Advising the Congress on Medicare issues

Delivery system reform

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MEDPAC

Goals for reforming the payment and delivery systems

- Improve program sustainability
- Increase quality and reduce cost growth
- Other changes may still be necessary

Direction for payment and delivery system reform

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

+

Potential system changes

Pay across settings and across time

For example:
- Medical home
- Payments "bundled" across existing payment systems
- Accountable care organization

Potential approaches

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

Physician-hospital integration lessons

- Financial incentives (e.g. bundling, ACOs) can lead to financial integration
  - Employment of physicians
  - Physician-hospital organizations
- Financial integration does not always mean a change in clinical practices
  - Some PHOs were focused on increasing volume and pricing power
  - Characteristics of individual markets can affect how physicians and hospitals integrate
- Payments to integrated entities should be designed to encourage physicians and hospitals to improve the value received by patients

For discussion

- Is there consensus on goals of reform?
  - Recommended tools (CE, P4P, resource use) are important but may not overcome all FFS limitations
  - Additional approaches are needed that integrate across provider types and time
- How should we further explore these approaches:
  - Medical home
  - Physician-hospital payment bundling
  - ACOs