



**CMS**

CENTERS for MEDICARE & MEDICAID SERVICES



# **IMPROVING OUTCOMES IN FEE FOR SERVICE MEDICARE**

MAY 12, 2003

THIRD NATIONAL DISEASE  
MANAGEMENT SUMMIT

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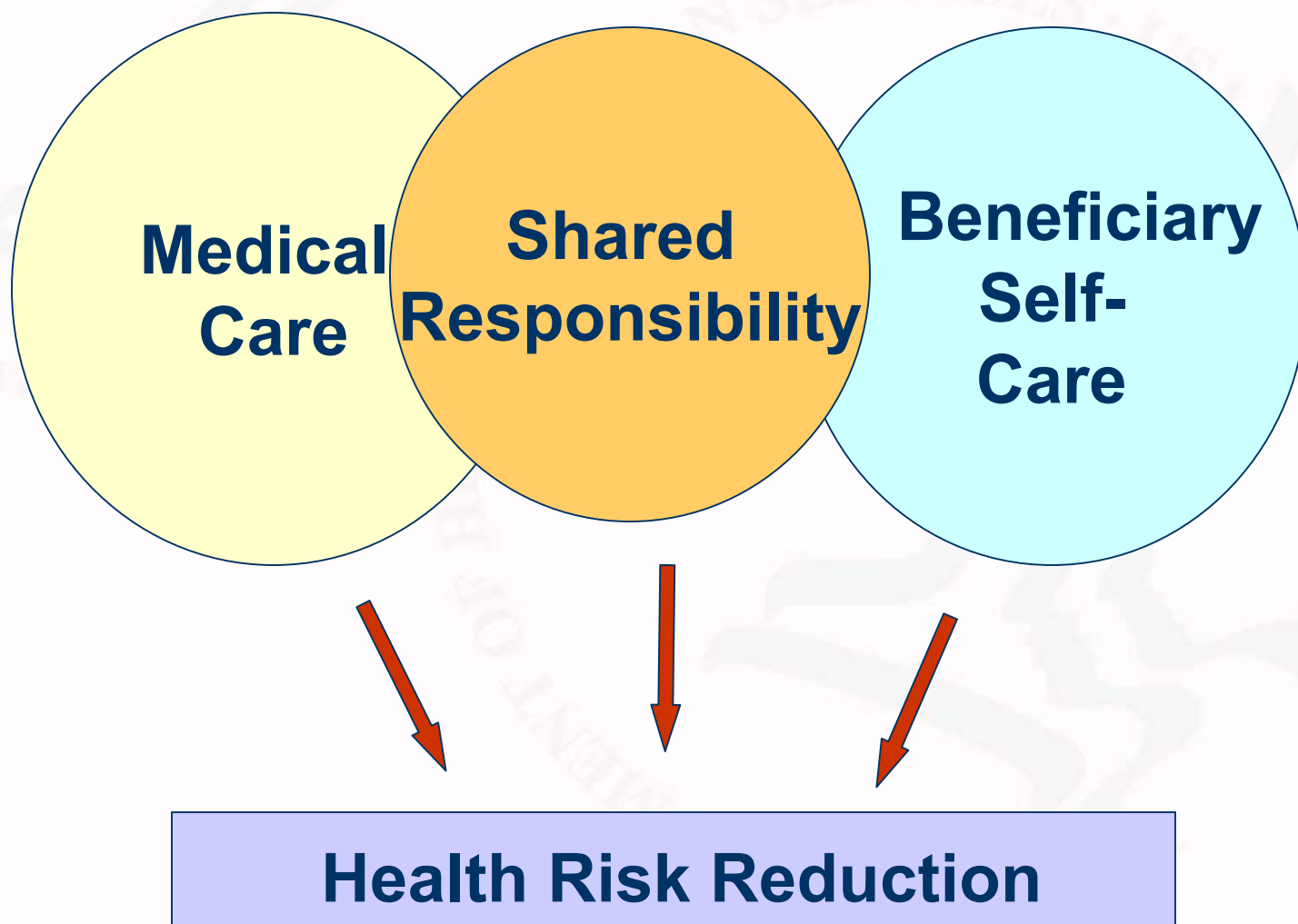
# Improving Outcomes in FFS Medicare

## Where we are today:

- 35,000,000 beneficiaries
- \$200,000,000,000 + annually
- No system of producing and rewarding performance improvement on a large scale



# Complexity of Managing Chronic Diseases



# DHHS Initiatives in FFS Medicare

- Public Reporting on Performance
  - Nursing Homes
  - Home Health
  - Hospitals
- Hospital Quality Incentives Demonstration
- Physician Group Practice Quality Bonus
- Disease Management Initiatives
  - Congressionally-mandated (BIPA)
  - Capitated
  - Population-Based

# Population-Based Disease Management

## Advantages of Population-Based Contracting

- Sets measurable goals for target populations
- Ties payment to performance
- Scalable, replicable, adaptable

# Population-Based Disease Management

## Potential vehicle for driving improvement in population health

- Cost-effectively
- Rapidly
- Addressing IOM priority areas
- Reducing health disparities



# Population-Based Disease Management

## Key Features

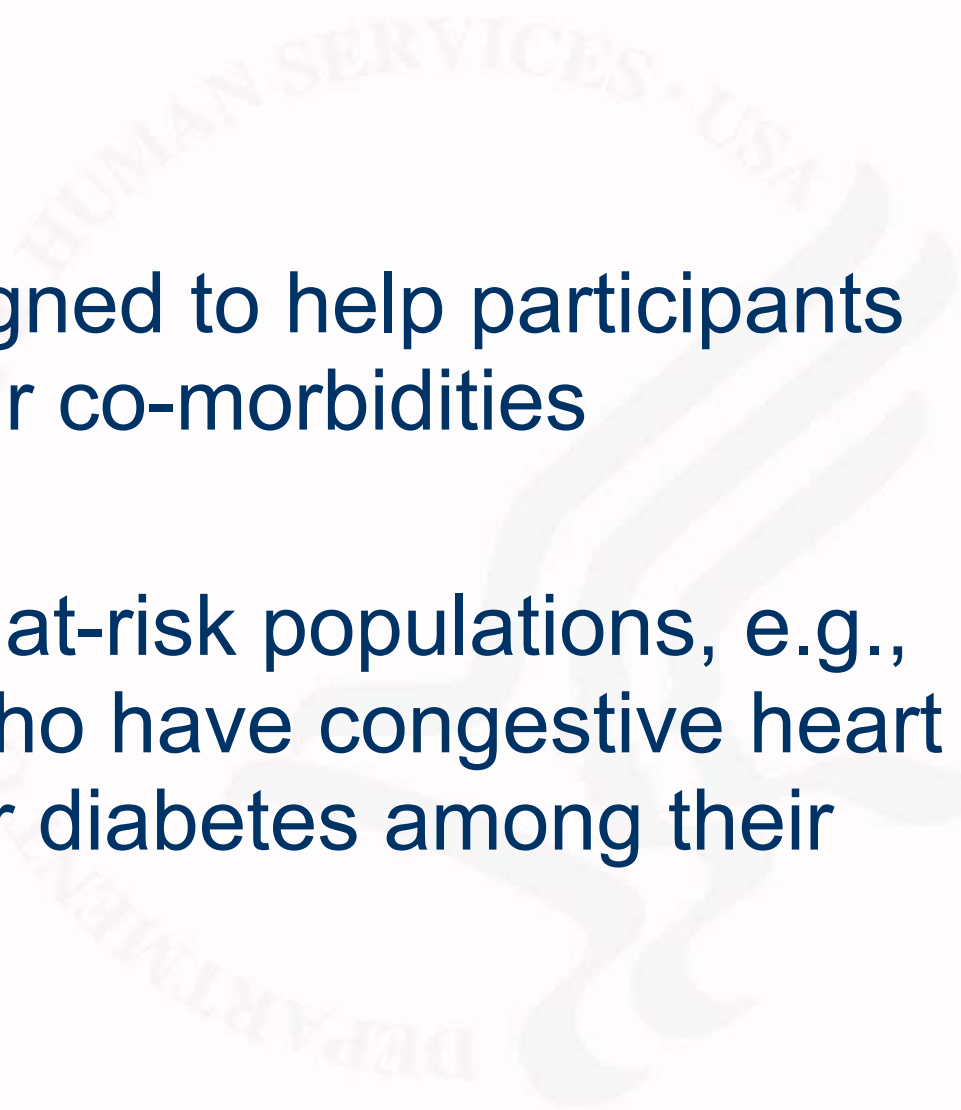
- Offers guidance in self-care to targeted beneficiaries
- Offers clinical information support to their healthcare providers



# Population-Based Disease Management

## High Priority

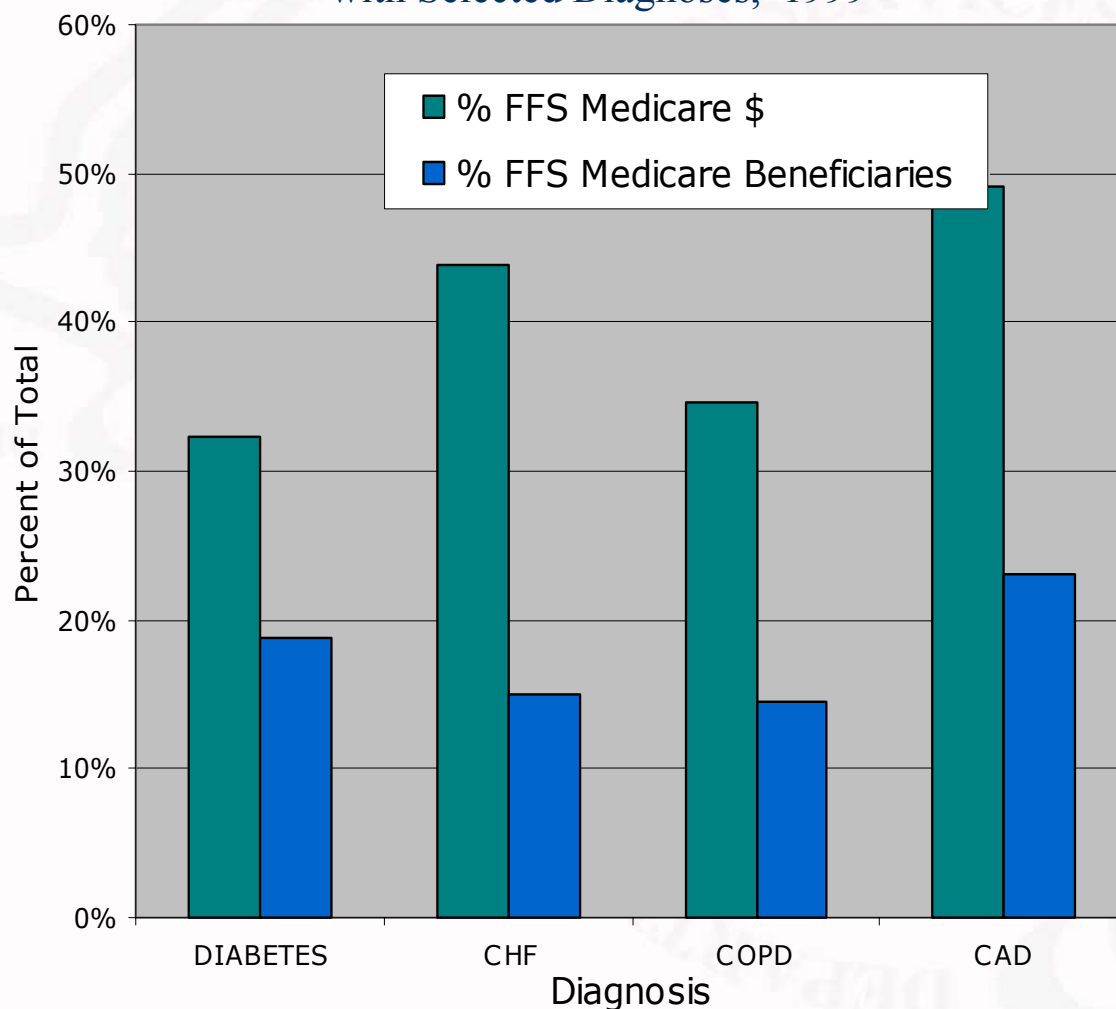
- Programs designed to help participants manage all their co-morbidities
- Beginning with at-risk populations, e.g., beneficiaries who have congestive heart failure (CHF) or diabetes among their diagnoses





# Targeting Beneficiaries at Risk

Percent FFS Medicare Spending on Beneficiaries with Selected Diagnoses, 1999



Source: Medicare Current Beneficiary Survey Cost and Use Files

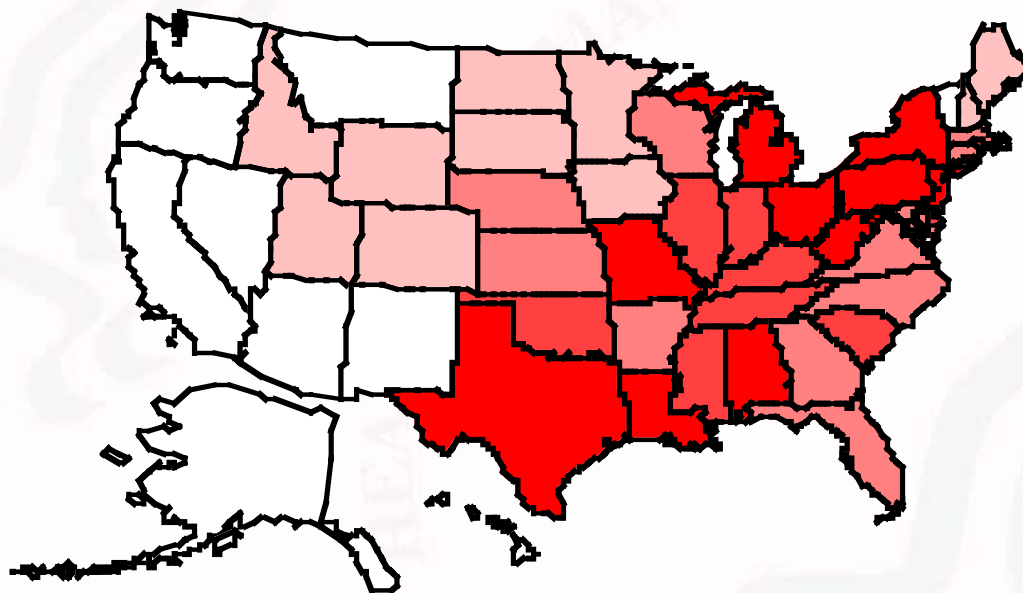


# Why CHF as a trigger condition?

- **Available guidelines (e.g., monitor fluid build-up)**
- **Good tools available to influence beneficiary behavior**
- **Intuitive value of support services to beneficiaries**
- **Evidence of significant clinical and financial gains (e.g., reduce re-admissions, ER visits, total claims costs)**
- **No major physician behavior changes required**
- **Can identify beneficiaries from available data**
- **Potential contractors with expertise**
- **Fits Medicare payment system well to produce savings**

# CHF Prevalence in FFS Medicare, 2001

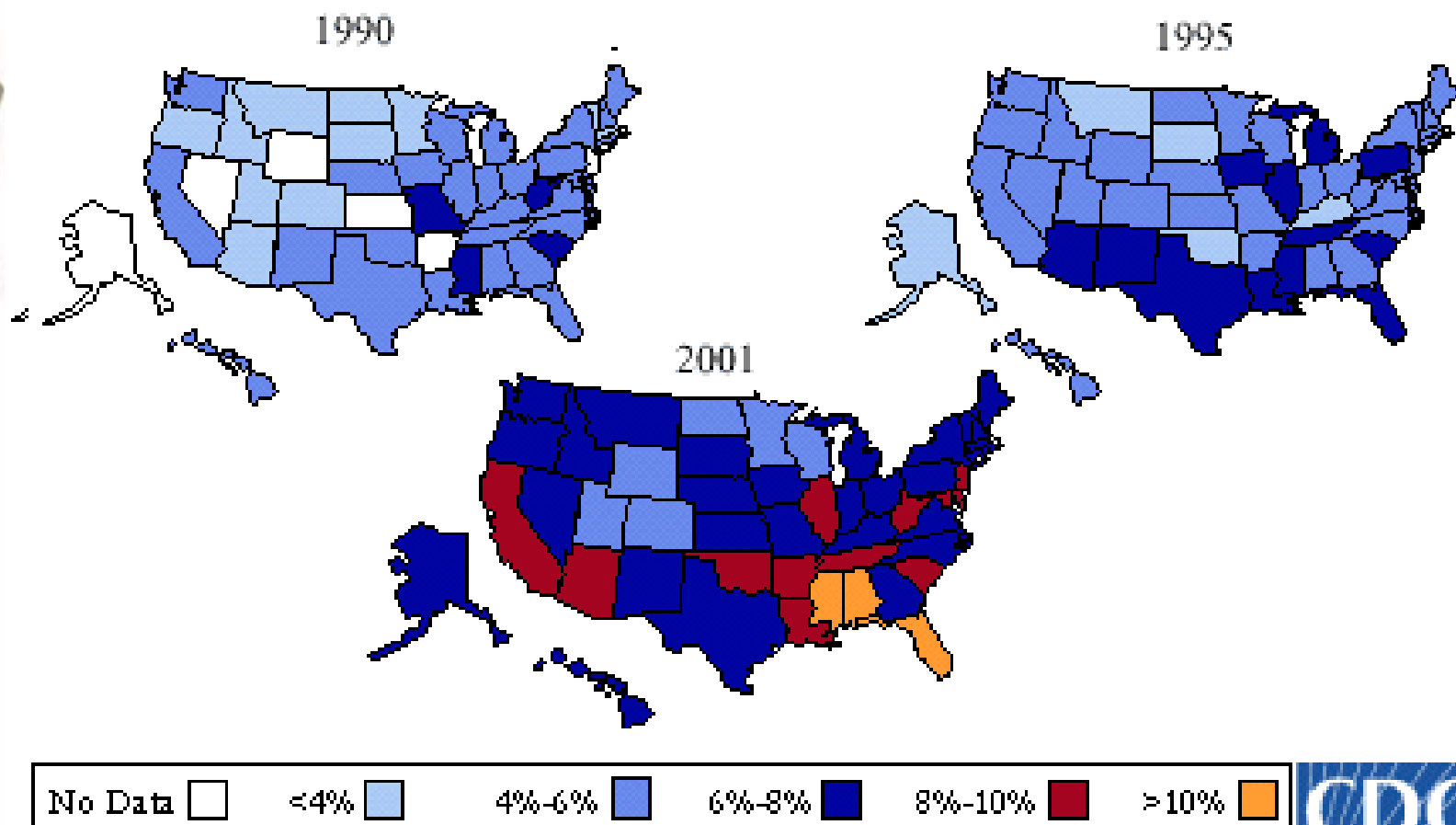
Estimated Prevalence of CHF, All non-HMO Medicare, 2001



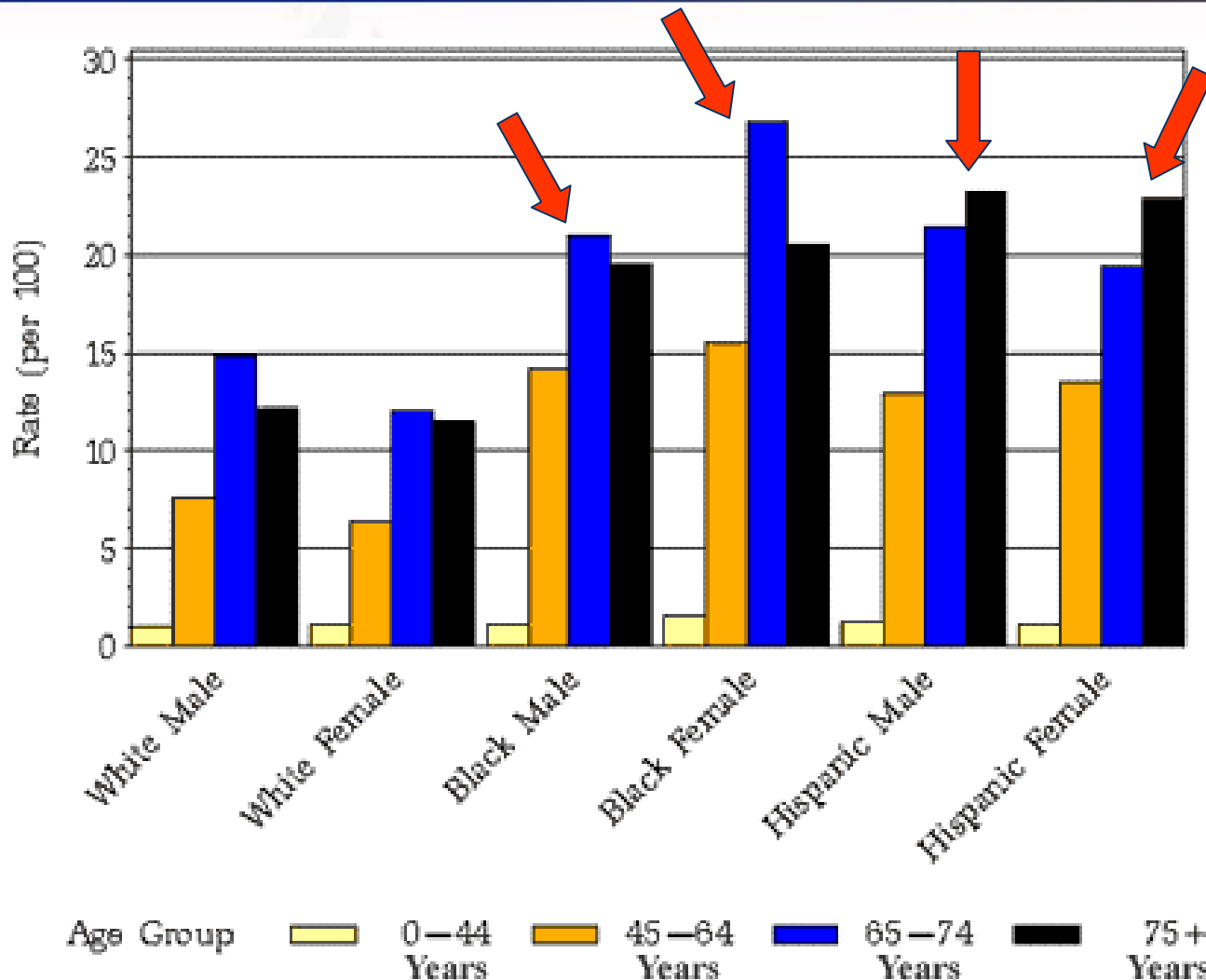
Fraction of Beneficiaries Any Dx on 2001 M.D. claim (incl. lab, xray)		
■	0.137 to 0.16	(10)
■	0.126 to 0.137	(9)
■	0.114 to 0.126	(11)
■	0.103 to 0.114	(10)
□	0.015 to 0.103	(11)

# Why diabetes as a trigger condition?

Prevalence of diagnosed diabetes, all ages, by state and year



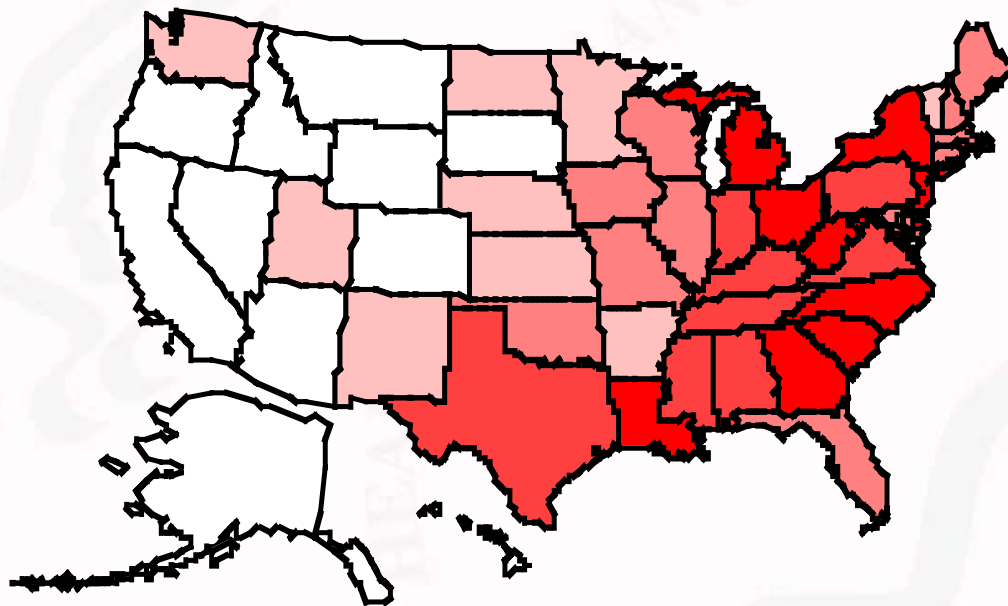
# Diabetes Highest among Minorities



Source: Centers for Disease Control and Prevention - Age-Specific Prevalence of Diagnosed Diabetes, by Race/Ethnicity and Sex, United States, 1999

# Diabetes Prevalence FFS Medicare, 2001

Estimated Prevalence of Diabetes, All non-HMO Medicare, 2001



Fraction of Beneficiaries	
Any Dx on 2001 M.D. claim (incl. lab, xray)	
■ (darkest red)	0.202 to 0.223 (10)
■ (dark red)	0.185 to 0.202 (9)
■ (medium red)	0.159 to 0.185 (11)
■ (light red)	0.134 to 0.159 (9)
□ (white)	0.023 to 0.134 (12)

# Improving Outcomes in FFS Medicare

State	> 500,000 Medicare Beneficiaries	> 17% Diabetes or > 12% CHF in Medicare	> 16% Minorities in Medicare	Low Avg. Quality Rank	> 20% Pop. Rural
<b>Alabama</b>	√	√	√	√ (42)	√
<b>Florida</b>	√	√	√	√ (41)	
<b>Georgia</b>	√	√	√	√ (47)	√
<b>Illinois</b>	√	√	√	√ (46)	
<b>Louisiana</b>	√	√	√	√ (51)	√
<b>New Jersey</b>	√	√	√	√ (43)	
<b>South Carolina</b>	√	√	√	√ (32)	√
<b>Texas</b>	√	√	√	√ (49)	
<b>Indiana</b>	√	√	*	√ (27)	√
<b>Michigan</b>	√	√	*	√ (26)	√
<b>Pennsylvania</b>	√	√	*	√ (31)	√

\* Applies to Metropolitan Statistical Area, not entire state

# Potential Partners

- Insurers
- HMOs
- DMOs
- Provider systems
- Consortia







# Contractor Selection Considerations

- Track record
- Information and communications systems
- Staff expertise – clinical, analytic
- Integrated guidelines
- Scalable operations
- Solvency
- Bid



# Financial Model

- Per member per month payment for DM services
- Performance guarantees (fees at risk)
  - Operational measures
  - Adherence to guidelines (including co-morbidities)
  - Annual savings (all claims for target population)
- Compare experimental and control groups



# Targeted PDM Outcomes

## Example

- For beneficiaries with a CHF admission within the preceding 12 months, reduce re-admissions by 20% and Medicare annual claims costs by 5% compared to control groups