

**FUTURE OF HEALTHCARE FINANCING AND
DELIVERY:
CMS PRIORITIES FOR 2006-2006: WHAT DEVICE
INNOVATORS SHOULD KNOW ABOUT MEDICARE
REGULATION**

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OBJECTIVES

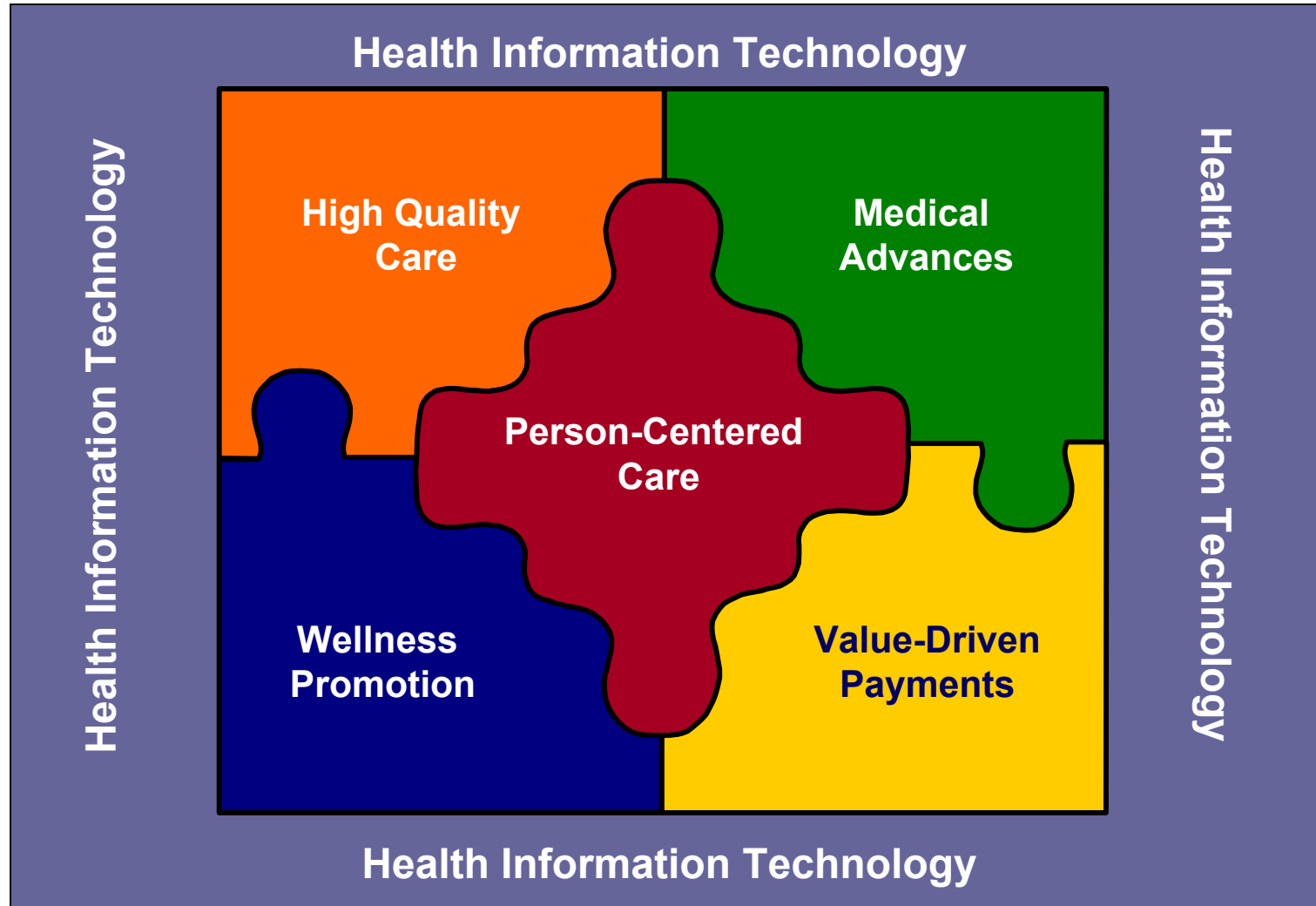
- Provide an overview of the future of healthcare financing and delivery
- Describe the role CMS plays in shaping the future of healthcare financing and delivery
- Highlight CMS' efforts to bring medical innovations faster to beneficiaries
- Describe some of CMS' strategies to bring better evidence for treating beneficiaries

MEDICARE AND MEDICAID HAVE ACCOMPLISHED MUCH IN THE LAST 40 YEARS



- Medicaid and Medicare cover 90 million beneficiaries, totaling about \$600 billion in FY 2007
- Medicare:
 - 43.7 million people covered
 - Medicare Modernization Act enhanced benefits to include:
 - Prevention screenings, a new “Welcome to Medicare” physical
 - Outpatient prescription drug benefit, started on January 1, 2006
- Medicaid:
 - 52.9 million people with limited income and resources covered
 - Pays for about 1 in 5 total health care dollars
 - Pays for about 1 in 2 nursing home care dollars

HOW THESE PIECES ARE PUT TOGETHER WILL DETERMINE THE FUTURE OF HEALTHCARE



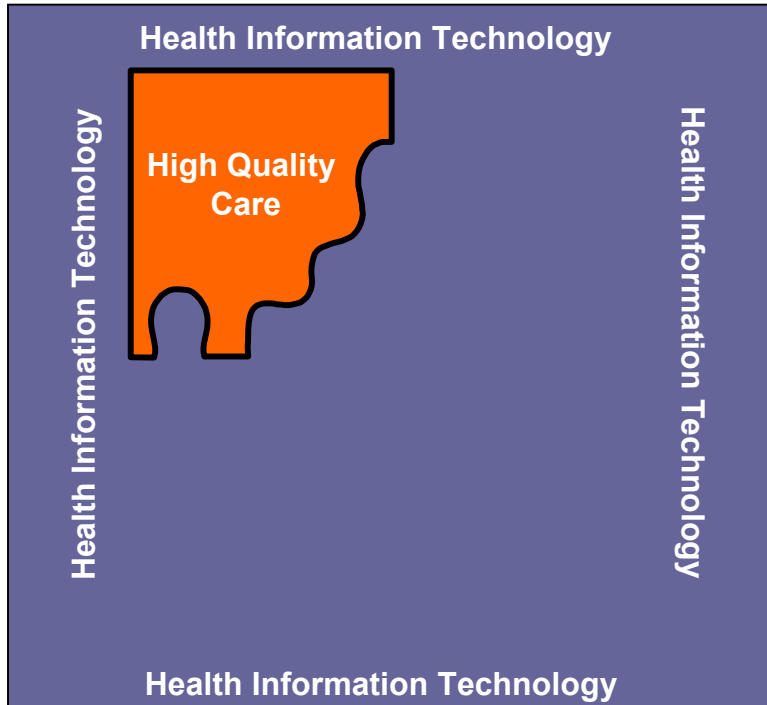
ANALYZING THE PIECES: HEALTH INFORMATION TECHNOLOGY



Future

- Interoperability standards allow systems to communicate
- Public and private collaborations with appropriate regulations
 - American Health Information Community (AHIC)
- Widespread adoption across the care continuum
- Affordability of HIT

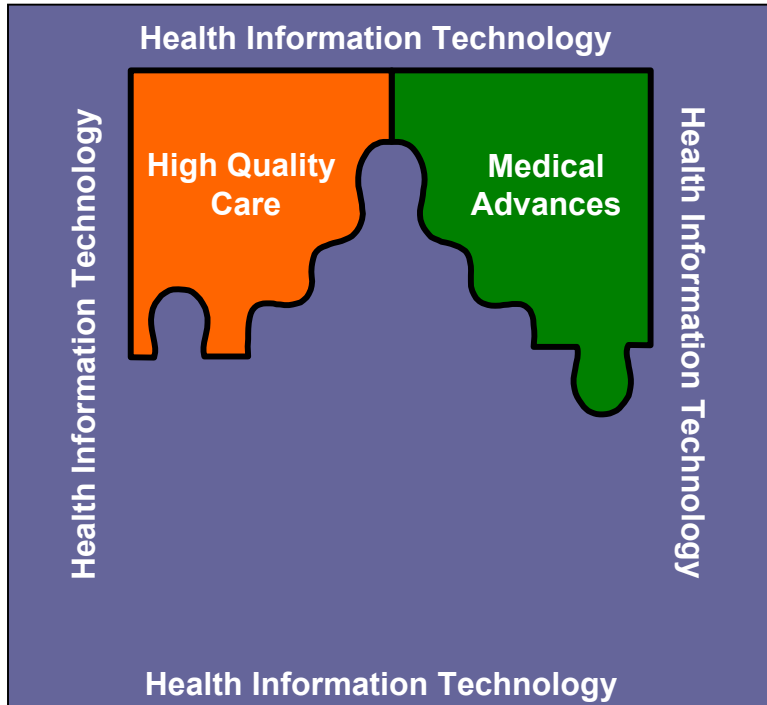
ANALYZING THE PIECES: HIGH QUALITY CARE



Future

- “Right care for every person every time” – CMS’ vision
- High quality care is accessible to patients
- Robust quality measurements including outcome and patient satisfaction data
- Quality information is easily accessible and understandable by consumers and can be used to drive care choices
- Widespread adoption of evidence-based clinical pathways
 - CMS’ Council on Technology and Innovation (CTI)
 - Coverage with Evidence Development (CED) initiative

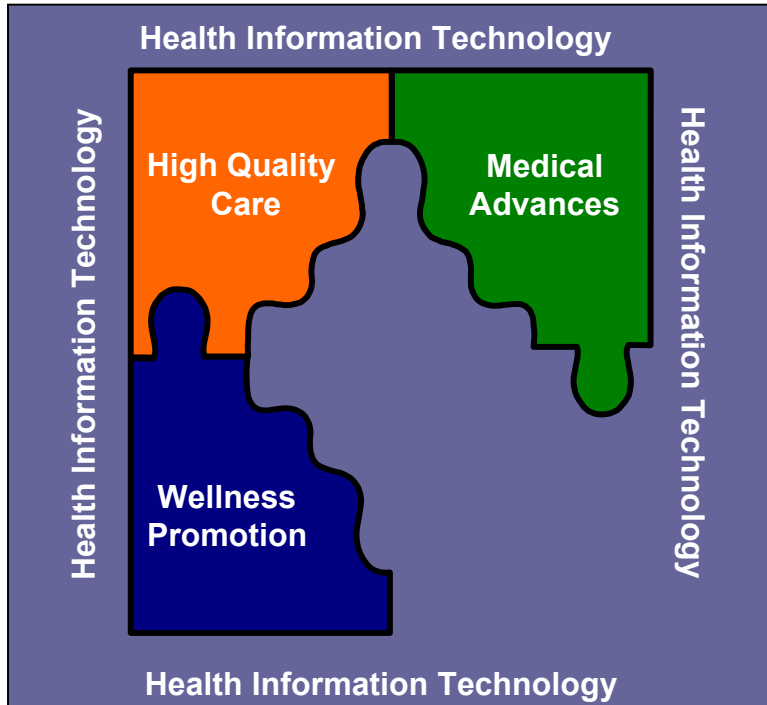
ANALYZING THE PIECES: MEDICAL ADVANCES



Future

- Patients placed in the appropriate care setting
- Tailored drug therapies
- Minimally invasive surgeries
- Coordinated systems to speed adoption of proven therapies, new medical technologies, and guidelines
 - Council on Technology and Innovation (CTI)
 - FDA/CMS collaboration
 - Better coordination
 - Public involvement
 - <http://www.cms.hhs.gov/CouncilonTechInnov>

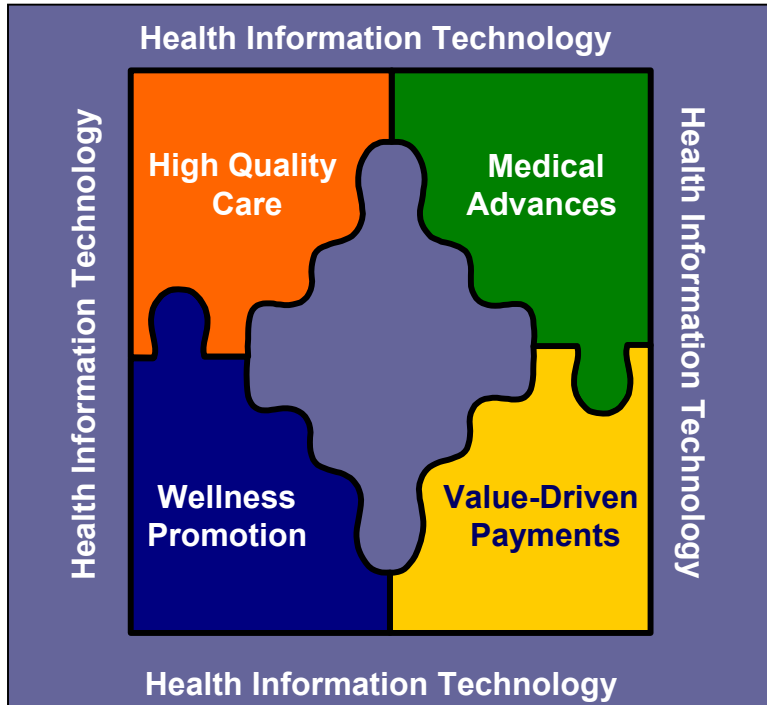
ANALYZING THE PIECES: WELLNESS PROMOTION



Future

- Significantly greater focus on prevention and risk factor modification
- Improved medical therapy due to the Medicare drug benefit
- Greater adoption of Medicare Advantage plans with focus on health promotion
- Continued public and private partnerships to drive healthy lifestyles

ANALYZING THE PIECES: VALUE-DRIVEN PAYMENTS



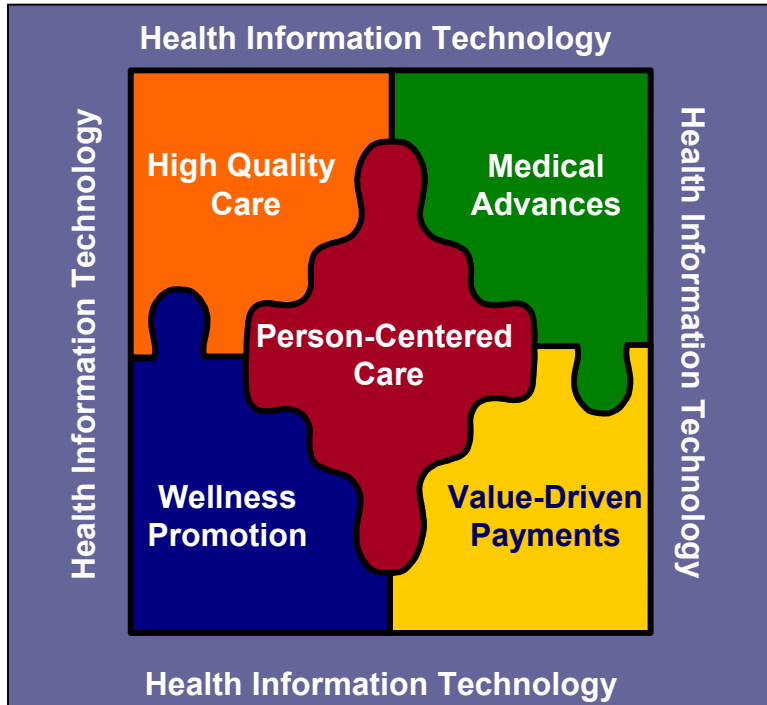
Future

- Higher quality care rewarded
 - Pay-for-performance
 - Rising costs driving focus to quality, value
 - Current system rewards quantity, not quality
 - Private sector initiatives
 - Public sector interest
- Coverage and payments based on value
- Quality data drive provider contracting decisions by plans/payors

NEXT STEPS FOR P4P

- Design, for each major setting, modifications to payment systems that encourage the right care and modify them as laws allow
 - Deficit Reduction Act of 2005
 - Hospital Quality Improvement
 - » Hospitals that do not report the expanded set of quality measures will receive the market basket minus 2 percentage points
 - » The Secretary is required to collect, add other measures, and post measures on the internet
 - Home Health Quality Improvement
 - » Home health agencies that do not report quality measures will receive the market basket minus 2 percentage points
- Create and maintain equitable partnerships
- Continue to publish measurements and information regarding the 5 settings related to P4P
- Create greater use of effective electronic health systems

ANALYZING THE PIECES: PERSON-CENTERED CARE



Future

- Patients are partners with their physicians, informed by quality and value information
- People are rewarded for managing their own care
 - Consumer-directed healthcare
- User-friendly, interactive information technology tools help with decision making
- Information technology offers innovative ways for patients, family members, and providers to stay connected

FINAL THOUGHTS

- Making health care programs sustainable for future
- Paying for the kind of care we want
- Providing up-to-date benefits