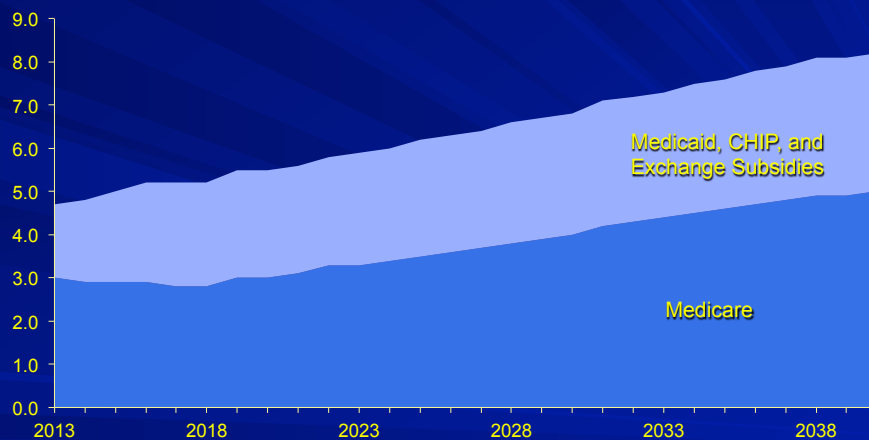


Health Care Spending Growth and Solutions

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Federal Spending on Health as % of GDP



Source: Congressional Budget Office. The 2013 Long-Term Budget Outlook. https://www.cbo.gov/sites/default/files/cbofiles/attachments/44521-LTBO-1Column_0.pdf

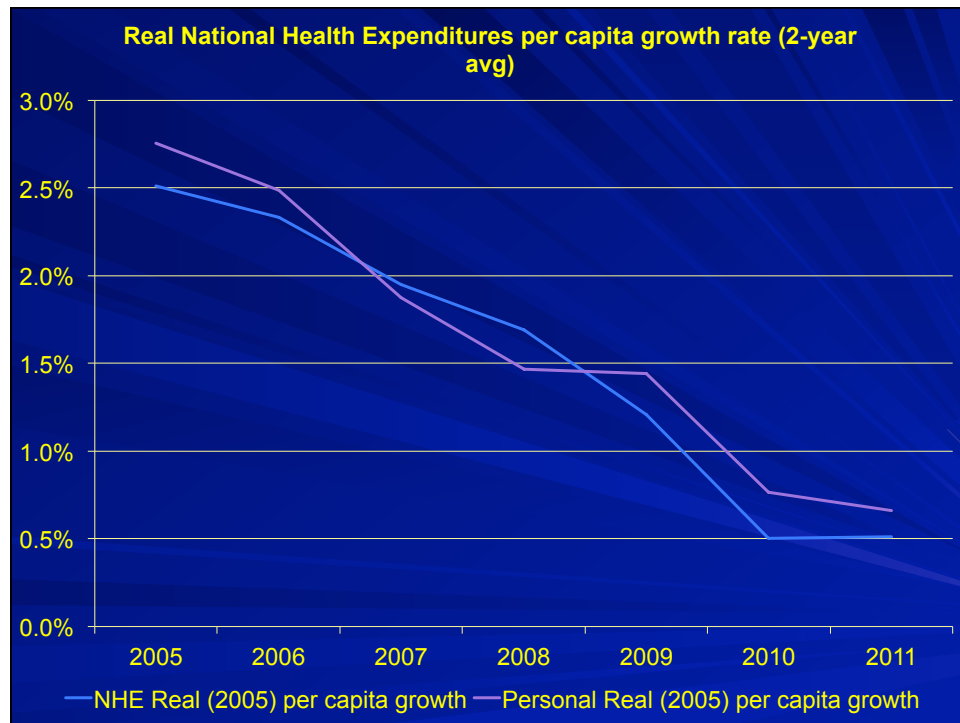
Medicare's Challenge

Excess spending growth per beneficiary (percentage points)	Medicare share of GDP in 2035 (%)
2	7.9
1	6.4
0.5	5.7
0	5.1

Share in 2013 projected to be 3.7 percent. To remain at 3.7 percent of GDP in 2035, Medicare needs to grow at a rate of 1.5 percentage points below GDP. Faster GDP growth would imply slightly lower Medicare shares for any amount of excess spending growth.

SOURCE Congressional Budget Office; see note 15 in text. Congressional Budget Office. Long-term budget outlook 2012. Washington (DC): CBO; 2012.

This policy debate is less about health and more about taxes



Two Questions

- What caused the spending slowdown
- Will the slowdown persist

Its harder to look forward than backwards



Why Slowdown Was Not Simply Due to the Recession?

- Started before the recession (Cutler 2012)
- Affected populations not as strongly impacted by the recession (Ryu et al.)
 - Privately insured (HOLDING BENEFIT GENEROSITY CONSTANT)
 - Medicare
- Observed change in technology introduction (Cutler 2012)

Slowdown may not continue

- Could reflect things we have done or idiosyncratic factors
 - Patent expirations
- Not inevitable natural phenomenon. Future policy matters
 - ACA?
 - SGR?

Payment Reform

Payment Reform

- Pay less
 - Reductions in payment to providers
 - Reductions in payment to plans
- Increased rates must be scored by CBO
- Move away from FFS
 - Episode bundles
 - Global payment/ budgets

Wide Range of Public Strategies

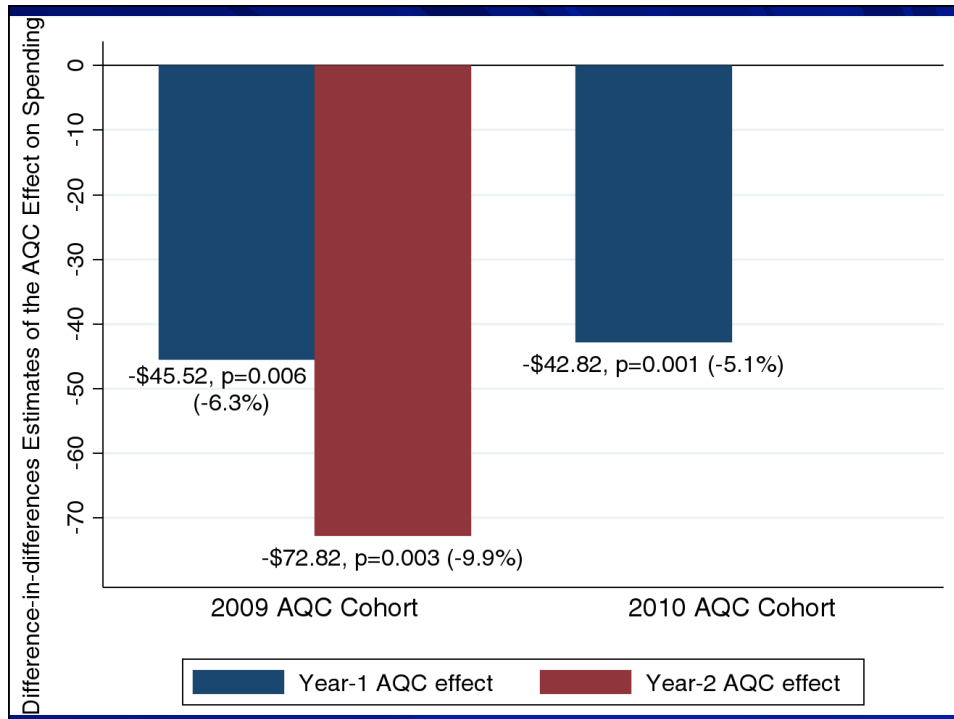
- Medicare (A bit of everything)
 - ACOs
 - Shared savings and pioneers
 - Episode bundles
- States
 - ACO like (Oregon)
 - Bundles (Arkansas)
 - Hospital Budgets (Maryland)

Private Innovations

- Global payment models
 - Alternative Quality Contract
- Insurer/ provider partnerships
 - Aetna
- Medical home based models
 - Carefirst

Basic Features

- Payment that spans providers
 - Global or episodes
 - Typically built on FFS foundation
 - Risk adjustment
- Pay for performance
- Technical support



Payment Reform Issues

- Providers capture efficiencies
- Payers only capture savings if they lower payment rates
- Quality: Couple with pay for performance
 - Measures are imperfect
- Organizations needs tools to succeed
- Appropriability



End