



*Advising the Congress on Medicare issues*

# Delivery system reform

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# Past success, current challenges

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- Medical technology has advanced
- Medicare program has provided the elderly and disabled access to medical care
- However, Medicare program is unsustainable
  - Must increase value
  - Other changes may still be necessary

# Fundamental reform needed

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- Projected financial shortfalls are large
- Incentives inherent in current system will continue to drive rapid growth
- More is not always better—value is lacking
- Fundamental changes in payment system and delivery system needed to change incentives in current systems and increase value

# Determinants of value

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- Access
- Quality
- Efficient use of resources
- Equity

# Principles for improving value

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- Promote accountability and care coordination
- Create better information and tools
- Improve incentives: encourage higher efficiency—both lower-cost production and higher quality—rather than increases in volume
- Set accurate prices

# Promote alignment with private sector

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- Provides greater leverage
- Decreases administrative burden

# Direction for payment and delivery system reform to improve value

## Current FFS payment systems

Physician  
Inpatient  
Outpatient  
LTCH  
IRF  
Psychiatric  
SNF  
Home health  
DME  
Lab  
Hospice



## Recommended tools

Comparative effectiveness  
Pay for performance  
Reporting resource use  
Individual services  
“bundled” within a payment system  
Creating pressure through updates to limit cost growth



## Potential system changes

Pay across settings and across time  
For example:  
•Medical home  
•Payments “bundled” across existing payment systems  
•Accountable care organization



# Potential approaches to explore

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- Medical home
  - Emphasize primary care
  - Increase care coordination
  - Maintain patients health
- Physician-hospital payment bundling
  - Physician-hospital cooperation
  - Increase efficiency within the hospital stay and post discharge
  - Decrease readmissions
- Accountable care organizations (ACOs)
  - Groups of physicians are jointly responsible
  - Broad set of services
  - Incentives for value over time



# Fundamental questions

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- Individual or group performance?
- What responsibilities do beneficiaries have?
- Wait for demonstrations or proceed rapidly?
- Are changing financial incentives enough, or are additional steps needed?
- Does there need to be a penalty if providers do not participate?