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Using Payment Policy to Transform the Health Care System

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15th Annual Princeton Conference
Princeton, NJ
May 29, 2008

We have the most expensive health care system in the world

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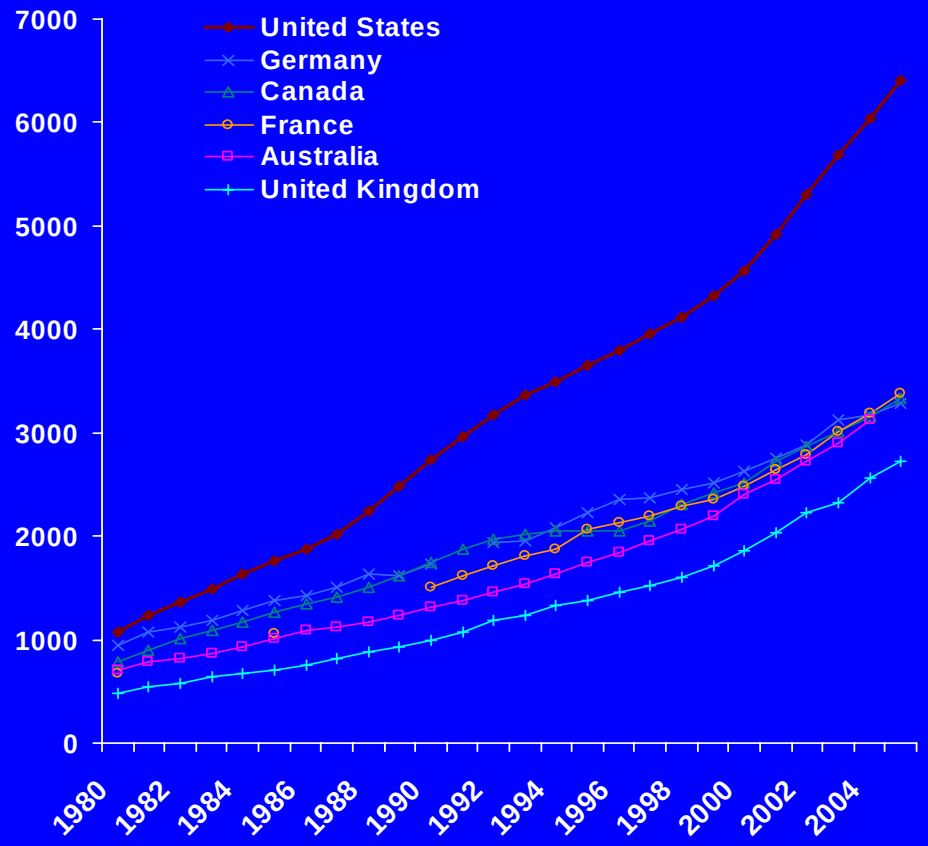
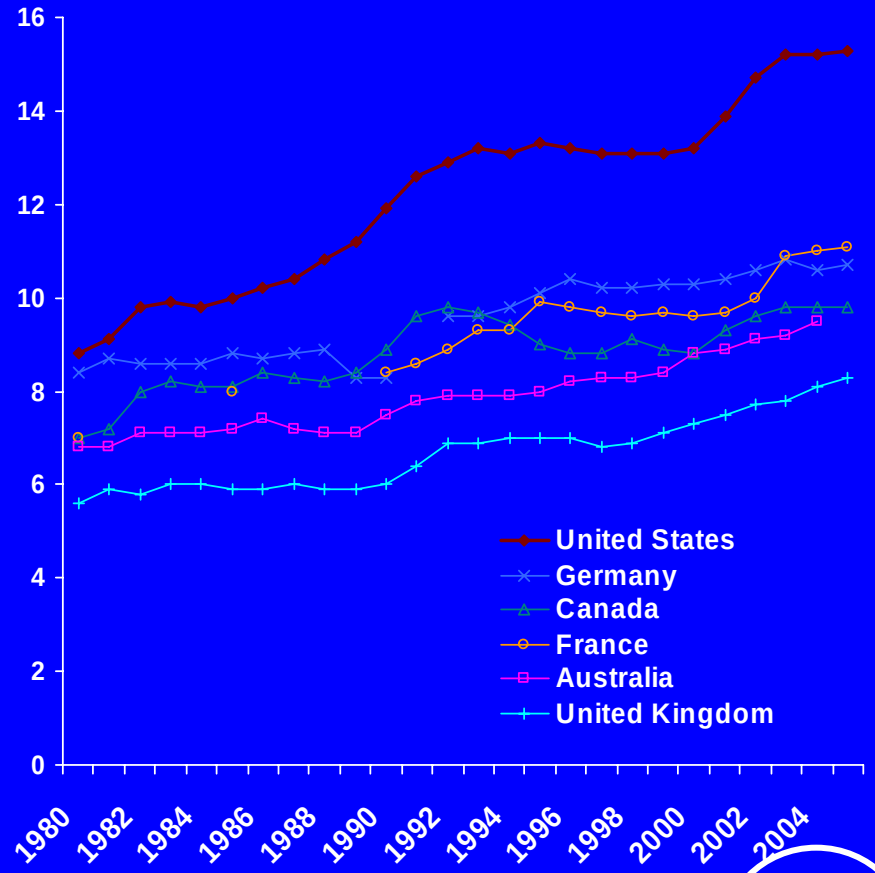
International Comparison of Health Spending, 1980–2005

Average spending on health per capita ($US PPP)



Total health expenditures as percent of GDP



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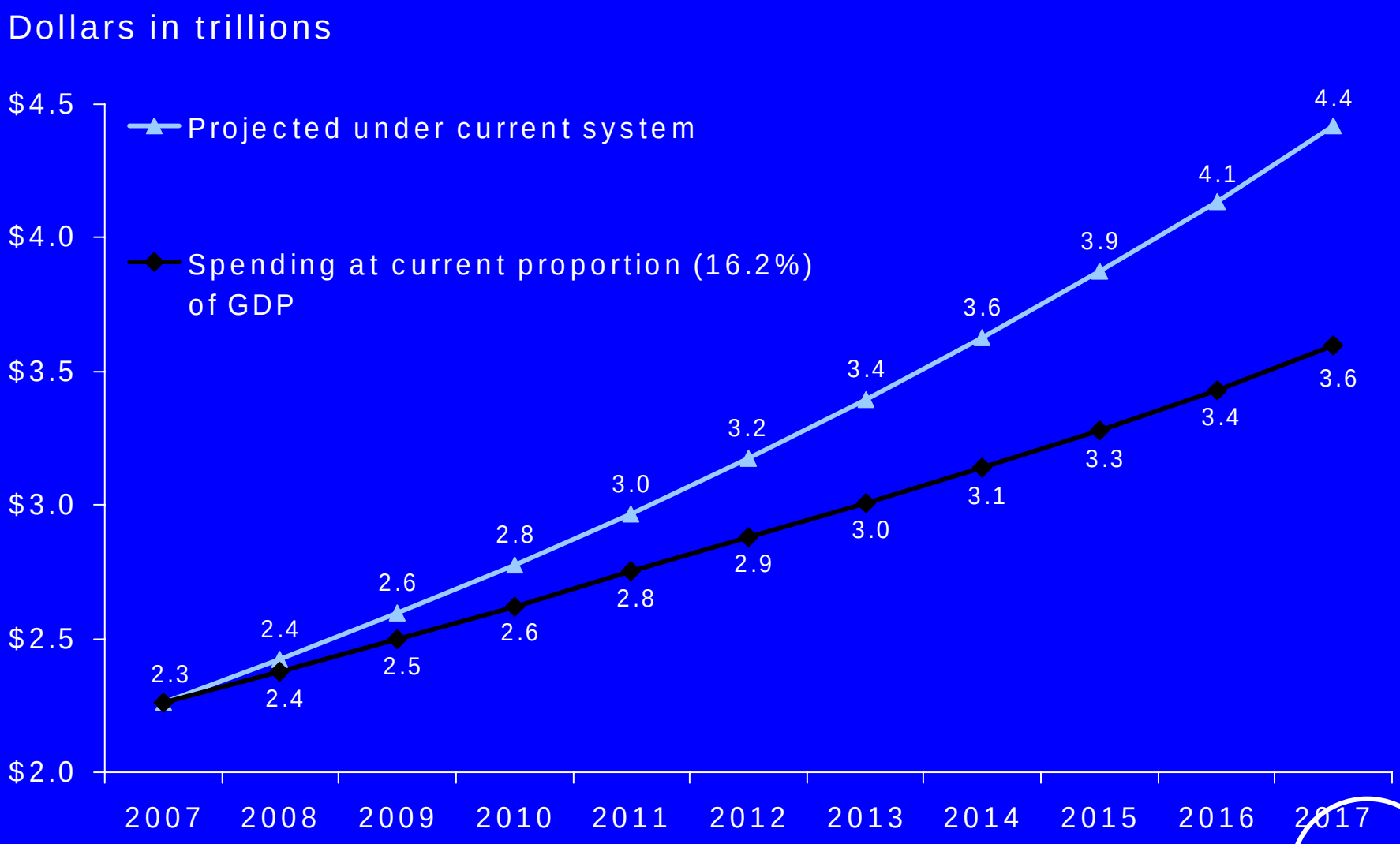
Source: OECD Health Data 2007.

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



* Selected individual options include improved information, payment reform, and public health.
Source: Based on projected expenditures absent policy change and Lewin estimates.

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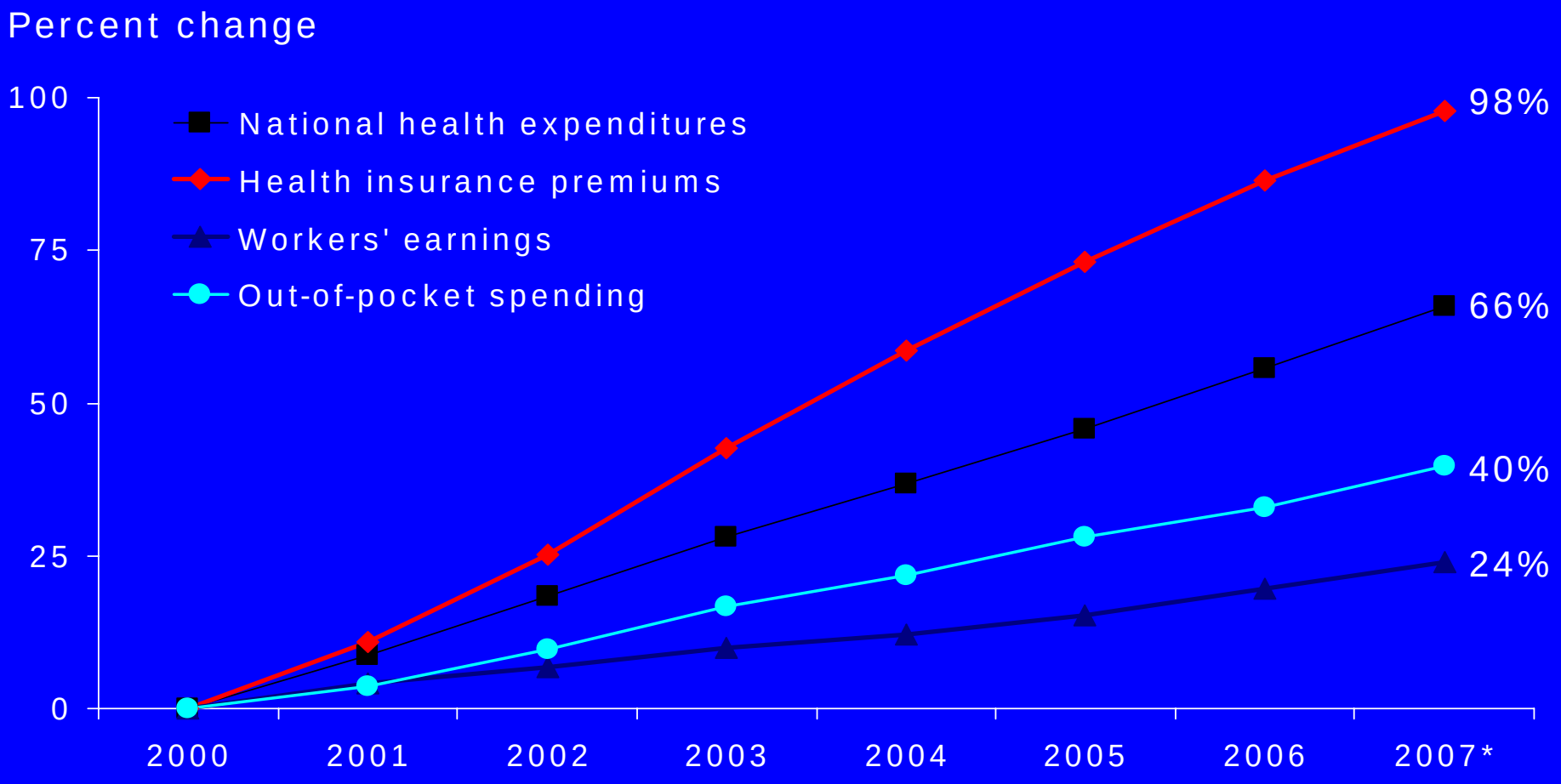
Cumulative Changes in Annual National Health Expenditures and Other Indicators, 2000–2007



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.

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

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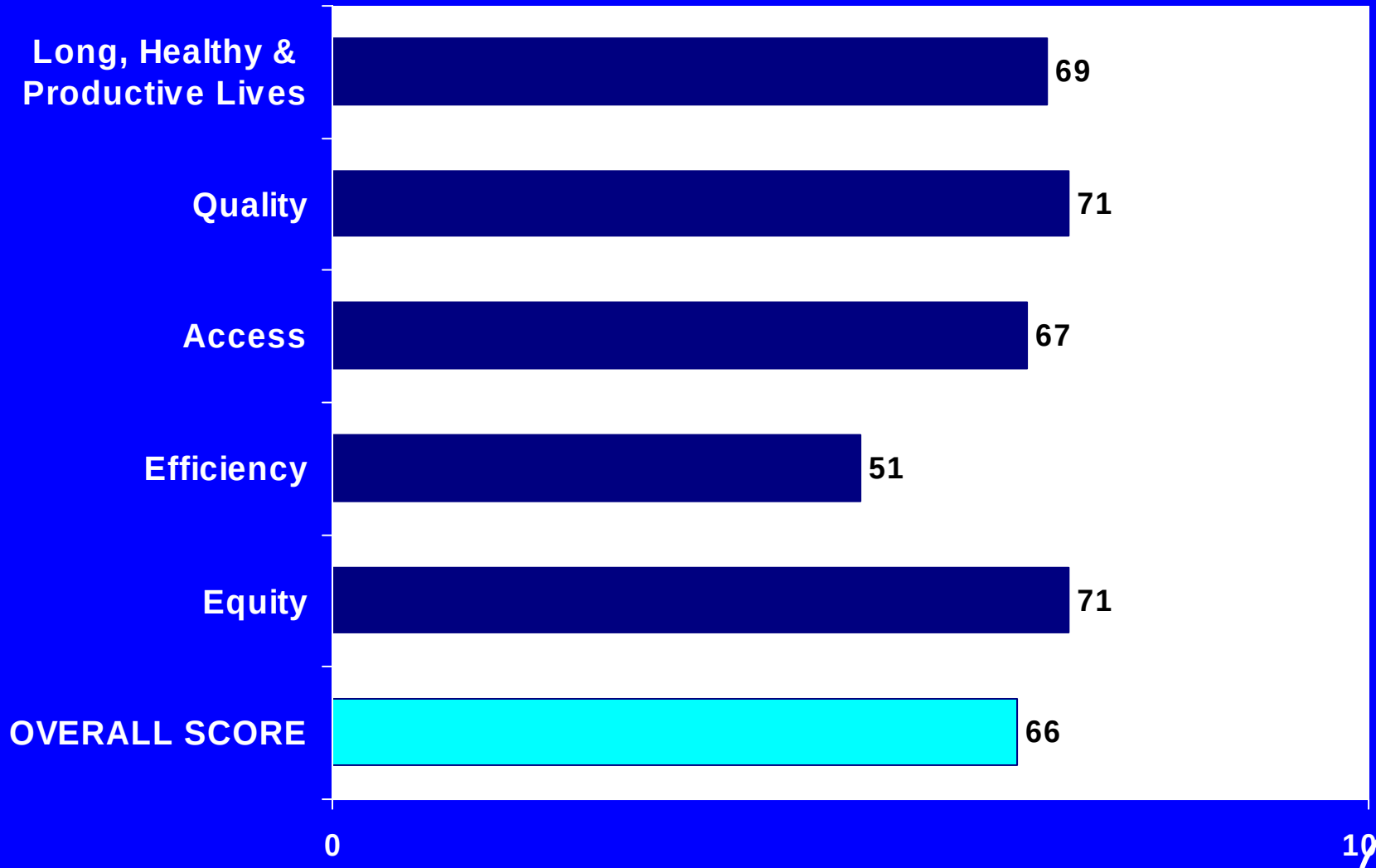
How the U.S. Health System Scores on Dimensions of a High Performance Health System



Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006

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How can we 'bend the curve'?

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System Reform

- Accountability: Quality standards and quality reporting
  - Physicians, hospitals, integrated delivery systems electing global payment must be accredited/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 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

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System Reform

- Information technology – electronic medical records within five years; 1% assessment of private insurers and Medicare outlays to finance information exchange networks and safety net providers; personal health records accessible to beneficiaries
- Comparative effectiveness – center to evaluate comparative effectiveness of drugs, devices, procedures; benefit design tied to recommendations

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Payment Reform

- Provider choice of per patient or per episode global fee payment
- Physician payment choices
  - Fee-for-service rebalanced toward primary care
  - Blended fee-for-service, patient-centered medical home fee
  - Primary care per patient global fee
  - Ambulatory care per patient global fee
  - Admitting physician inpatient care global fee, 90-day follow-up
- Hospital payment choices
  - DRG per hospitalized patient
  - Global DRG fee for hospitalization, 90-day warranty
- Integrated delivery system choices – above options, plus:
  - Global DRG fee for hospitalization and inpatient physician services, 90-day follow-up and warranty
  - Full capitation

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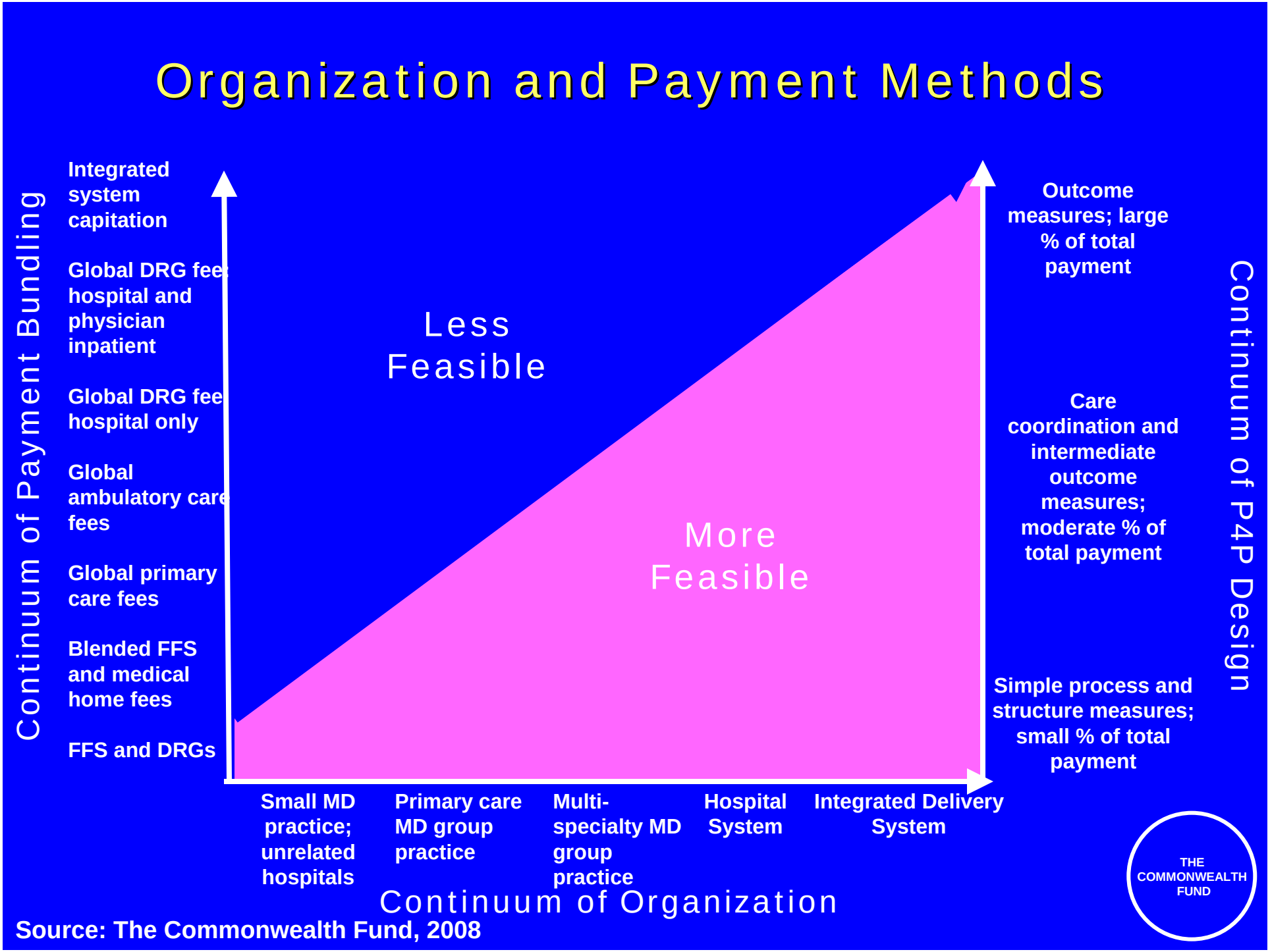
Organization and Payment Methods



Source: The Commonwealth Fund, 2008

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Agenda for Change

- Offer Medicare Extra as a choice to small employers and individuals, eliminate two-year waiting period for disabled, and buy-in for older adults; financial protection for beneficiaries
- Rebalance physician fee schedule toward primary care
- Blended payment – FFS, medical home fee, rewards for quality
- Option of global fee payment options to physicians, hospitals, and integrated care systems

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Agenda for Change

- Accountability for quality and care; rewards for results and for greater organization, care coordination, and accountability
- Transparency
- Health information technology and information exchange networks; personal health records for beneficiaries
- Comparative effectiveness
- National leadership and public-private collaboration

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Thank You!

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