

Can The U.S. Control Healthcare Spending: *Will ACO's Help?*

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**The Issue Is Not Whether It Is
Possible To Control The
Growth In Healthcare
Spending**

*It's Whether The U.S. Has The
Political Will*

**Up To Now The Answer Has
Been---NO!**

WHY?

Those Who Stand To Lose Convince Enough of Us That ---

- *It Will Lead to Lower Quality Care?*
- *It Will Reduce Access to Care*
- *It Will Reduce The Number of Jobs
Healthcare in Our Community?*
- *It Won't Work*

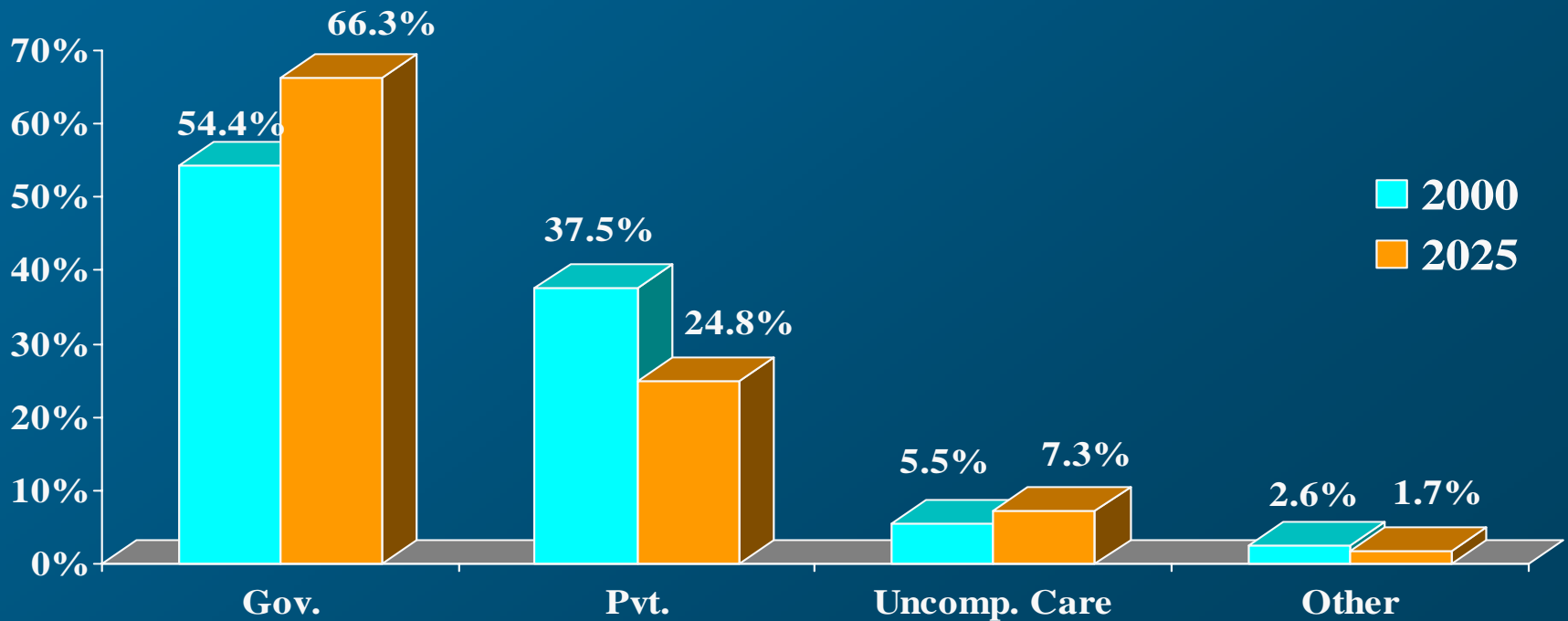
**Will The Future Be More of
The Same?**

I DON'T THINK SO!

**The “Boogey Man” Is
Demographics and Growing
Numbers of Low Income**

Even Without Health Reform --- Government Patients Will Dominate Institutional Expenses

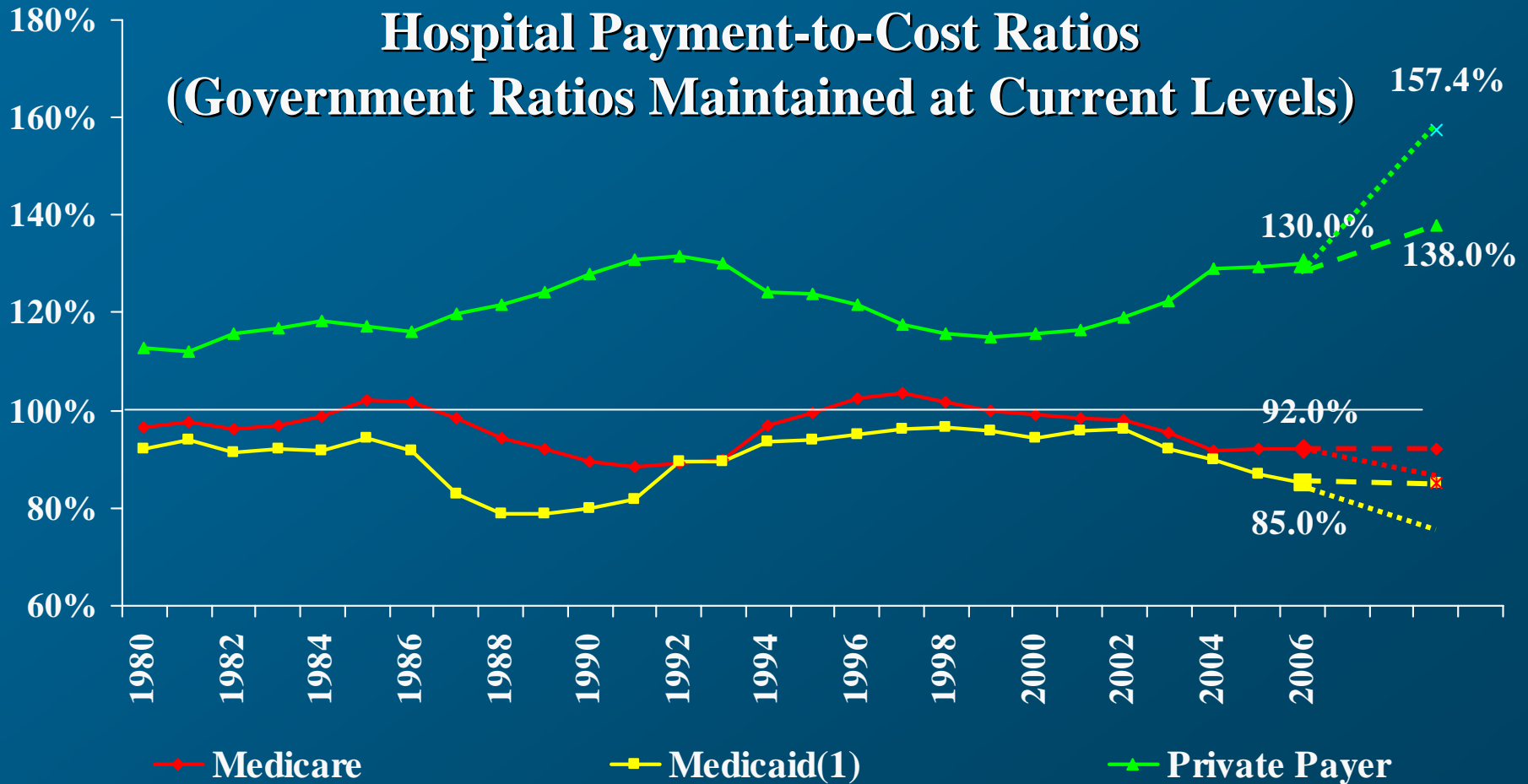
Proportion Of Hospital Expenses Attributed To
Patients By Payer Source



**Will Hospitals Be Able to Rely On
Charging Private Patients More
To Make Up For Lower
Government Payments?**

Unlikely!

Can Private Insurance Payments Continue To Pay For The Shortfall In Government Payments



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2005, for community hospitals.
(1) Includes Medicaid Disproportionate Share payments.

**Are Accountable Care
Organizations (ACO's) The
Answer?**

*That Is What We are Here
To Find Out!*

ACO's Designed To Avoid Main Problems of HMO Debacle of The 1990's

- **Providers Will Not Be Required To Assume Risk**
 - **ACO's is a "Shared Savings System". Each Groups Starts From Their Current Spending Levels**
- **Patients Will Not Be Locked Into a Delivery System They Don't Trust**
 - **Patients Need to Sign Up With PCP But Can Change PCP or Network With No Penalty**

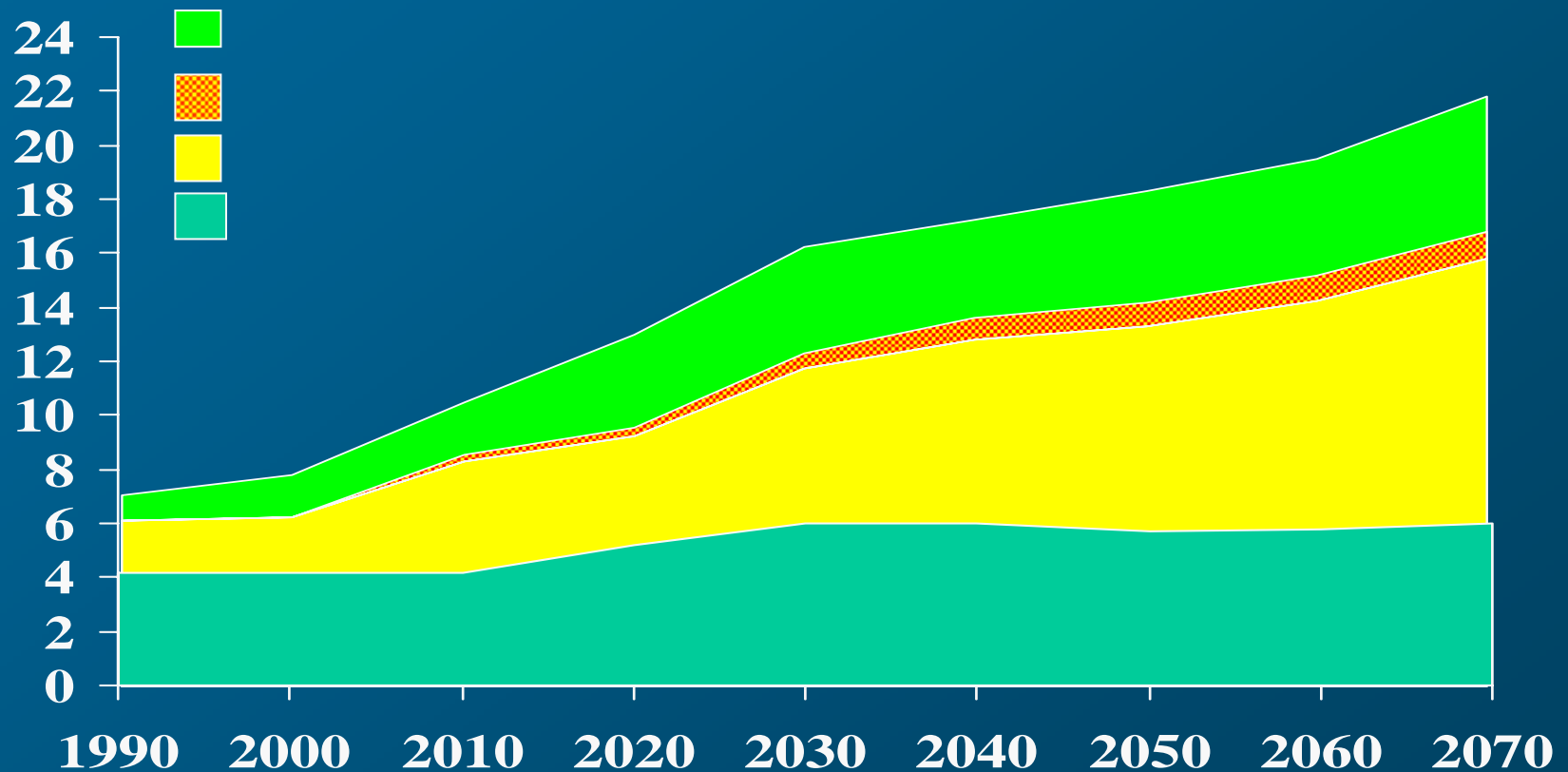
**Many Concerned That ACO
Approach Will Lead to Higher
Costs!!!**

*Create Mini-Monopolies That Will
Increase Private Rates*

**The Key Is What Is The Alternative
Pricing System to The ACO**

**What Does The Future
Hold???**

Social Security, Medicare, and Medicaid Outlays as a Percentage of GDP, Fiscal Years 1990-2075



SOURCE: C. Eugene Steuerle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003. Based on data from the Congressional Budget Office, "A 125-Year Picture of the Federal Government's Share of the Economy, 1950-2075," July 3, 2002, table 2.

Deficit Reduction Commission Recommendation

*Establish a Medicare Voucher
System With Limited
Government Payment Growth*

**If We Continue Fee-for-
Service---**

*Is Some Form of Rate Regulation
Inevitable?*

Massachusetts Governor Proposes New Cost Containment Plan

- Department of Insurance (DOI) Regulates Private Insurance Premiums
 - **Rate Increases Tied to CPI**
 - **DOI Must Approve Provider Contracts Signed By Insurer**
- DOI to Receive Advice from State on Types of Acceptable Contracts
 - **The Level of Payment Increases**
 - **The Type of Payment System Used**
- Attorney General To Review Market Power of Providers
- Expanded Power of State Certificate-of-Need Program