KEYNOTE

HEALTHCARE REFORM FOR SUCCESSFUL AGING

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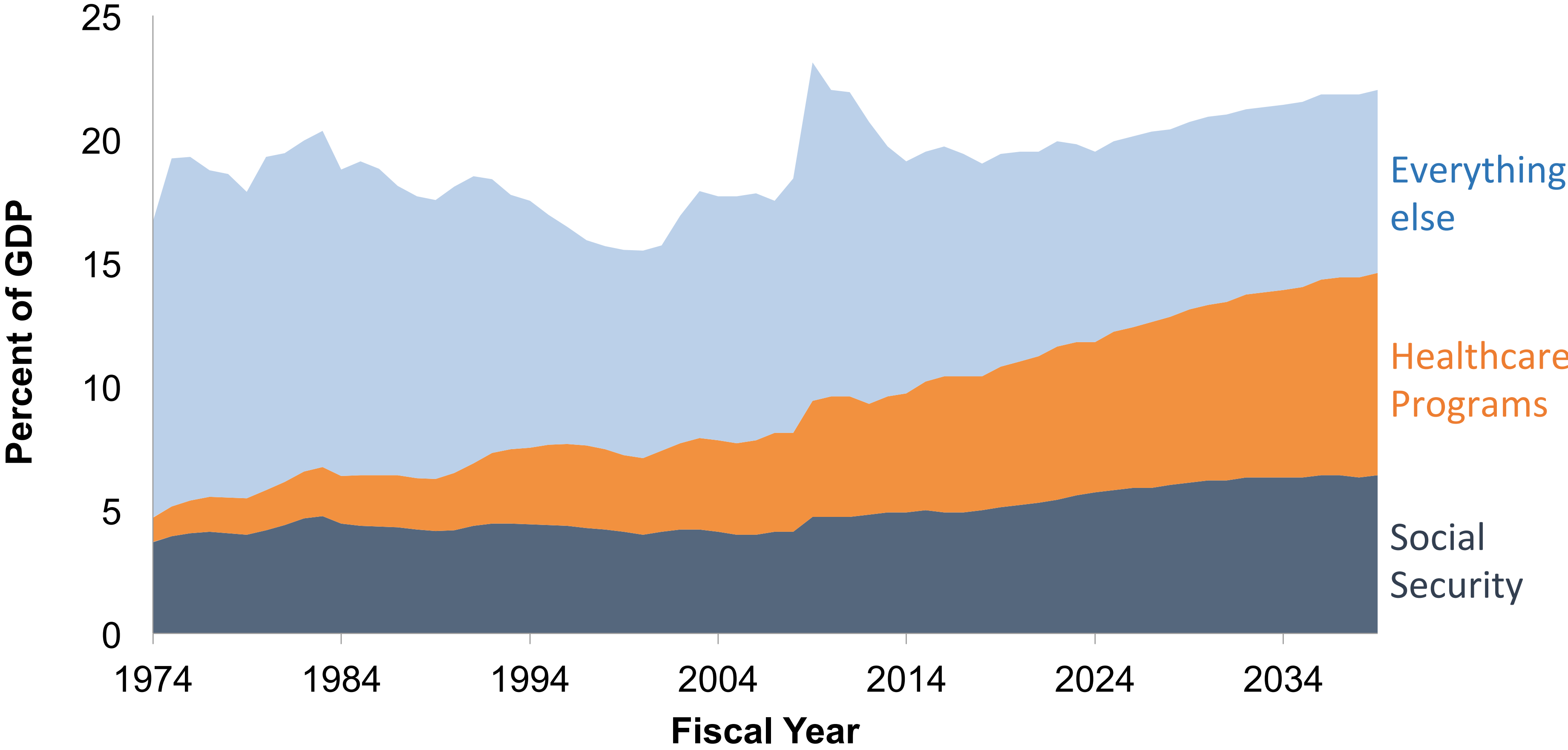
#AGS18

Topics

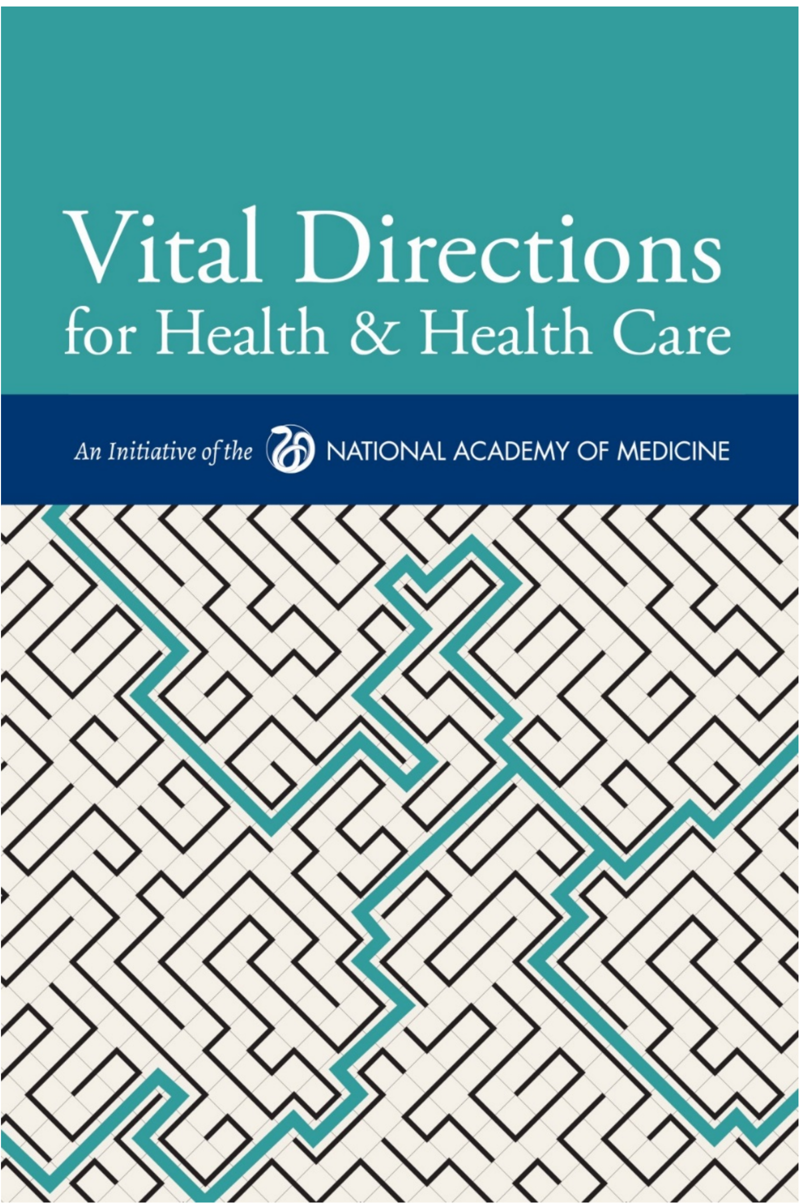
- Rising Costs, Rising Capabilities, and the Challenging Path to High-Value Care for Successful Aging
- Policy Reforms to Support High-Value Care
- Evidence on Payment Reform
- Implications for Prices and Administrative Burdens

Healthcare and the Federal Budget



Source: Congressional Budget Office, 2016 Long-Term Budget Outlook.

Duke | MARGOLIS CENTER *for* Health Policy



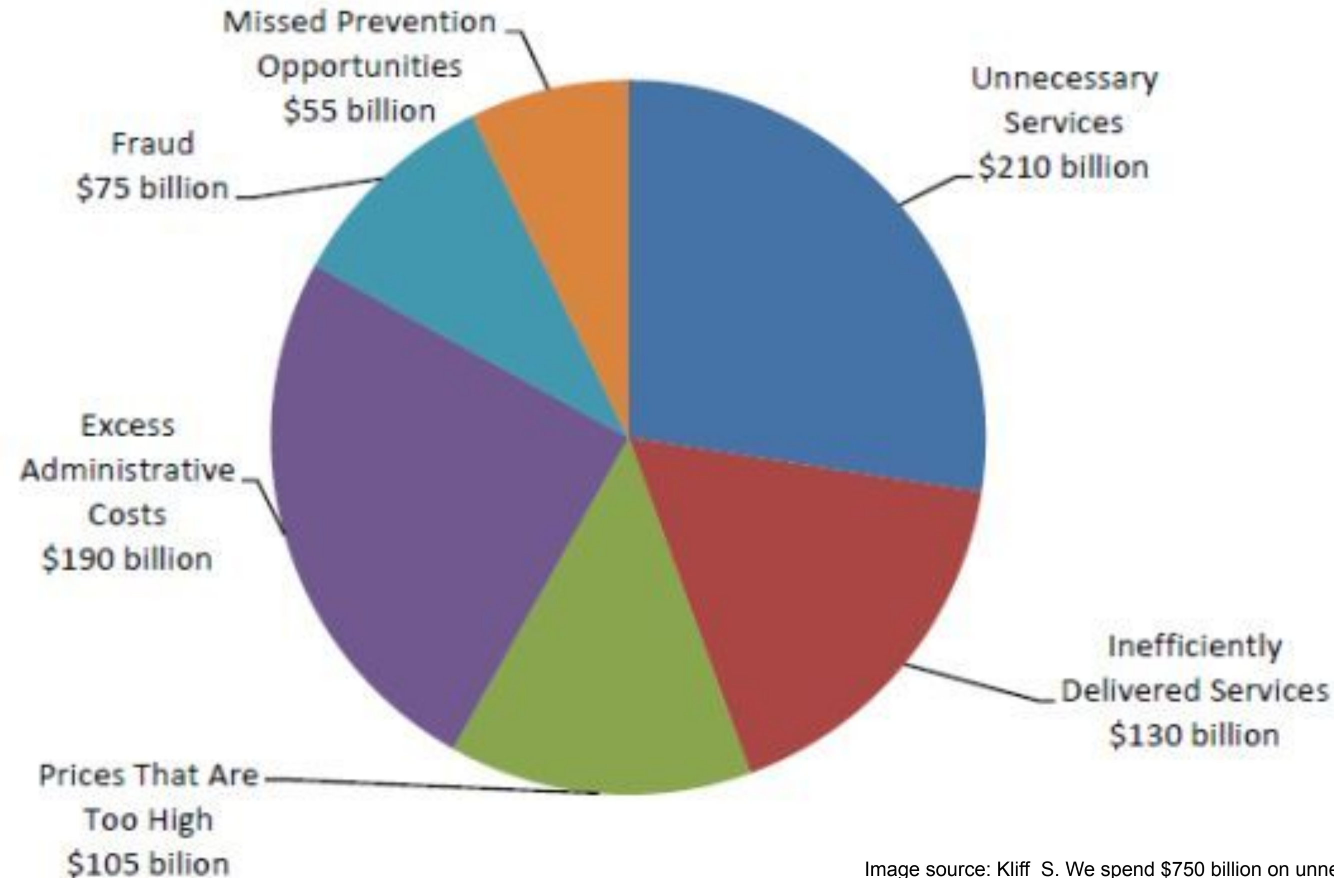
#NAMVitalDx

Vital Directions for Health and Health Care: National Academy of Medicine Report

- 18 months of collective review, analysis, and deliberation
- Core goals:
  - Better health and well-being
  - High-value health care
  - Strong science and technology
- Commissioned 150+ experts to write 19 discussion papers

Opportunities for Reducing Health Care Costs While Improving Quality and Access

- Total excess costs approaching $750B (IOM, 2013)



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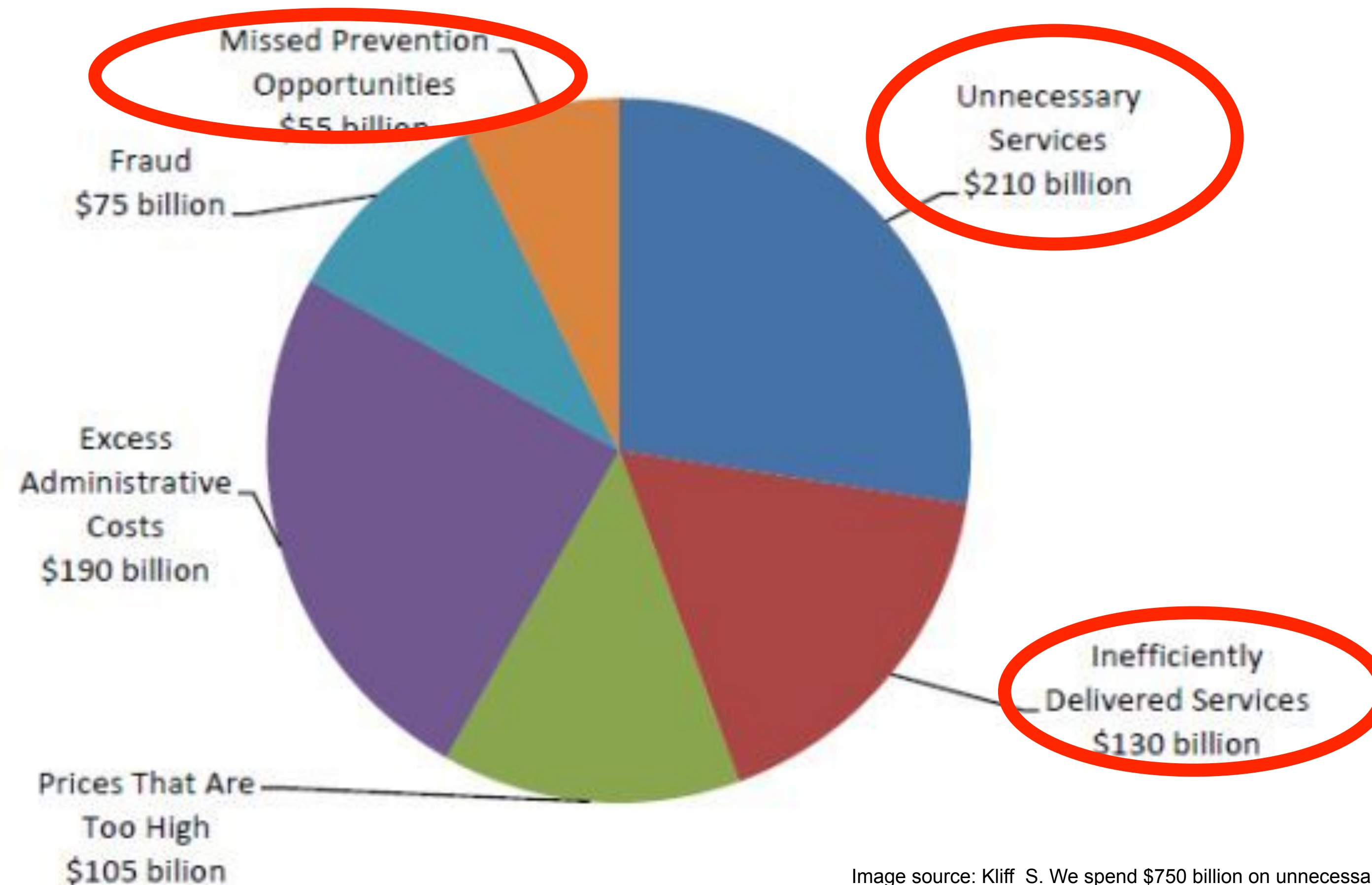

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Opportunities for Higher-Value Health Care

- Effective treatments for unmet health needs

- Innovations to better target use of medical technologies to patients who will benefit
- Wireless/ remote personal health tools and supports, telemedicine
- Lower-cost methods of treatment or sites of care
- Better care coordination
- Non- medical strategies for health improvement – such as targeted assistance to high-risk individuals, and support for accessing social and community services to prevent complications

Opportunities for Higher-Value Health Care

OFTEN COST INCREASING

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POTENTIALLY COST DECREASING

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Opportunities for Higher-Value Health Care

OFTEN COST INCREASING

- Effective treatments for unmet health needs

POTENTIALLY COST DECREASING AND OFTEN NOT REIMBURSED

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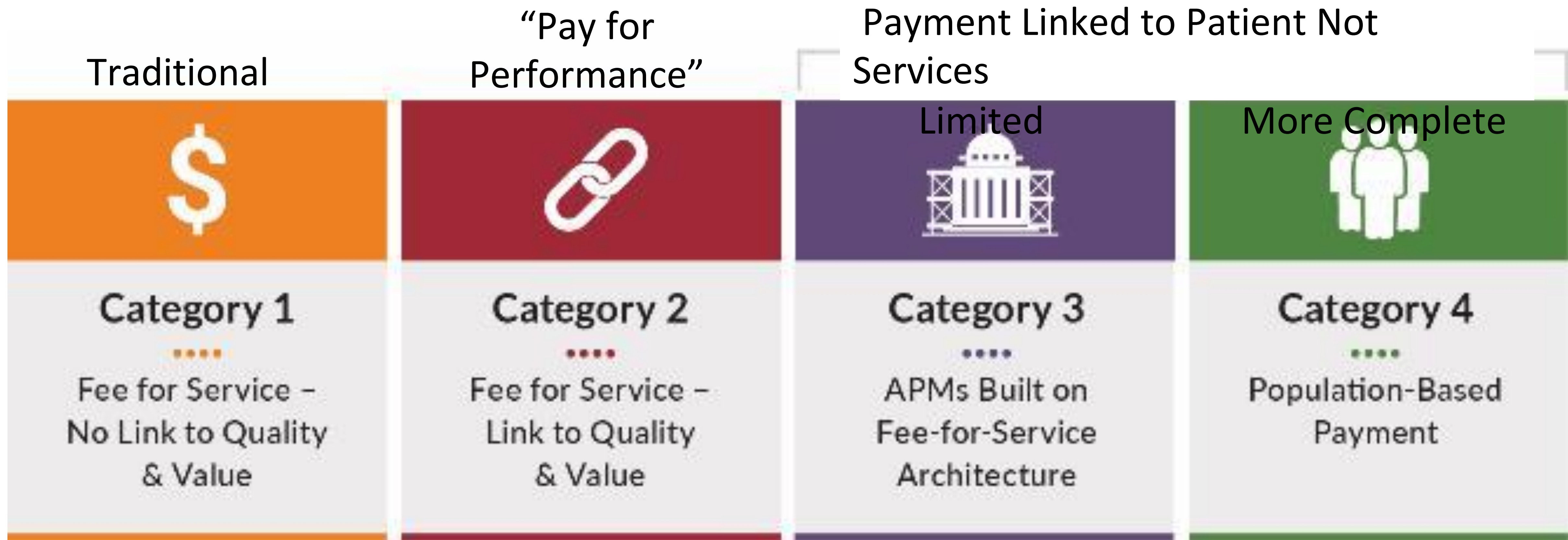
Payment Reform to Support Better Care



Source: Health Care Payment Learning and Action Network

HCP LAN
Health Care Payment Learning & Action Network

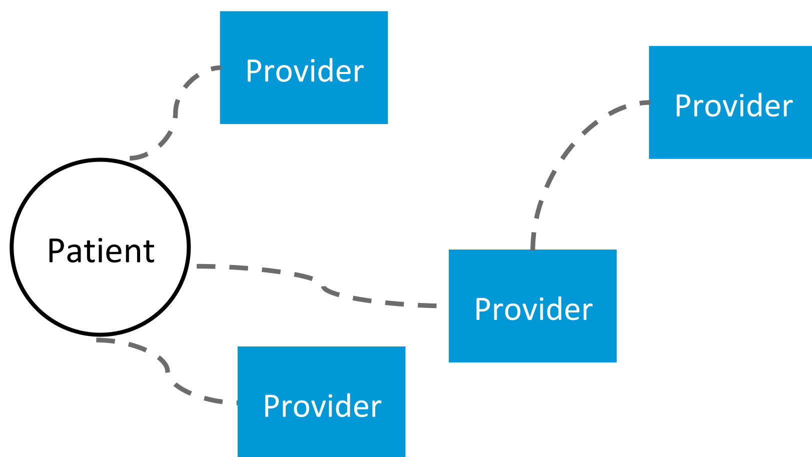
From Provider-Centric Care to Person-Centric Care

Provider Centric Care

Supply-driven systems, often with volume-based and fragmented payments tied to services

Individual practitioners and providers are accountable for **elements of care** provided to **patients seeking care**

- Limited or no coordination across required disciplines/ sites
- Limited or no coordination across patient events or transitions
- Care is event driven
- Not comprehensive
- Not anticipatory
- Limited clinical alignment across providers and healthcare systems

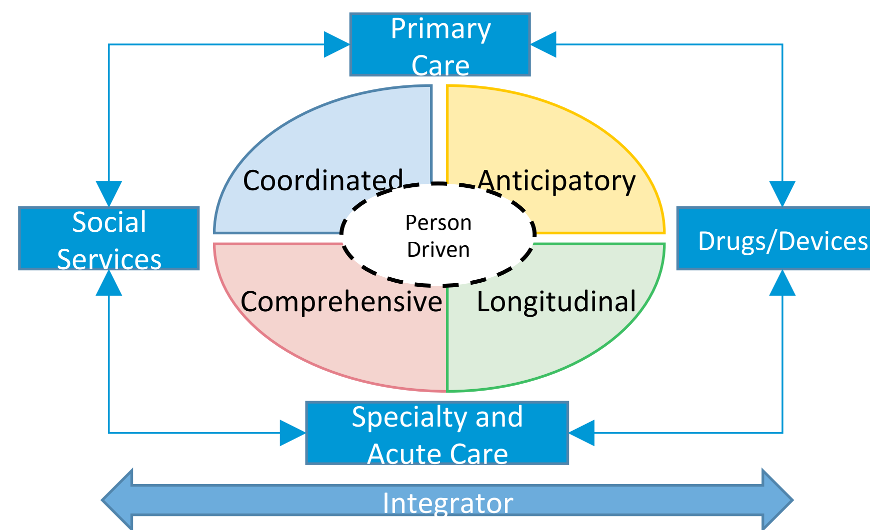


Person Centric Care

Demand-driven systems, often with more inclusive payments tied to person-based payments

Teams or networks of providers accountable to payers for **all care services and preventive measures for achieving outcomes** provided to **prospectively defined populations**

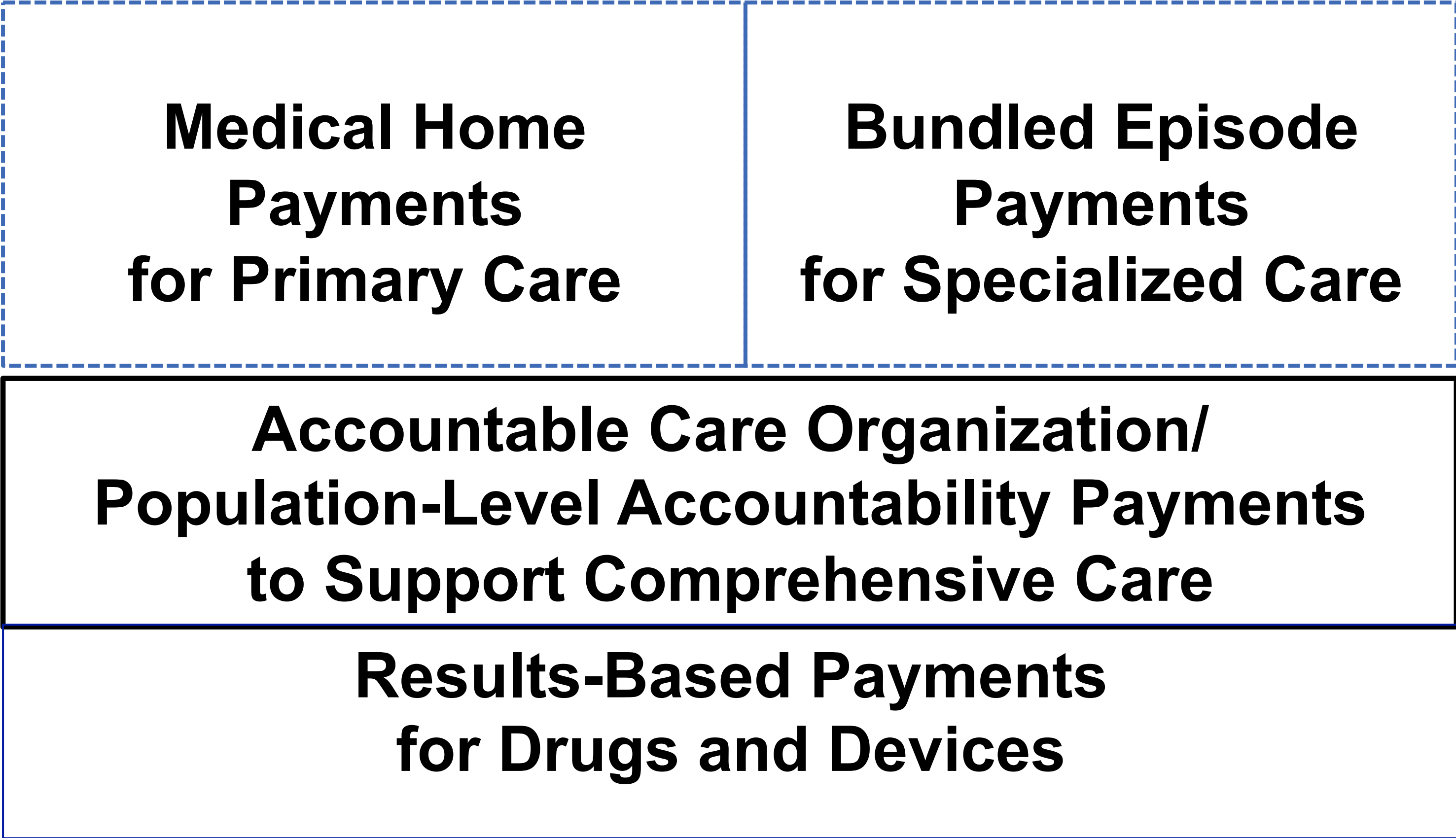
- Care integrator support enables coordination across disciplines, sites, and transitions
- Care is patient driven not event driven
- Person-focused design enables and reinforces consumer engagement
- Clinical alignment across providers, payers and healthcare systems



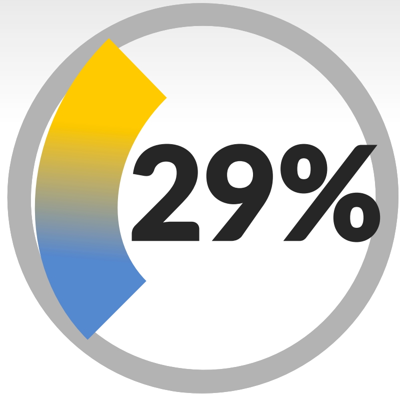
Alternative Payment Models To Support High-Value Care

SUPPORTING POLICIES

- Support for sharing data and analytics to improve care
- Performance measures derived from care data and patient reports
- Evidence development on best clinical care models
- Evaluation, modification, and scaling of successful payment and care reforms

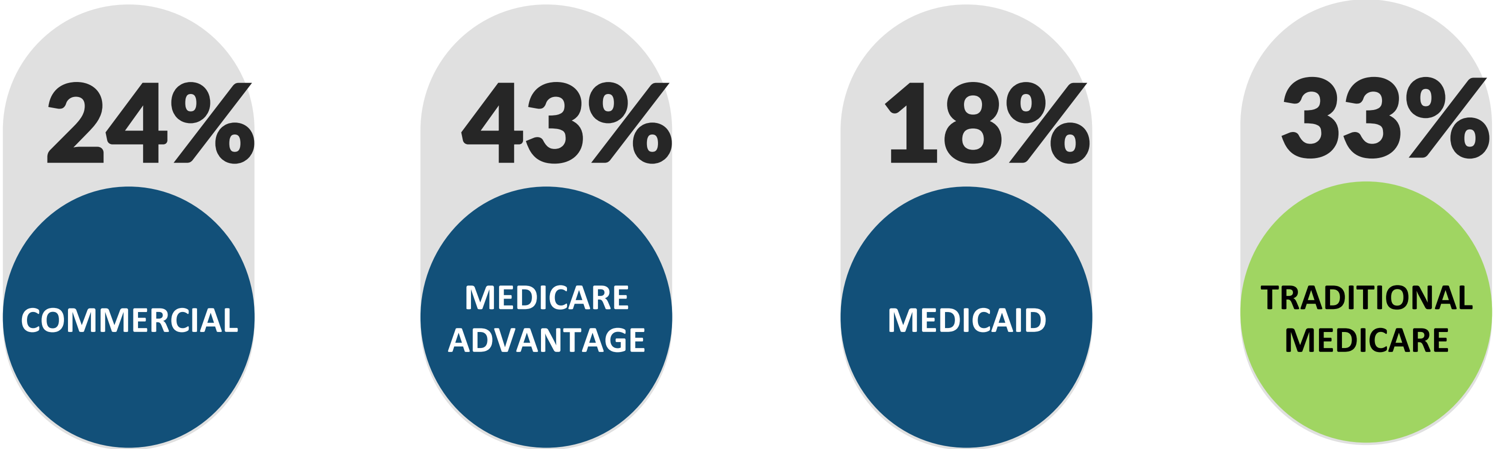


LAN Survey of Health Care Payments



...Of total payments as of late 2016
in LAN categories 3 & 4

% of Healthcare Dollars

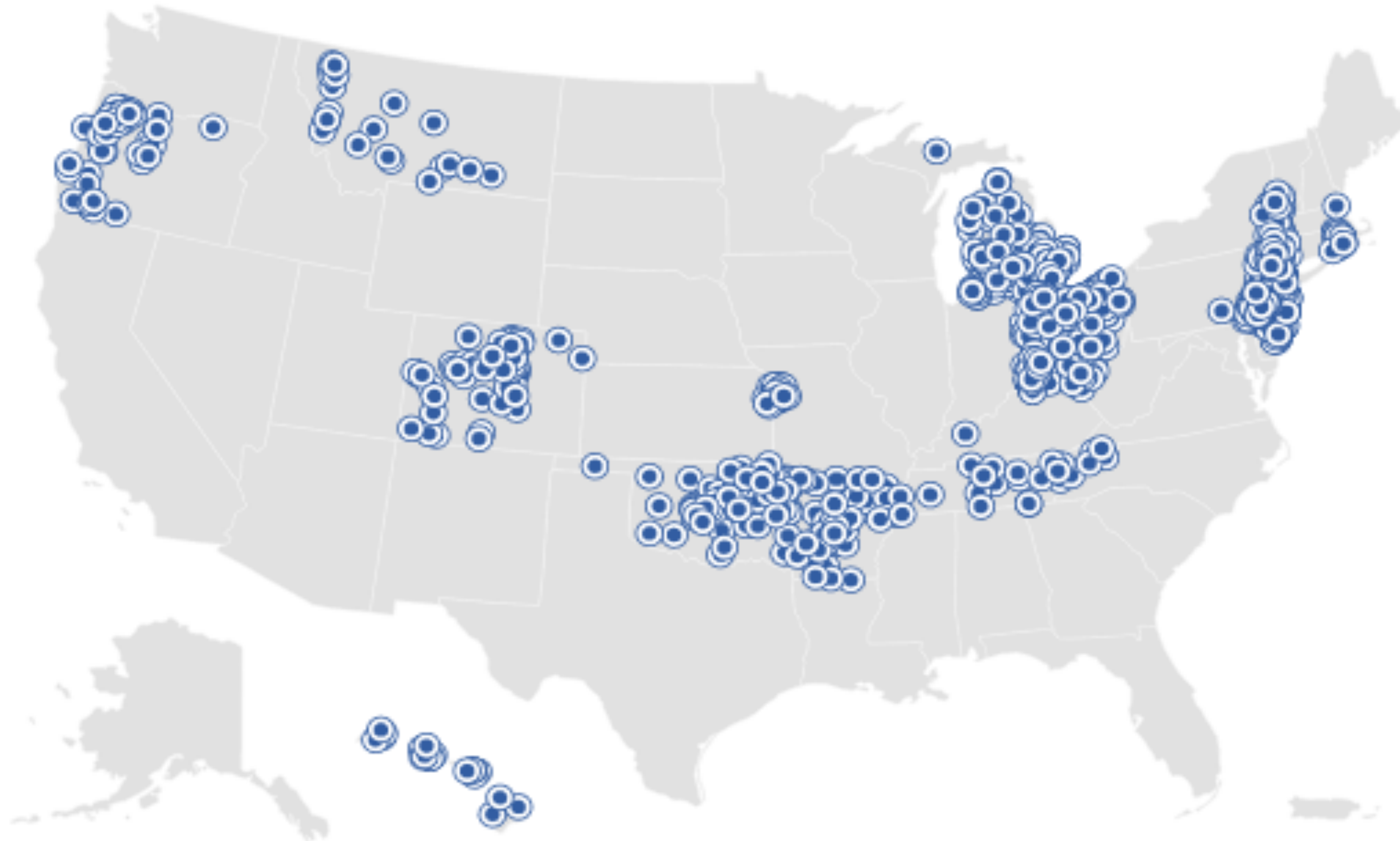


www.hcp-lan.org

Health Care Payment Reform Today

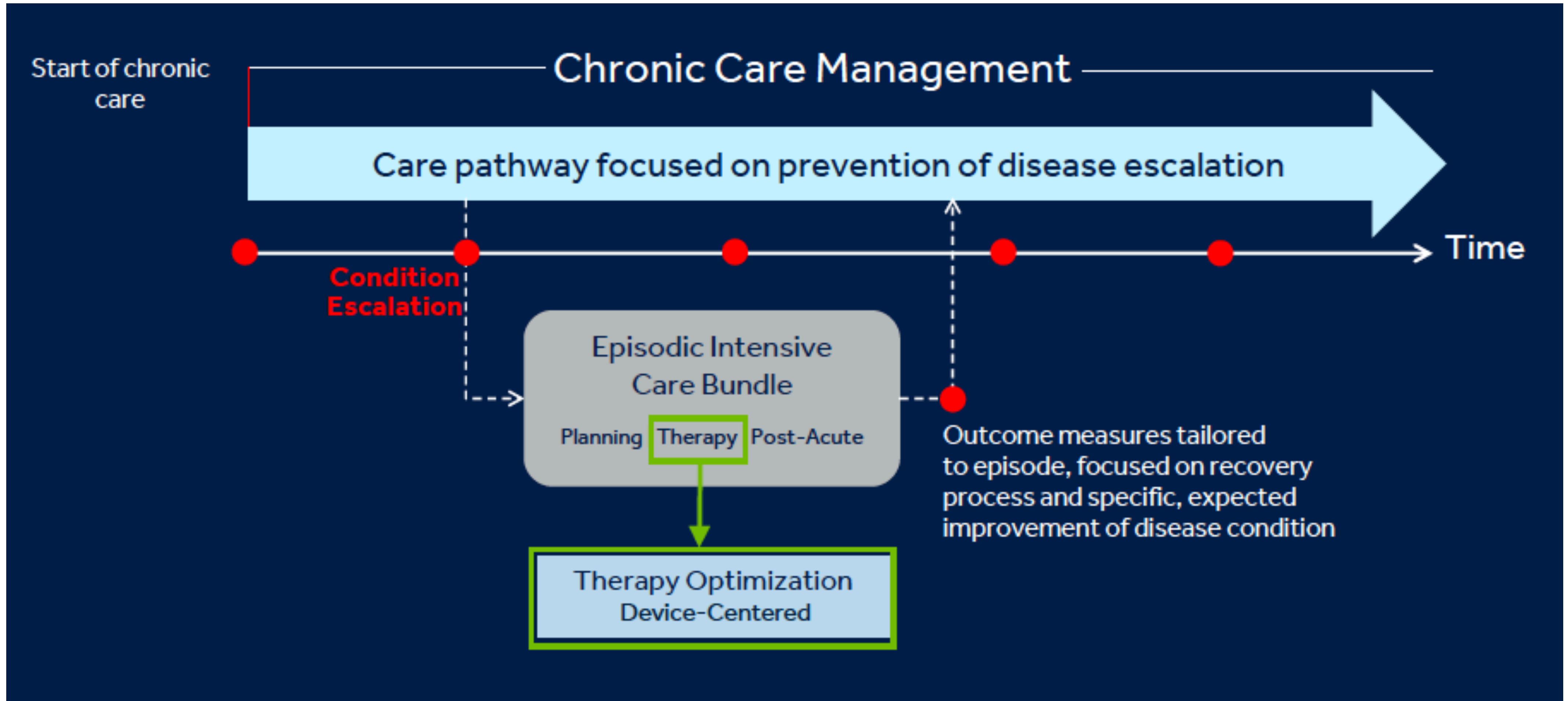
- Most health care payments remain in FFS
  - MACRA/Medicare MIPS payments are LAN Category 2: FFS with adjustments based on quality measures
    - Limited evidence of savings, significant evidence of provider frustration
  - Higher penetration in Medicare Advantage and some commercial plans
- Over 30% of payments in Alternative Payment Models in 2017 – mainly LAN Category 3
  - Accountable Care Organizations (largest share)
    - MSSP, NextGen, state initiatives, specialized populations (eg ESRD)
  - Bundled Payments for Episodes of Care
    - BPCI, CJR, oncology care model (OCM), state bundled payment initiatives
  - Primary Care Medical Home Payments
    - CPC+, state PCMH reform initiatives; few ”specialized” medical homes

Primary Care Medical Homes: CMMI Comprehensive Primary Care Plus Program



Source: Centers for Medicare & Medicaid Services

Bundled Payments for Care Episodes

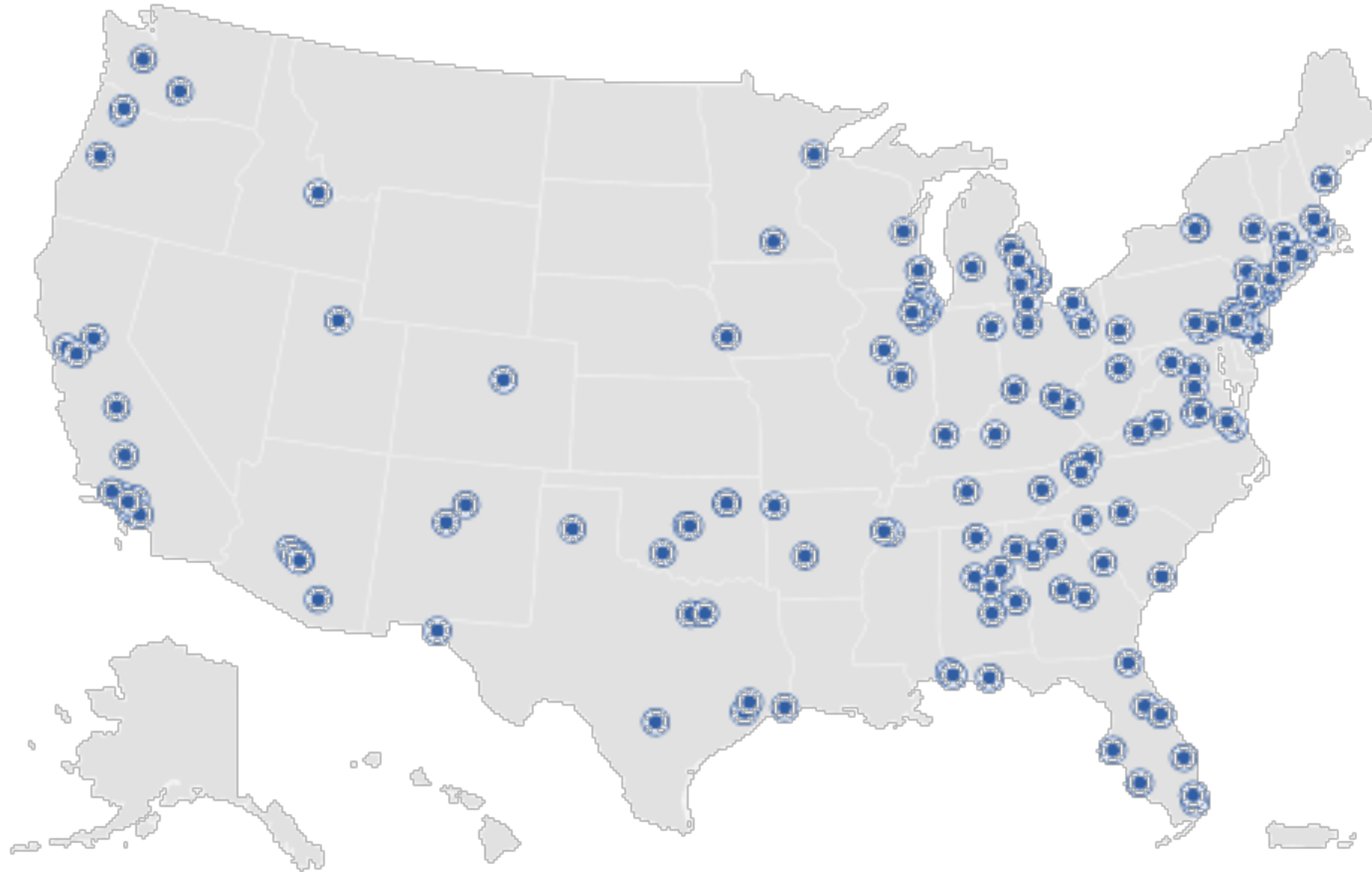


Source: Medtronic Chronic Care Management Model

Bundled Episode Payment Reforms: Evidence to Date

- Bundled episode payments can reduce overall episode costs
  - Certain Medicare BPCI models (joint replacement, heart failure), Medicare CJR, and many private episode bundles
- Some evidence suggests that bundled payment reforms may not reduce, and may increase, the incidence of episodes
- Bundled episode payments to date focus on acute events and procedures – no direct support for improving chronic disease care for modifying risk factors, reducing event risks, making chronic disease management more efficient, and increasing appropriate use of procedures
- Medicare's New BPCI-Advanced Initiative: Bundled episode payments for 31 major acute medical events and procedures

Medicare Oncology Care Model: Alternative Payment Model for Longitudinal Specialized Care



Source: Centers for Medicare & Medicaid Services

https://innovation.cms.gov/initiatives/oncology-care/

Accountable Care Organization Growth Over Time

Growth in ACO Payment Arrangements by Payer Type

32.4 Million Lives

Payment Arrangements

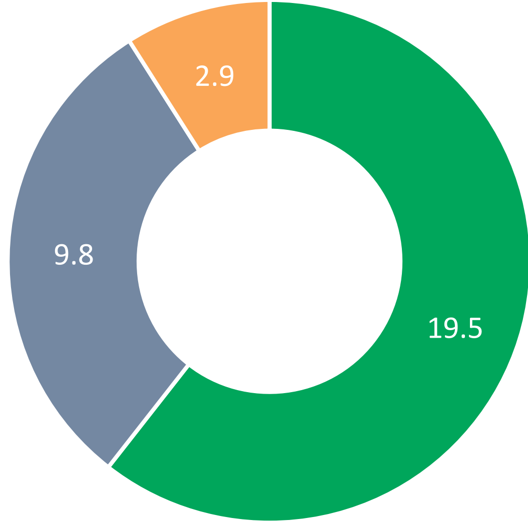
1600
1400
1200
1000
800
600
400
200
0

1347
692
562
93

Q2 2011, Q3 2011, Q4 2011, Q1 2012, Q2 2012, Q3 2012, Q4 2012, Q1 2013, Q2 2013, Q3 2013, Q4 2013, Q1 2014, Q2 2014, Q3 2014, Q4 2014, Q1 2015, Q2 2015, Q3 2015, Q4 2015, Q1 2016, Q2 2016, Q3 2016, Q4 2016, Q1 2017

Total　Medicare　Commercial　Medicaid

ACO Lives Per Payer (in Millions)



Source: Leavitt Partners

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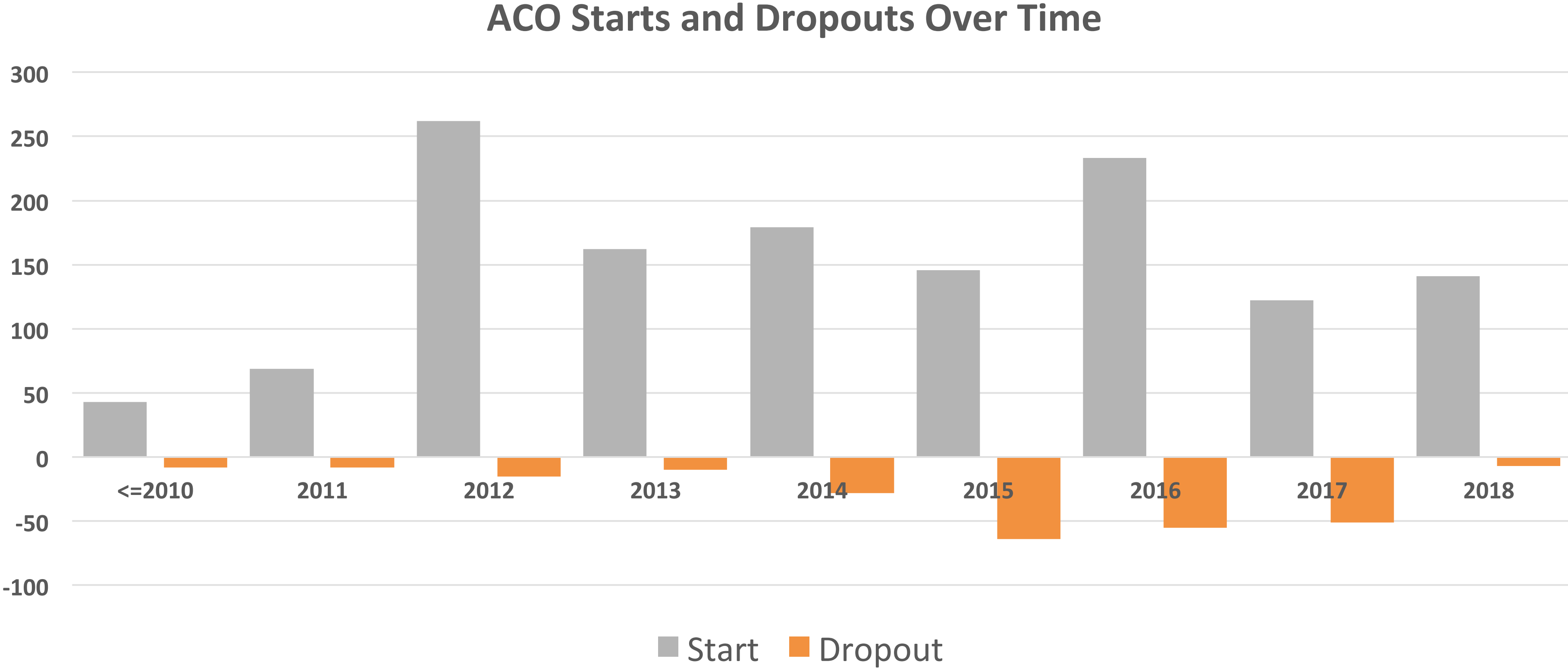

Source: Leavitt Partners

Performance on ACO Metrics Related to Care for Cardiovascular Risk and Chronic Management

Performance Measure	Average ACO Score
All-Cause Unplanned Admissions for Patients With Heart Failure	75.2
Tobacco Use: Screening and Cessation Intervention	91.0%
Screening for High Blood Pressure and Follow-Up Documented	76.8%
Statin Therapy for Prevention and Treatment of Cardiovascular Disease	77.7%
Controlling High Blood Pressure	70.5%

Significantly better than Medicare population rates – but large gaps in outcomes remain

ACO Payment Reforms: Results to Date

- Significant gains in important measures of population health
- Most ACOs to date have not achieved both population health improvements and savings
- More experienced ACOs have more success, and potentially more shared savings over time
- Physician-led ACOs have somewhat better spending results than larger, hospital-based ACOs
- ”Upside-only” ACOs remain most popular – but do not achieve program savings alone, and may add to program costs
- ”Downside-risk” models show improved outcomes and achieve modest program savings, potentially rising over time – but most health care providers have been reluctant to join so far
- Substantial early savings in CMMI’s Comprehensive ESRD Care pilot program – ACO for a specialized population

At three years, most MSSP ACOs not yet succeeding in significant spending reduction vs benchmarks

Benchmark minus Expenditures as Percent of Benchmark

20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%

Savings

Losses

70%
75%
80%
85%
90%
95%
100%

Aggregate Quality Score

Source: Muhlestein, Saunders, and McClellan, *Health Affairs* 2017

New Health Care Organizational Competencies Needed for Success in Value-Based Care Models

Leadership and Governance

- Board, leadership, staff engagement in patient value goals
- Organizational structure and staffing reflects patient value focus

Care Models

- Patient centered care pathways
- Longitudinal care coordination and teams
- Continuous quality and safety improvement

IT/ Data and Analytics

- Aligned IT infrastructure
- Key data sharing including patients
- Analytics to stratify and assess care interventions

Finance

- Adequate capital to support new care models, risk
- Financial tracking and reform modeling

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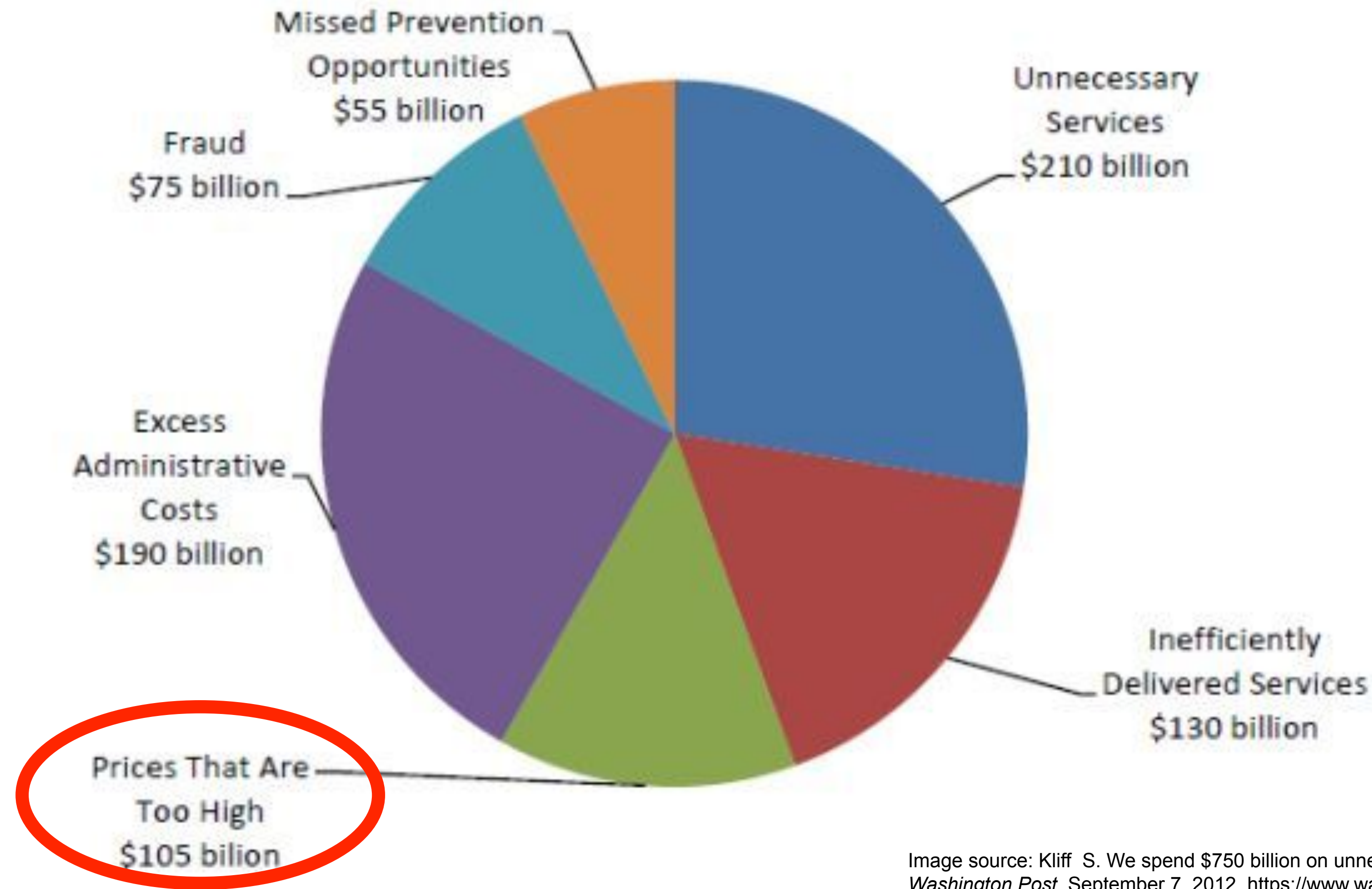

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Achieving Lower Prices

- **Price regulation**
  - Stronger negotiation generally requires restricting access
  - Does not directly improve efficiency in care delivery or encourage high-value innovation
- **Price transparency**
  - Specific FFS prices difficult to compare
  - Hard to shop for particular elements of treatment and for acute treatments
- **More aggressive antitrust policy enforcement**
  - Hard to apply beyond major mergers to more incremental horizontal and vertical integration
- **Improving regulatory and payment outlook for smaller care providers**
  - Medicare regulated price differentials favoring institutional care
  - Feasible payment reforms for smaller, non-hospital based providers
- **Aligning insurance design and consumer information with value**
  - Benefit designs and copays aligned with payment reforms not volume and intensity
  - Clear information on quality and cost for big decisions: provider of primary care and specialized services

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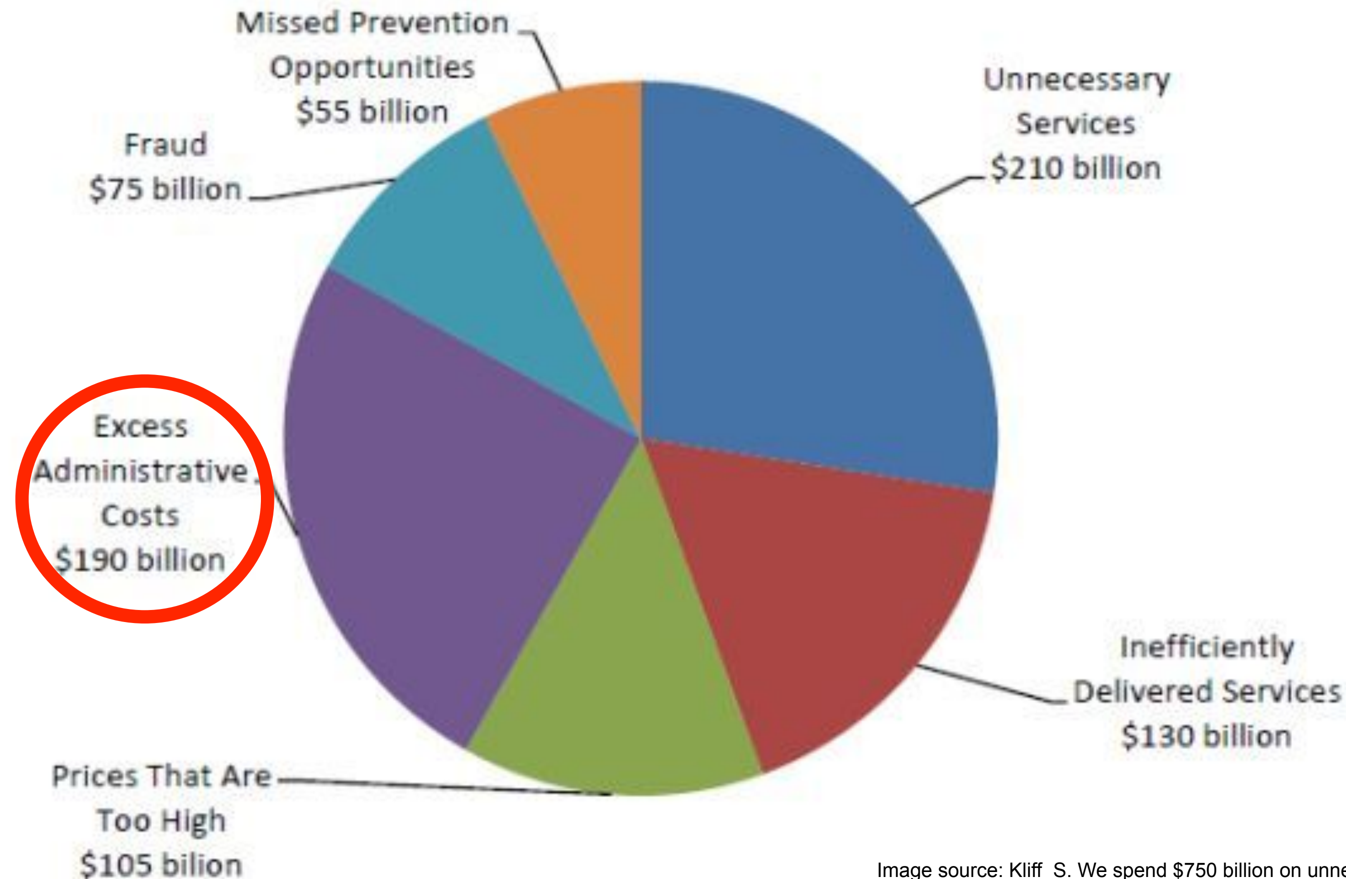

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Reducing Administrative Costs

- **Data interoperability and standards based on open APIs**
  - Insurance claims interoperability: Medicare Blue Button 2.0
  - EMR data interoperability: Apple HealthKit partnership
- **HHS enforcement of penalties for "data blocking"**
- **Reduce prior auth costs**
  - Interoperability "use cases" for common types of prior authorization
  - Shift to alternative payment models including drugs and other costly treatments
- **Reduced burden of performance measure reporting**
  - Fewer and more meaningful measures?
  - More reliance on data from health care operations rather than provider reporting
  - Increased use of patient-generated data and reports
- **Greater shift away from fee-for-service payment and prior auth**
- **Flexibility in payment reform implementation**
  - More consistent and meaningful performance reporting
  - More flexibility in implementing new care models

Future Steps on Payment Reform

- HHS Secretary Azar and incoming CMMI Director Boehler have highlighted importance of payment reform – and some new directions and priorities
  - More emphasis on data sharing, transparency, and consumer engagement
  - Less burden on health care providers
- Most states are implementing alternative payment models
- Potential priority areas for Centers for Medicare and Medicaid Innovation
  - Increased participation in advanced APMs – including in advanced illness and specialized care
  - Consumer-focused payment reforms (e.g. value-based insurance design)
  - Value-based payment reforms for prescription drugs
  - Mental and behavioral health integration models
  - State-based and multipayer reform models
  - Mandatory payment reforms?