Problems with the Current Delivery System

- Problems:
  - Fragmented care
  - Lack of accountability
  - Variable quality
  - High and rapidly-growing costs

- Policy solutions:
  - Create incentives for providers to take broader accountability for patient care, outcomes, and resource use
  - Provide rewards for improved quality and care coordination among providers
  - Put in place an infrastructure to support providers in improving quality and efficiency
The Relationship Between Payment Methods and Organizational Models

The Continuum of Organization:

- Fee-for-Service
- Blended FFS/Care Management fee
- Global Case Rates
- Global Payment

The Continuum of Payment Bundling:

- Simple process and structure measures; small % of total payment
- Care coordination and intermediate outcome measures; moderate % of total payment
- Outcome measures; large % of total payment

Continuum of P4P Design:

- The Commonwealth Fund


Payment Innovation in Health Reform Legislation

- Medical home: Expansion of current Medicare demonstration, new Medicare pilots, Medicaid initiatives
- ACO: Broad responsibility for quality and cost of patient care, rewards for quality, shared savings
- Bundled payments: Medicare pilots for hospital and post-acute care, Medicaid initiatives
- Center for Medicare and Medicaid Innovation
Cutler, Davis, and Stremikis Estimate of Impact of Health Reform on Total National Health Expenditures

NHE in trillions

<table>
<thead>
<tr>
<th>Year</th>
<th>Before Reform *</th>
<th>After Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$2.5</td>
<td>$2.5</td>
</tr>
<tr>
<td>2010</td>
<td>$3.0</td>
<td>$4.3</td>
</tr>
<tr>
<td>2011</td>
<td>$3.5</td>
<td>$4.6</td>
</tr>
<tr>
<td>2012</td>
<td>$4.0</td>
<td>$5.0</td>
</tr>
<tr>
<td>2013</td>
<td>$4.5</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2014</td>
<td>$5.0</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2015</td>
<td>$5.5</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2016</td>
<td>$6.0</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2017</td>
<td>$6.5</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2018</td>
<td>$7.0</td>
<td>$5.7% annual growth</td>
</tr>
<tr>
<td>2019</td>
<td>$7.5</td>
<td>$5.7% annual growth</td>
</tr>
</tbody>
</table>

Total savings = $1.0 Trillion

Notes: * Estimate of pre-reform national health spending when corrected to reflect underutilization of services by previously uninsured.

This Morning’s Speakers

- Howard Grant, Geisinger Health System, Danville, PA
- Michael Van Duren, Sutter Physician Services, Sacramento, CA
- Sara Rosenbaum, The George Washington University, Washington, DC