Encouraging coordination of care around an episode

Mark E. Miller, Ph.D.
Executive Director
May 29, 2008

MEDPAC

Traditional Medicare does not reward efficiency or quality

- No financial incentive to work cooperatively to manage patients' care over time
  - Providers paid in silos
  - Gainsharing restrictions
  - No longitudinal accountability
- As a result
  - Medicare's payments do not reward quality
  - Medicare and beneficiaries spend more than is needed

Policies to encourage joint accountability and efficiency

- Permit shared accountability (i.e., gainsharing)
- Reduce payments for providers with high readmission rates
- Test bundled payment for episodes of care

Shared accountability arrangements (gainsharing)

- Hospitals and physicians agree to share savings from reengineering clinical care in the hospital
  - E.g., reducing use of unnecessary supplies, complying with clinical protocols, standardizing devices
- Have potential to encourage cooperation among providers in reducing costs and improving quality

Most shared accountability arrangements are prohibited by statute

- OIG: Gainsharing prohibited by provision that bars hospitals from offering physicians incentives to reduce/limit services to Medicare patients
- Might also violate anti-kickback statute
- OIG approved narrow arrangements with safeguards that protect quality and minimize incentives that could influence physician referrals

Commission supports shared accountability with safeguards

- The Congress should grant the Secretary the authority to allow and regulate shared accountability arrangements (MedPAC, Report to the Congress: Physician-owned specialty hospitals, 2005)
- Secretary should develop safeguards to protect quality and minimize financial incentives that could affect referrals

New study finds that gainsharing reduces costs without harming quality or access

- Study of 13 gainsharing programs involving coronary cath labs
  - Ketcham and Furukawa, Hospital-physician gainsharing in cardiology, *Health Affairs* 27, no. 3 (May/June 2008)
- Gainsharing reduced costs by 7% per patient; most savings from lower stent prices
- No increase in risk of complications
- Greater use of care recommended by clinical guidelines

Preventable readmissions

- Some readmissions occur that could have been prevented. May be due to
  - Medication errors
  - Patient confusion about medications and self-care
  - May not know of end-of-life options
  - An inpatient adverse event
  - Poor communication between providers at hand-offs
- Some hospitals have addressed these problems to reduce readmission rates

Readmission rates point to need for greater care coordination

	Readmissions		
	7-day	15-day	30 day
Percent readmitted 2005	6.2%	11.3%	17.6%
Percent potentially preventable (3-M logic)	5.2	8.8	13.3
Spending on potentially preventable (billions)	$5	$8	$12

Source: MedPAC, *Report to the Congress: Promoting greater efficiency in Medicare*, June 2007.

MedPAC recommendations related to changing payment policy for readmissions

- Inform providers of their risk-adjusted readmission rates; later, publicly share this information
- Reduce payments to hospitals with relatively high readmission rates for select conditions
- Allow shared accountability between physicians and hospitals

Bundling payment can improve incentives for efficiency

- Under bundled payment, Medicare pays a single entity an amount intended to cover the full range of costs of an episode
- Encourages restraint in the volume of service under the bundle. More services are not rewarded with increased payment
- Providers are motivated to collaborate with partners to improve collective performance

Concurrent accountability for quality of care is essential

- Value is a function of both resource use and quality
- Quality accountability is particularly important when bundling payment – it is a check on the incentive to stint

Bundling around a hospitalization is a good place to start

- Hospitalization is a clear, cogent episode of care
- Hospitals' managerial and financial resources and economies of scale can be an asset in enabling delivery system reforms
- To gain experience, achieve early success and limit unintended consequences, a bundling policy could first apply to select conditions

Value in defining episodes beyond stay

- Why is it important to ultimately define episodes that extend beyond the stay?
  - It is in this post-discharge window that most variation in spending occurs
  - For example, spending on readmissions and post-acute care varies widely.

Recommendation on bundling

- Report resource use around hospitalization episodes
- Launch a voluntary pilot program to test the feasibility of bundled payment for select conditions

CMS demonstrations consistent with many of the MedPAC's priorities

- Medicare Hospital Gainsharing Demonstration Program
- Physician Hospital Collaboration Demonstration
  - Examine impact of gainsharing on longer-term outcomes and service use
- Acute care episode demonstration