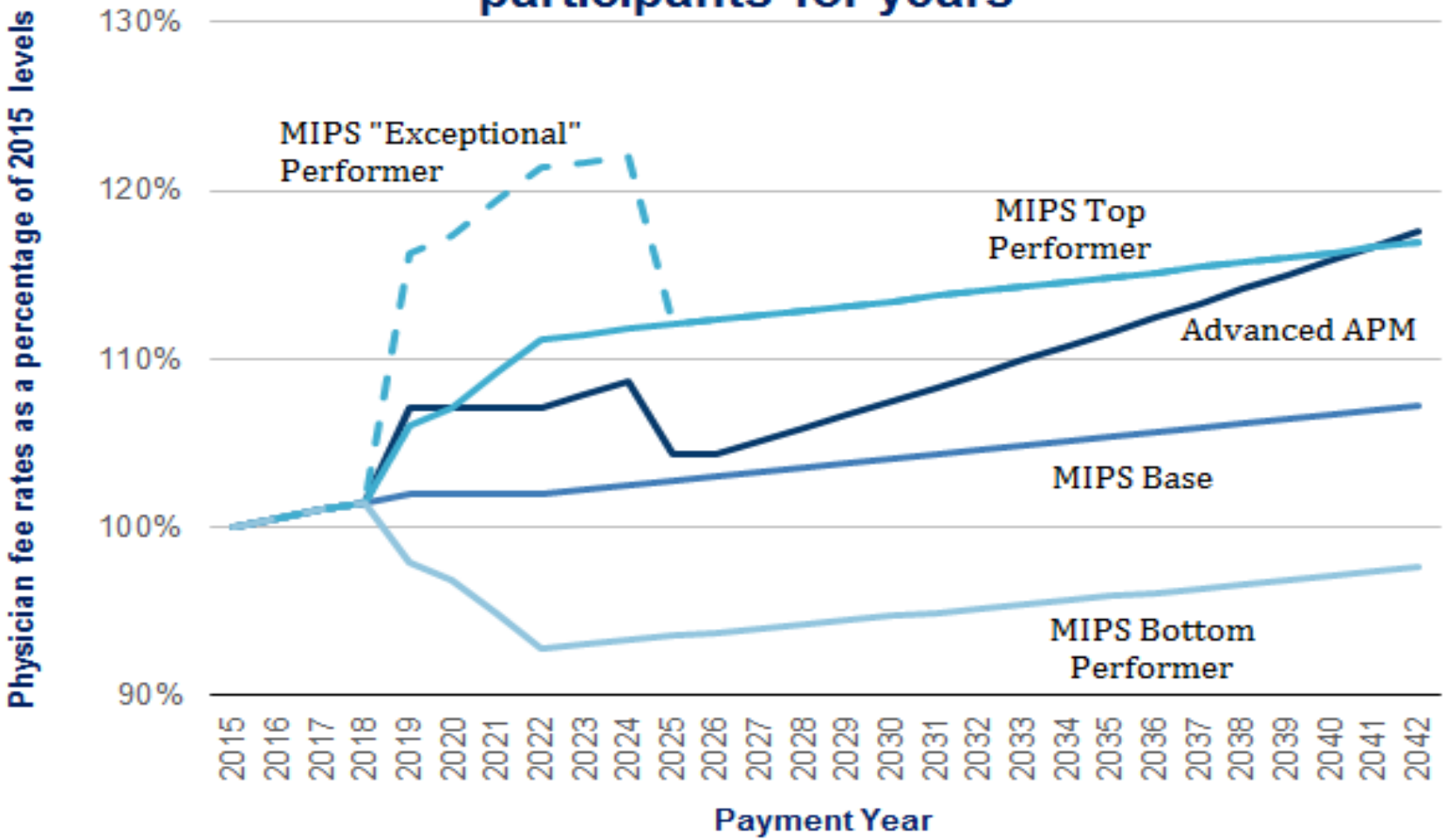
Payment Reform

Michael Chernew

Spend too much


FFS

Top MIPS performers could out-earn APM participants for years



Source: Data compiled based on fee update and performance-based bonuses and penalties under the two incentive programs outlined in the Medicare Access and CHIP Reauthorization Act of 2015.

Note: Advanced APM line excludes contract performance and MIPS excludes the use of a conversion factor that can magnify a MIPS bonus or penalty by as much as three times to ensure budget neutrality.

BROOKINGS

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Why Do We Call It "Value Based Payment"

Efficiency Requires Flexibility

MSSP Savings Net of Bonuses

ACO cohort	2013			2014		
	Aggregate spending change	Bonuses	Net	Aggregate spending change	Bonuses	Net
2012 cohort	-$243M	$244M	$1M	-$437M	$179M	-$258M
2013 cohort	$4M	$68M	$73M	-$133M	$95M	-$39M
2014 cohort	-	-	-	-$58M	$68M	$10M
Total	-$238M	$312	$74M	-$628M	$341M	-$287M

- Net savings = 0.7% of spending for ACO patients ($67/bene)
- Does not account for costs to Medicare or ACO costs of participation, lowering spending/improving quality
- But underestimate because of spillovers: Total net savings = $685M (1.6% of spending for ACO patients)

Sources: McWilliams JM. *JAMA* 2016.; McWilliams JM. *Ann Intern Med* 2016

Episode Payments

- Some evidence of savings
  - Some lower spending in episodes with post-acute care[2,3]
    - PAC spending decreased ~20% (incl. SNFs, IRFs, Home Health) [3]
  - BPCI saved ~4% on orthopedic episodes[3]
  - Ark save 5% on perinatal episodes
- Savings may be offset by increased episode volume (Fisher, 2016)
- No consistent quality impact BPCI[1, 2]

[1] Econometrica, Inc. "Evaluation and Monitoring of the Bundled Payments for Care Improvement Model 1 Initiative." July 2015.
[2] Lewin Group. "CMS Bundled Payments for Care Improvement Initiative Models 2-4: Year 1 Evaluation & Monitoring Annual Report." February 2015.
[3] Dummit et al. "Association Between Hospital Participation in a Medicare Bundled Payment Initiative and Payments and Quality Outcomes for Lower Extremity Joint Replacement Episodes." JAMA. 2016;316(12)

Everything is Relative

- We want

- We have

- We can build

END

Narrative

- We spend too much
- FFS often culprit
  - FFS can work, it does in other countries.
  - We implement poorly (high prices etc
  - FFS trajectory low
- More excitement about APMs
  - Value a misnomer, these are really about risk transfer
  - Flexibility to substitute inputs key to efficiency
- ACOs save (a little bit of $)
  - A few points on eval and interpretation of lit
- Episode base payment saves a little bit
  - Less comprehensive than ACOs
- Choosing payment involves comparing imperfect options. Relative merits is key: