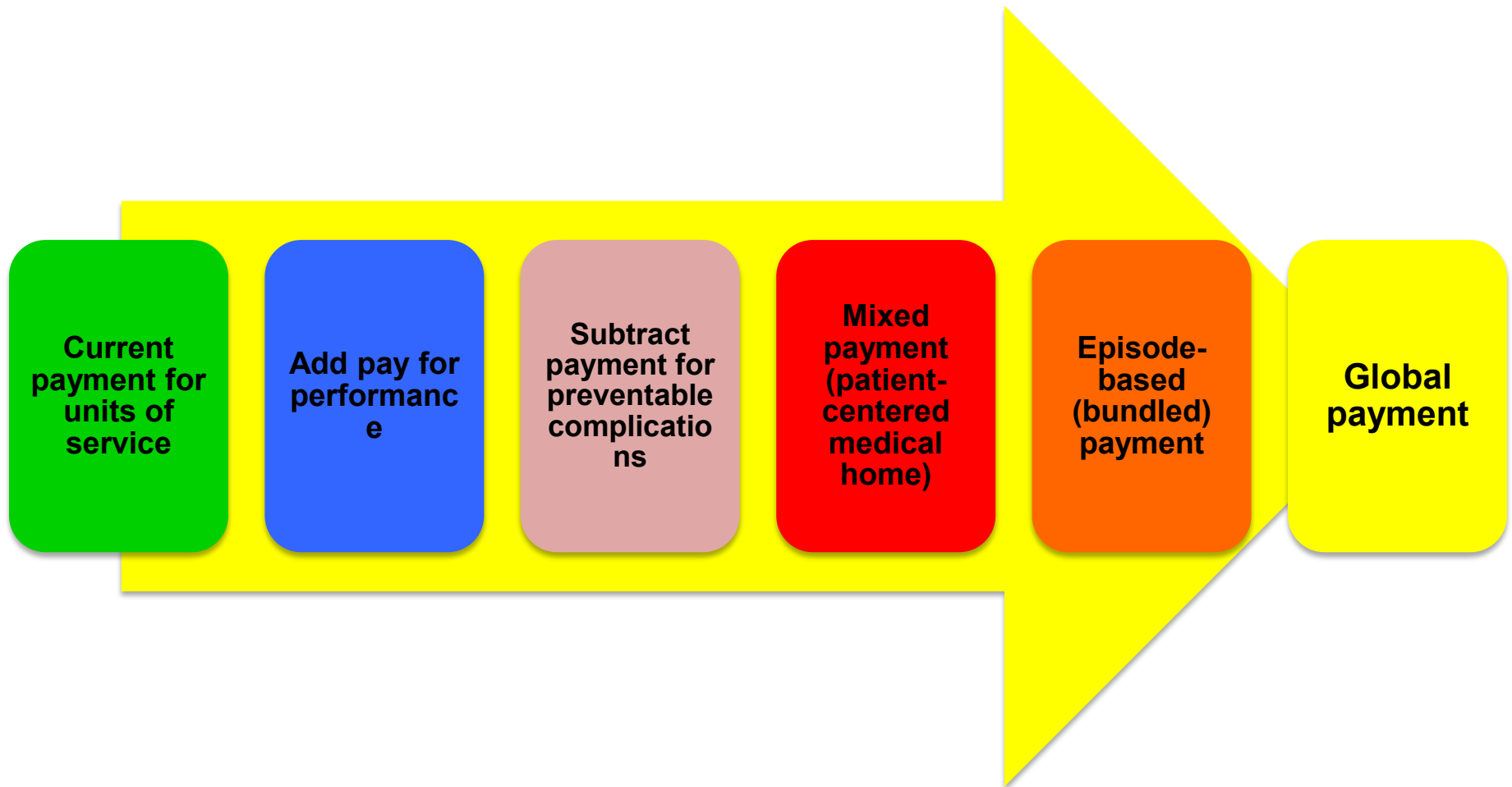
How Will Payment Reform Deliver Cost Control?

- Theory: excess spending growth is caused by incentives that a) reward low-value, high-cost use, and b) encourage fragmented care leading to redundancy and dropped handoffs
- Solutions:
 - Incentives to reduce complications, waste
 - Incentives tied to organized care delivery

Increased scope for new payment approaches in Medicare and Medicaid

- Medicare payment reform can both change the delivery system and lead the way for private payers
- New policy institutions may facilitate innovation
 - Independent Payment Advisory Board
 - Center for Medicare and Medicaid Innovation

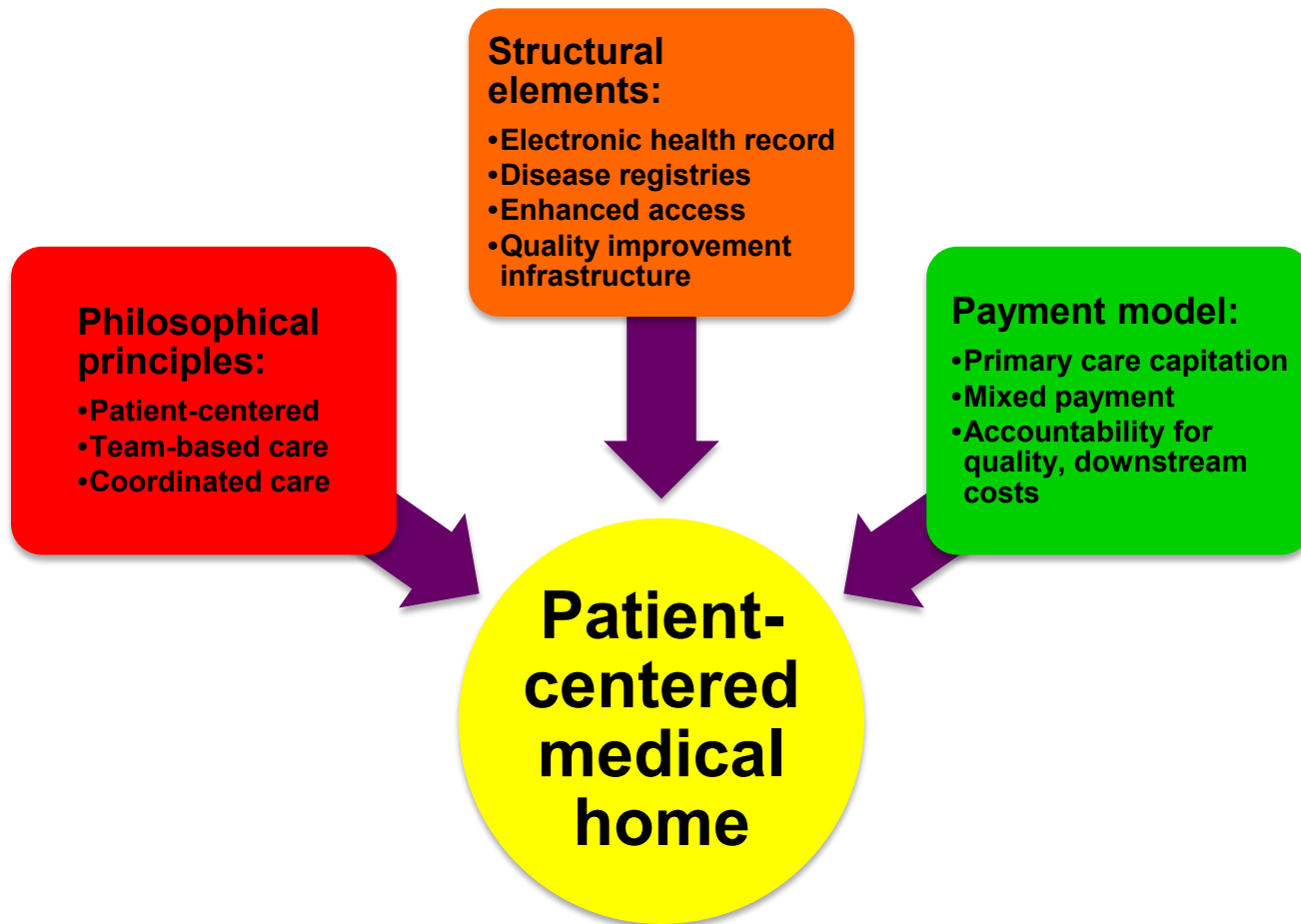
Spectrum of provider payment: reform trajectory moving towards global payment



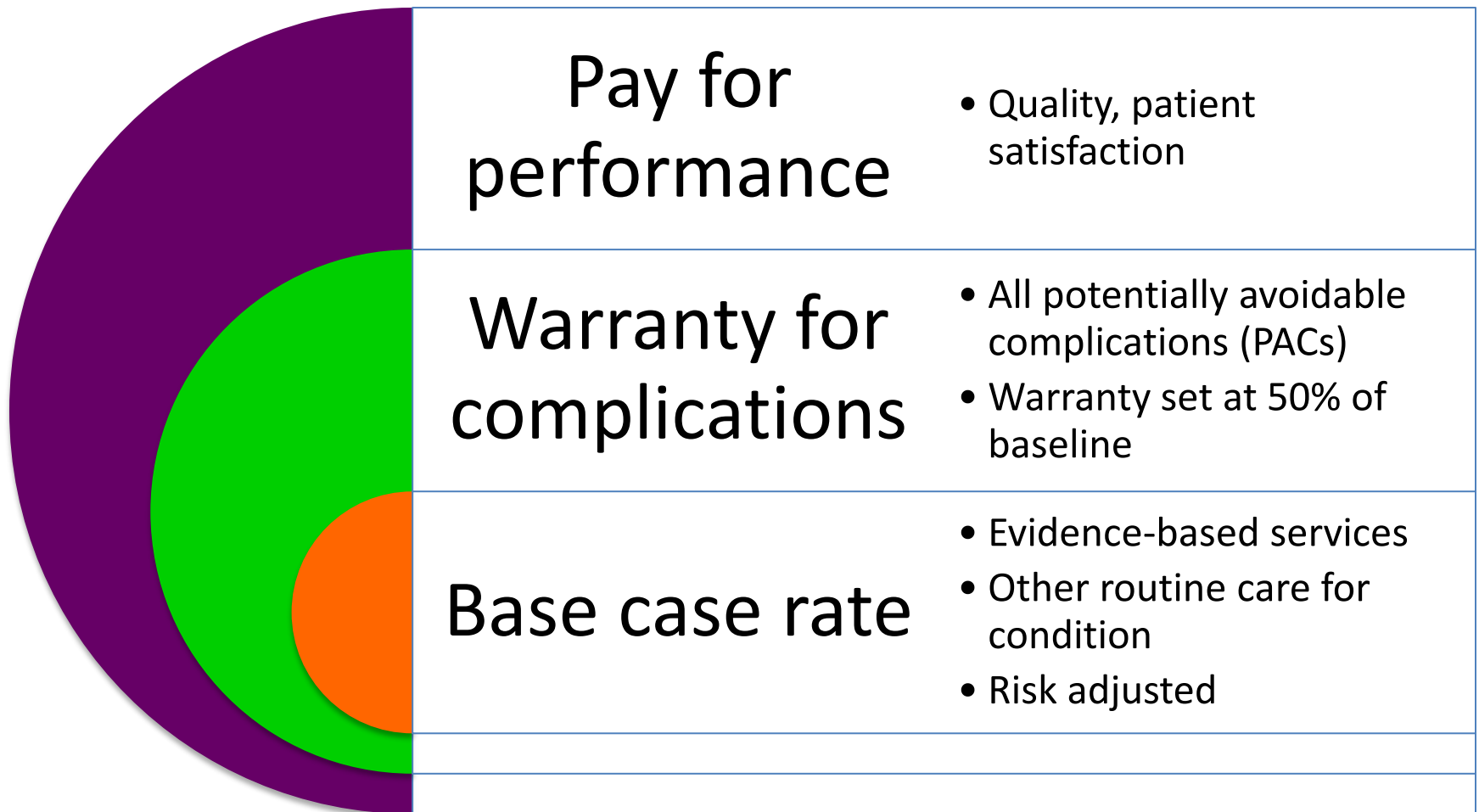
What we know about provider payment that should inform current policy

- Providers respond to incentives at the margin
- One size does not fit all
- Organizational capabilities need to be aligned with payment policy
- Provider and patient incentives should fit together

Patient-centered Medical Home Pilots



Prometheus Payment case rate pilots



Accountable Care Organizations (ACOs)

- ACO [noun]: Any entity that can manage a population according to a budget while meeting quality, access standards
- Broad agreement that “new model” primary care should be the foundation for an ACO
- Minimum requirements are unknown: How big? Which parts of the delivery system? Does it need to be integrated legally? How will financial risk be shared?

ACO Activity

- CMS estimates that there will be 50-250 ACOs in the shared savings program
- Pioneer and Advance Payment ACO Pilots
- Widespread commercial insurer activity
- Medicaid ACOs being developed in some states – Colorado; CMS Medicaid ACO demonstration behind schedule

Looking Ahead

- Payment reform will continue to move forward
- Don't expect a single model – some variation is good, but it also may get noisy
- Need to acknowledge how hard this is for payers, not just providers
- Even in the best case payment reform is slow work – cost concerns likely to require other measures
- Need to engage patients through benefit design and other ways that complement new payment models