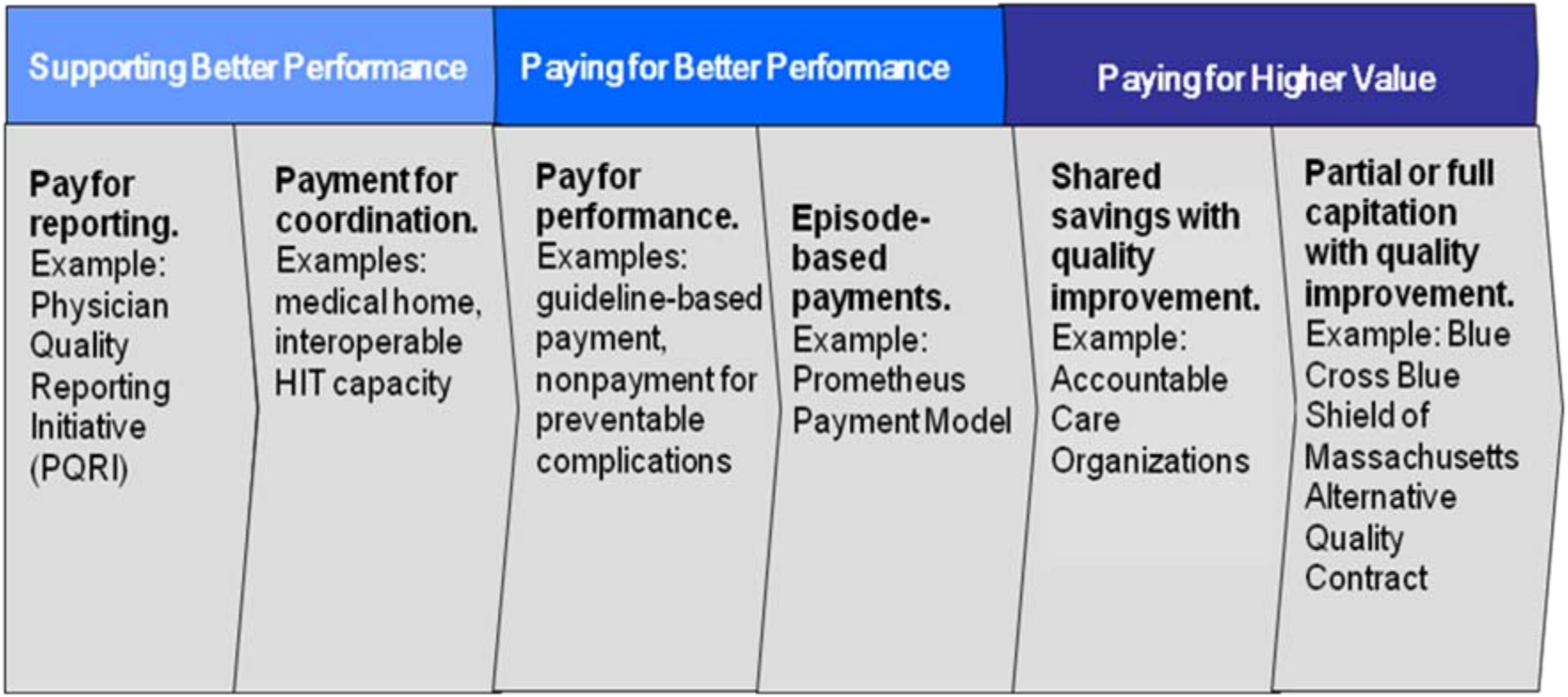
Pay for Performance and Accountable Care

Mark McClellan, MD, PhD
Director, Engelberg Center for Health Care Reform
Senior Fellow, Economic Studies
Leonard D. Schaeffer Chair in Health Policy Studies
Brookings Institution

Overview

- **Payment Reform and Accountable Care**
- **Synergies in Payment Reform**
- **Synergies in Health Care Reform**
- **Next Steps**

Payment Reform to Improve Quality and Lower Costs

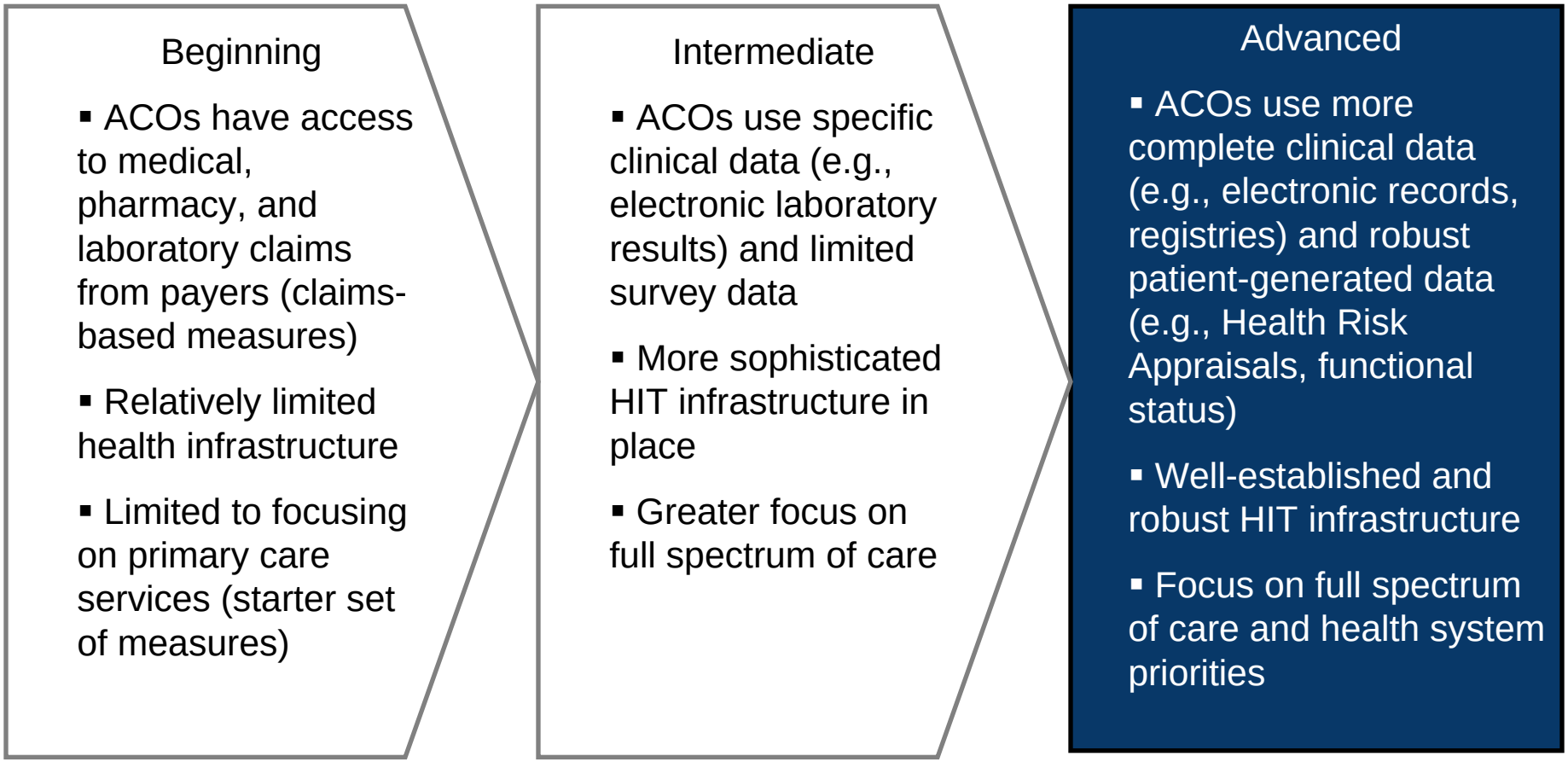


Reform Payments Based on Value: Shared Savings and Accountable Care

- **Measurement of Quality and Cost Provides Foundation for Payments Based on Value: Accountable Care**
- **"Shared Savings"**
- **Examples of Accountable Care**
  - Medicare Physician Group Practice Demonstration
  - Medicare Regional Demonstrations: Sustaining Health Insurance Exchanges
    - Community Care of North Carolina
    - Indiana Regional Health Insurance Exchange
  - Brookings-Dartmouth Accountable Care Organization (ACO) pilots
  - Private Insurer Initiatives
  - Medicaid ACOs
  - Premier ACO Network
  - Physician/IPA Inititatives
  - Upcoming Medicare ACOs

ACOs: Payments Aligned With Quality

- **Over Time, Quality Measures Should Address Multiple Priorities, Be Outcome-Oriented, And Span Care Continuum**



Range of Payment Models for Transition from Fee-for-Service

Less risk  **More risk**

Level 1
Asymmetric Model

- Continue operating under current insurance contracts/coverage models (e.g., FFS)
- No risk for losses if spending exceeds targets
- Most incremental approach with least barriers for entry
- Attractive to new entities, risk-adverse providers, or entities with limited organizational capacity, range of covered services, or experience working with other providers

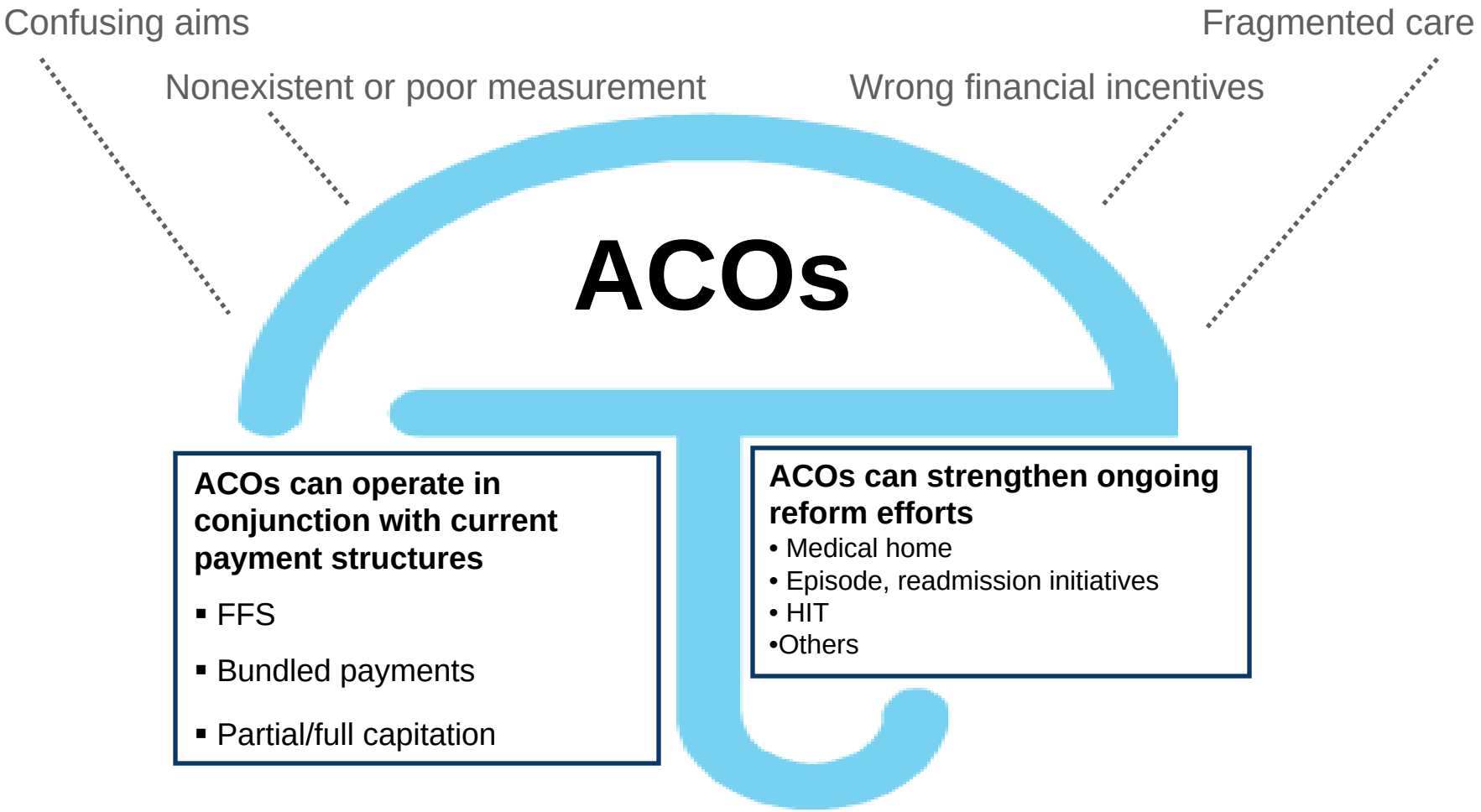
Level 2
Symmetric Model

- Payments can still be tied to current payment system, although ACO could receive revenue from payers and distribute funds to members (depending on ACO contracts)
- At risk for losses if spending exceeds targets
- Increased incentive for providers to decrease costs due to risk of losses
- Attractive to providers with some infrastructure or care coordination capability and demonstrated track record

Level 3
Partial Capitation Model

- ACO receives mix of FFS and prospective fixed payment
- If successful at meeting budget and performance targets, greater financial benefits
- If ACO exceeds budget, more risk means greater financial downside
- Only appropriate for providers with robust infrastructure, demonstrated track record in finances and quality and providing relatively full range of services

ACOs and Synergy in Payment Reforms



Consistent Measures To Link Reform Efforts

- Person-Level Outcome and Cost Measures Are Coming
  - Outcome measures to focus reforms: preventable complication rates (eg, readmissions), proxies for long-term survival (eg, blood pressure, glucose control), patient experience and functional outcome measures (e.g., did care reflect a plan, is pain controlled?)
  - Overall cost of care measures
  - Process measures and measures of utilization, component costs help show how to get there

- Addressing Technical Challenges: unmeasured patient factors, complexity

- Future Models Likely to Require Capacity of Organizations to Track Quality at Person Level
  - “Distributed” data methods that summarize performance information directly from patient registries and other clinical information used in patient care
  - Collaborations now implementing consistent measurement methods

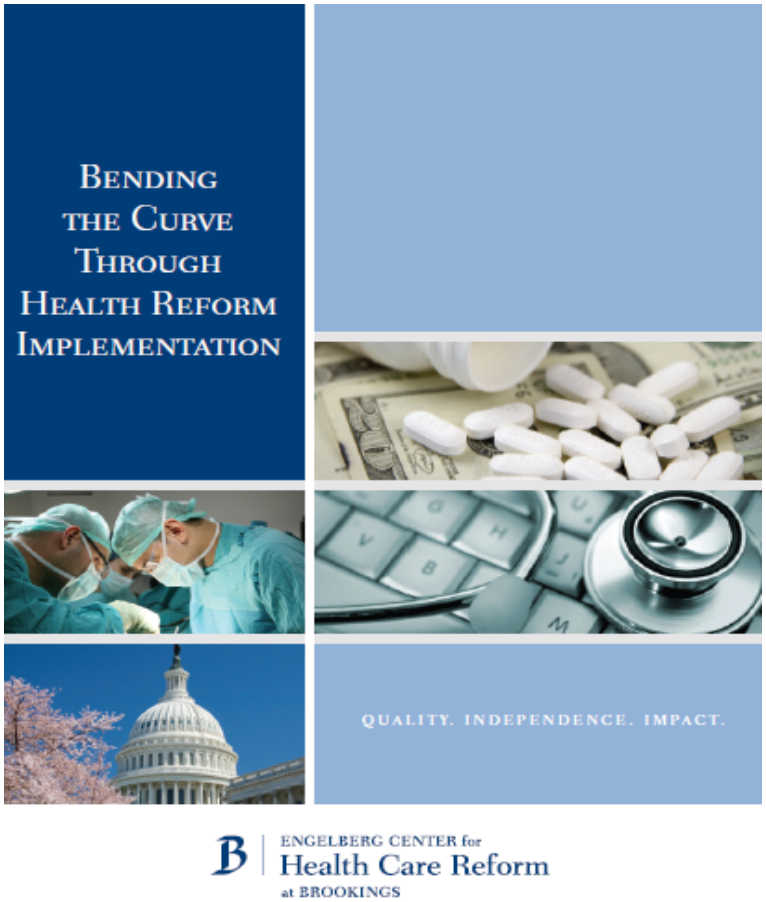
Synergy in Payment Reform

- Aligned Performance Measures
  - Quality (Including Impact on Outcomes, Population Health)
  - Cost/Efficiency Impacts
- Aligned Reform Priorities and Support
  - Chronic disease management, care coordination, major specialty care
  - Timely data for patient care
  - Supportive health plan and regional systems
- Aligned Payment Reforms
  - HIT Meaningful Use
  - Payments for Reporting/Performance
  - Medical Homes
  - Episode Payments
  - Accountable Care
  - Others
- Sufficient Scale
  - Sufficient capital to provide time, effort, and technical support for real delivery change (payers, providers- including physicians, equity)
  - Strategy for using and augmenting Federal payments
  - Systemwide leadership: regional collaborations; business groups; states; Federal government?

Fast Progress on Payment Reform

- Consistent Measures – Ready to Go
  - Person Level
  - Supporting Measures
- Meaningful Data Flows
  - Administrative Data
  - Registry Buildout
  - Use Care Systems for Measure Production
- Adequate Investment + Accountability for Recovering Costs
- Consistent and Timely Evaluations

Bending the Curve



Full-text available at:
http://www.brookings.edu/health

Full-text version includes:

- **Additional context from original report**
- **Specific sub-recommendations**
- **Breakdown of legislative vs. regulatory actions**

Achieving Real Health Care Reform

- ***Expanding insurance coverage and squeezing prices won't do it***

- Support what we want: Better quality, lower costs
- Requires alignment on accountability for better quality, lower costs – *system wide*
- Four key elements
  - Measurement and Evidence
  - Payment
  - Insurance Choice
  - Benefits
- Better Information and Evidence from HIT is Foundation

Affordable Care Act Addresses Some of These Goals, But Need Further Public- and Private-Sector Action

Over the next five years …

1. **Speed payment reforms away from traditional volume-based payment systems so that most health payments in this country align better with quality and efficiency**
2. **Implement health insurance exchanges and other insurance reforms in ways that assure most Americans are rewarded with substantial savings when they choose plans that offer higher quality care at lower premiums**
3. **Reform coverage so that most Americans can save money and obtain other meaningful benefits when they make decisions that improve their health and reduce costs**

Next Steps

- **Time Is Now for Full Strategy of Reforms Aligning on Care Improvement, Prevention, Cost Reduction**
  - Many promising reform efforts underway
  - Tie together all reform initiatives through focus on quantifiable and synergistic impacts
  - Leadership from providers, private payers, and states – with Medicare participation
  - Regional initiatives
  - Technical support available – including Brookings-Dartmouth ACO Learning Network
- **Expect More Aggressive Cost-Reducing Reforms If These Steps Fail**
  - Tighter Medicare/Medicaid Price Regulation, Other "Blunt Instruments" That May Reduce Value and Block Innovative/Personalized Care