Can Medicare Lead Delivery System Reform?

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Delivery System Reform

- What are the elements?
  - Payment/incentive changes
  - Structural changes
  - Enabling tools

- A recurring model
Payment and Delivery System Options

<table>
<thead>
<tr>
<th>Full Capitation</th>
<th>Partial Capitation</th>
<th>Case Rates</th>
<th>P4P robust</th>
<th>P4P lite</th>
<th>Fee for Service</th>
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**I. A Return to the 70’s**
- Efficiency: Low
- Quality: Mixed
- Margins: High

**II. Doctors Rebel**
- Efficiency: Med
- Quality: Mixed
- Margins: Low

**III. An Unrealistic Option**
- Efficiency: Med
- Quality: Med
- Margins: High

**IV. Nirvana**
- Efficiency: High
- Quality: High
- Margin: Med/High

Stage of Delivery System Evolution:
- Solo Practice
- Tightly integrated system with employed MDs

Exhibit ES-1. Organization and Payment Methods

Continuum of Payment Bundling

- Full Population Prepayment
- Global Case Rates
- Medical Home Payments
- Fee-for-Service

Continuum of Organization

- Less Feasible
- More Feasible

- Small practices; unrelated hospitals
- Independent Practice Associations; Physician Hospital Organizations
- Fully integrated delivery system

Continuum of P4P Design

- Outcome measures; large % of total payment
- Care coordination and intermediate outcome measures; moderate % of total payment
- Simple process and structure measures; small % of total payment

Source: The Commonwealth Fund, 2008
Evolving Reimbursement and Care Models

PAYMENT METHODOLOGY

Full Capitation
Sub-Capitation
Case Rates
P4P (Robust)
P4P (“Lite”)
Fee-for-Service

EVOLUTION OF SUPPORTING SYSTEMS

CLOSED SYSTEM
TEAM-BASED CARE
DISEASE MANAGEMENT
EMR
REGISTRIES
NON-MD CLINICIANS

Solo MD Practices
Group Practices
Multi-Specialty Group Practices
Integrated Delivery System
Clinic Model

Dynamics of the Model

PAYMENT MODEL

Fee-for-Service

Capitation

Solo Practice

DELIVERY MODEL

Integrated Delivery System
Dynamics of the Model

PAYMENT MODEL

DELIVERY MODEL

Solo Practice

Integrated Delivery System

Capitation

Fee-for-Service
Payment/Incentive Changes

- P4P
- Care Coordination payments
- Bundled payments
- Gainsharing
- Group Practice Demo
Delivery System Reform Proposals

- Structural Changes
  - Medical Home
  - Physician-Hospital Integration
  - Accountable Care Organizations
Delivery System Reform Proposals

- Enabling Tools
  - Clinical information technology
  - Clinical effectiveness research
  - Primary Care manpower
Delivery System Reform Proposals

“NO WAY” Proposals

- Enhance Medicare purchasing authority
- Enhance Medicare benefit design authority
- Targeted updates
- MA for delivery systems
“NO WAY”

- Enhance Medicare Purchasing Authority
  - Selective providers
  - Centers of Excellence
  - Competitive bidding
“NO WAY”

- Enhance Medicare Benefit Design Authority
  - Differential OOP payments
  - Catastrophic cap with end of Medi-Gap plans
“NO WAY”

- Targeted Updates
  - Separate physician “target pool” for practices that manage appropriateness of services
  - Combined hospital/physician group updates
“NO WAY”

“Medicare Advantage” for Delivery Systems

- Recharge MA-PSO model
- Remodel to include hospitals
- Medicare developmental risk sharing corridors