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Payment Models: New Directions and Aligning Incentives

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Hospital funding mechanisms:

Type of Funding	Number of Cases	Spending Control	Transparency	Cost Efficiency	Quality
Per Diem / Cost Plus	Yes	No	No	No	Flat
US Medicare					
DRG / Case-based	Yes	No	Yes	Yes	Flat
European Countries					
Global Budget	No	Yes	No	Flat	Flat

Adapted from: R. Busse, EuroDRG project

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What's Missing?

Effects of Care Coordination on Hospitalization, Quality of Care, and Health Care Expenditures Among Medicare Beneficiaries

15 Randomized Trials

Context Medicare expenditures of patients with chronic illnesses might be reduced through improvements in care, patient adherence, and communication.

Objective To determine whether care coordination programs reduced hospitalizations and Medicare expenditures and improved quality of care for chronically ill Medicare beneficiaries.

Design, Setting, and Patients Eligible fee-for-service Medicare patients (primarily with congestive heart failure, coronary artery disease, and diabetes) who volunteered to participate between April 2002 and June 2005 in 15 care coordination pro-

The NEW ENGLAND JOURNAL of MEDICINE

The Implications of Regional Variations in Medic Health Outcomes and Satisfaction with Care

Elliott S. Fisher, MD, MPH; David E. Wennberg, MD, MPH; Thérèse A. Stukel, PhD; Da and Etoile L. Pinder, MS

Background: **The health implications of regional differences in Medicare spending are unknown.**

Objective: **To determine whether regions with higher Medicare spending achieve better survival, functional status, or satisfaction with care.**

Design: **Cohort study.**

Setting: **National study of Medicare beneficiaries.**

Patients: **Patients hospitalized between 1993 and 1995 for hip fracture (n = 614 503), colorectal cancer (n = 195 429), or acute myocardial infarction (n = 159 393) and a representative sample (n = 18 190) drawn from the Medicare Current Beneficiary Survey (MCBS) (1992–1995).**

Exposure Measurement: **End-of-life spending reflects the component of regional variation in Medicare spending that is unrelated to regional differences in illness. Each cohort member's exposure to different levels of spending was therefore defined by the level of end-of-life spending in his or her hospital referral region of residence (n = 306).**

Outcome Measurements: **5-year mortality rate (all four co-**

horts), chang (MCBS coho

Results: **Co but those i 60% more c ing was ass fracture coh cohort, 1.01 cohort, 1.00 0.99 to 1.03 functional st ences in sat**

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See related 347-348, 348

SPECIAL ARTICLE

Rehospitalizations among Patients in the Medicare Fee-for-Service Program

Stephen F. Jencks, M.D., M.P.H., Mark V. Williams, M.D., and Eric A. Coleman, M.D., M.P.H.

ABSTRACT

BACKGROUND

Reducing rates of rehospitalization has attracted attention from policymakers as a way to improve quality of care and reduce costs. However, we have limited informa-

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What are other countries doing about the missing elements that fee-for-service payments doesn't provide?

Lever	Quality	Fragmentation	Effectiveness
Funding Policy	Value-based Purchasing and Non-Payment	Episodes of Care	Episodes of Care
		Meaningful Use of EHR	Meaningful Use of EHR
Organization and Delivery System	Accountable Care Organizations	Accountable Care Organizations	Accountable Care Organizations
		Medical Home	Medical Home
System-Level	Cross Sector Data Standardization Patient Outcomes and Experience		

Commonalities?

- Significant impact on fee-for-service models
- Payment reforms are taking a variety of forms
  - Most experimentation is occurring in the U.S.
  - Netherlands
- Accountable Care Organizations
- Medical Homes
- Episodes of care = 'Bundled Payments'

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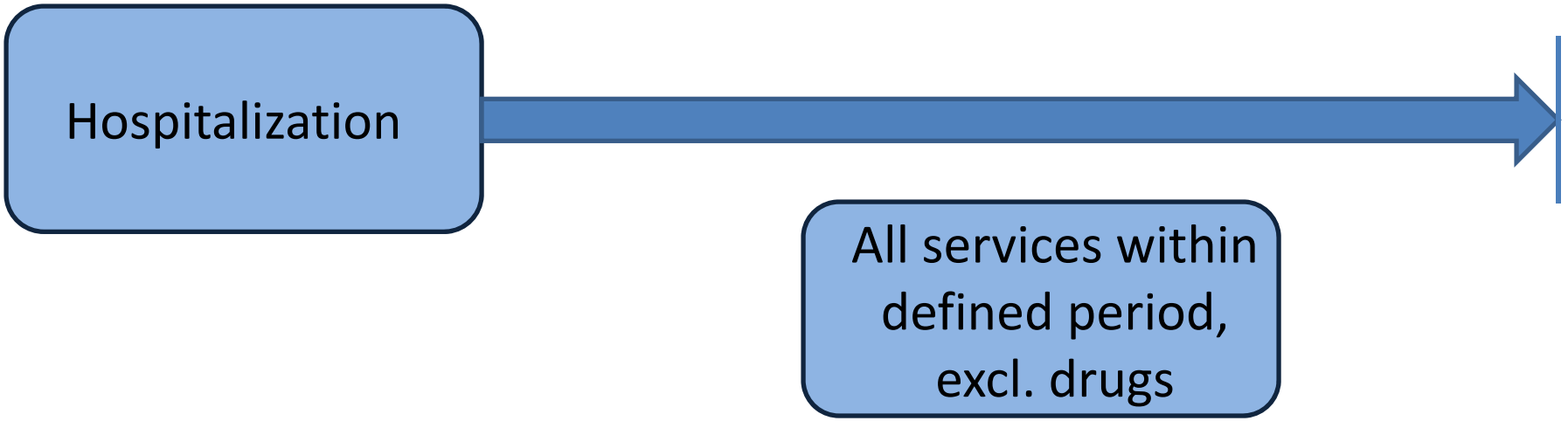
Medicare Bundled Payments Pilot

Goal:	Align incentives for all providers	
Includes:	Inpatient	Physician
	Outpatient	Home Care
	Long-Term Care	Rehab



How do Bundled Payments Work?

- Mechanism:
  - Groups of providers guarantee 3% reduction in fee-for-service spending
  - Continue to be remunerated via FFS; reconcile at end of the year
  - (Potential) Savings are shared by providers
- Incentive:
  - Reduce readmissions, intensity of post-discharge care

Value-Based Purchasing (U.S.)

- VBP is essentially a P4P program (or non-P4P!)
- Initially, aimed at hospitals:
  - Hospital-acquired infections
  - Re-admissions
- Evidence of efficacy of P4P on physician behaviors is weak
  - Hard to set indicators?
  - Pay for improvement or attainment?

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