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Medicare's Future: Agenda for Change

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Overview

- Medicare: A Base on Which to Build
- Medicare Option in the Insurance Market for Employers and Individuals
 - Choice in National Insurance Connector
 - Improved coverage for Medicare beneficiaries, and other disabled and older adults
- Medicare: Payment and System Reform
 - Provider payment reform
 - Quality standards and rewards, transparency, information technology, and comparative effectiveness
- Agenda for Change

Medicare: A Base on Which to Build

- Medicare covers 44 million beneficiaries
 - Beneficiaries are highly satisfied with their coverage and feel confident in their ability to obtain care
 - Has low administrative costs
 - Offers wide choice of provider -- nearly all physicians and hospitals participate
 - Offers wide choice of private (Medicare Advantage) plans
 - Per beneficiary spending has grown more slowly over time than private insurance premiums for comparable benefits

Medicare: Future Challenges

- Medicare is claiming an increasing share of the federal budget; the Part A Trust Fund will be depleted in 2019 from the influx of baby boomers
- There is wide variation in Medicare spending and beneficiary outcomes across the country
- Medicare physician payment is constraining fees but not volume
- Medicare is oriented toward acute care needs, while an increasing number of beneficiaries have multiple chronic conditions
- Low-income and chronically ill beneficiaries pay high premiums (Part B and Medi-gap) and out-of-pocket costs

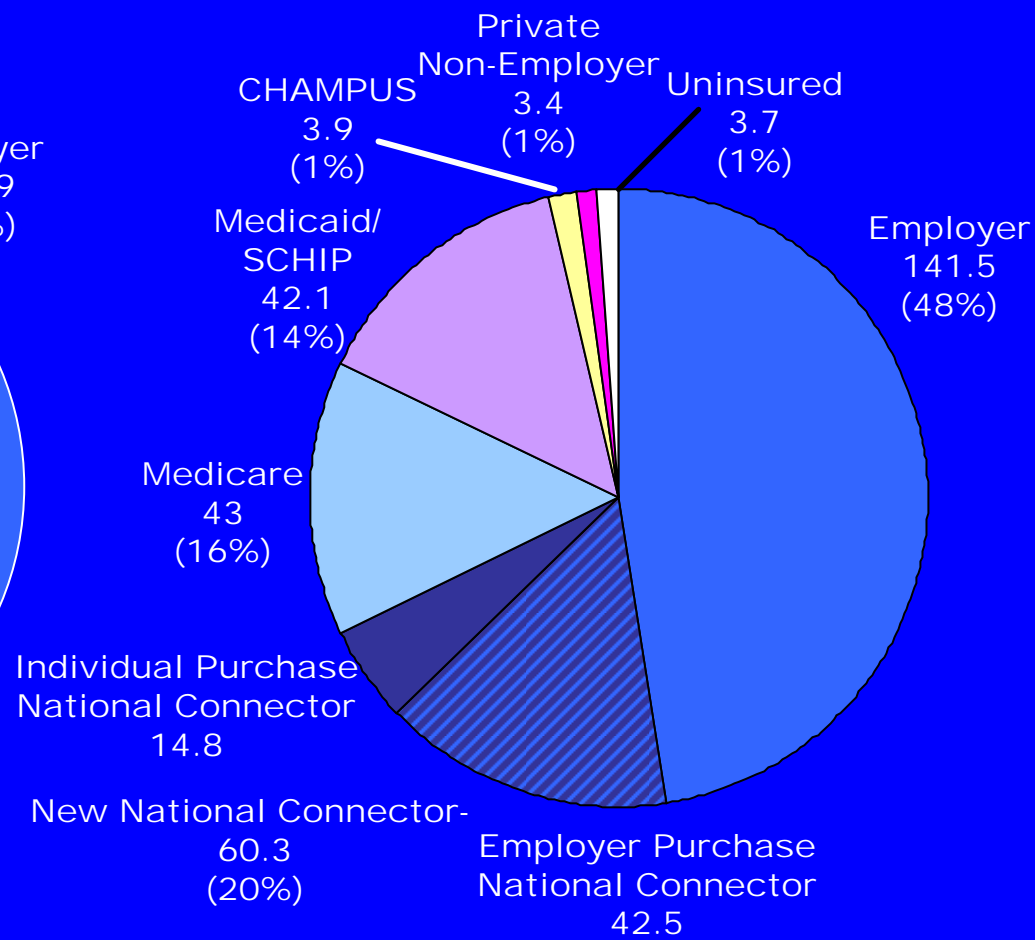
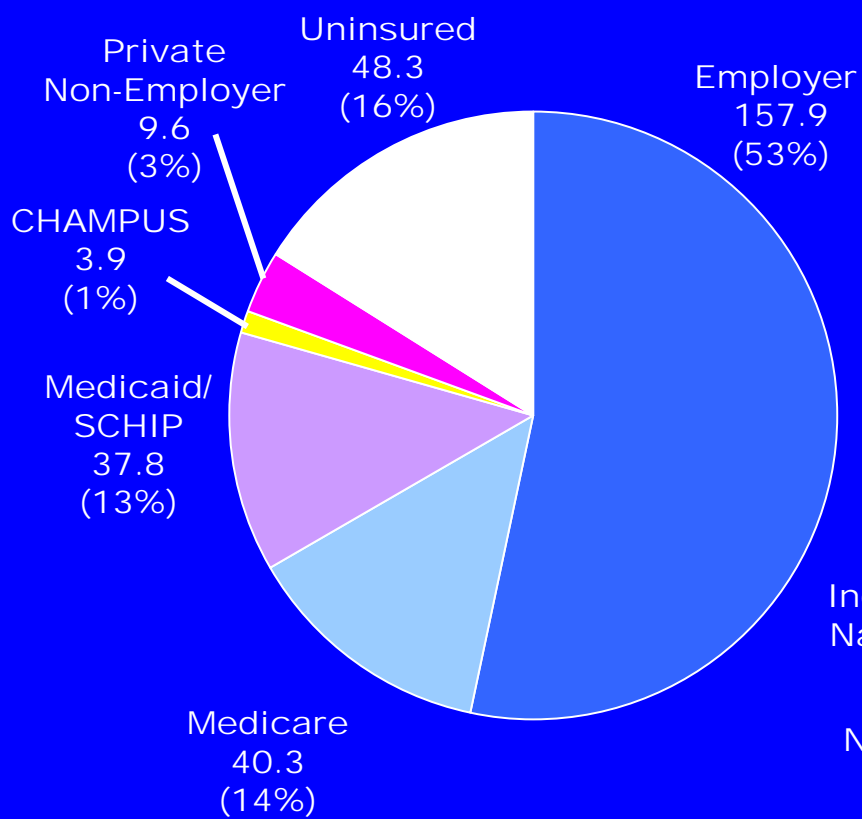
Medicare Extra: An Option for Employers and Individuals in a National Insurance Connector

- Medicare Extra (\$250 deductible, 10% coinsurance on physician services, 25% on Rx, \$5,000 catastrophic ceiling)
- Community-rated premiums 30% below employer plans
- If offered to employers with fewer than 100 employees and individuals, would attract 60 million people
- Eliminate two-year waiting period for disabled; permit buy-in for older adults 60-64
- Ensure no beneficiary faces premiums in excess of 5-10 percent of income

Impact of Medicare Extra Option on Distribution of Coverage, 2008

Current Law (millions)

Medicare Extra Option (millions)



Total population = 297.8 million



Source: The Lewin Group estimates using the Health Benefits Simulation Model, October 2007

Medicare: Payment Reform

- Payment reform: Medicare provider payment choice of *per patient* or *per episode* global fee payment
- Physician payment choices
 - Fee-for-service rebalanced toward primary care
 - Blended fee-for-service, patient-centered medical home fee
 - Primary care per patient global fee
 - Ambulatory care per patient global fee
 - Admitting physician inpatient care global fee, 90-day follow-up
- Hospital payment choices
 - DRG per hospitalized patient
 - Global DRG fee for hospitalization, 90-day warranty
- Integrated delivery system choices – above options, plus
 - Global DRG fee for hospitalization and inpatient physician services, 90-day follow-up and warranty
 - Full capitation

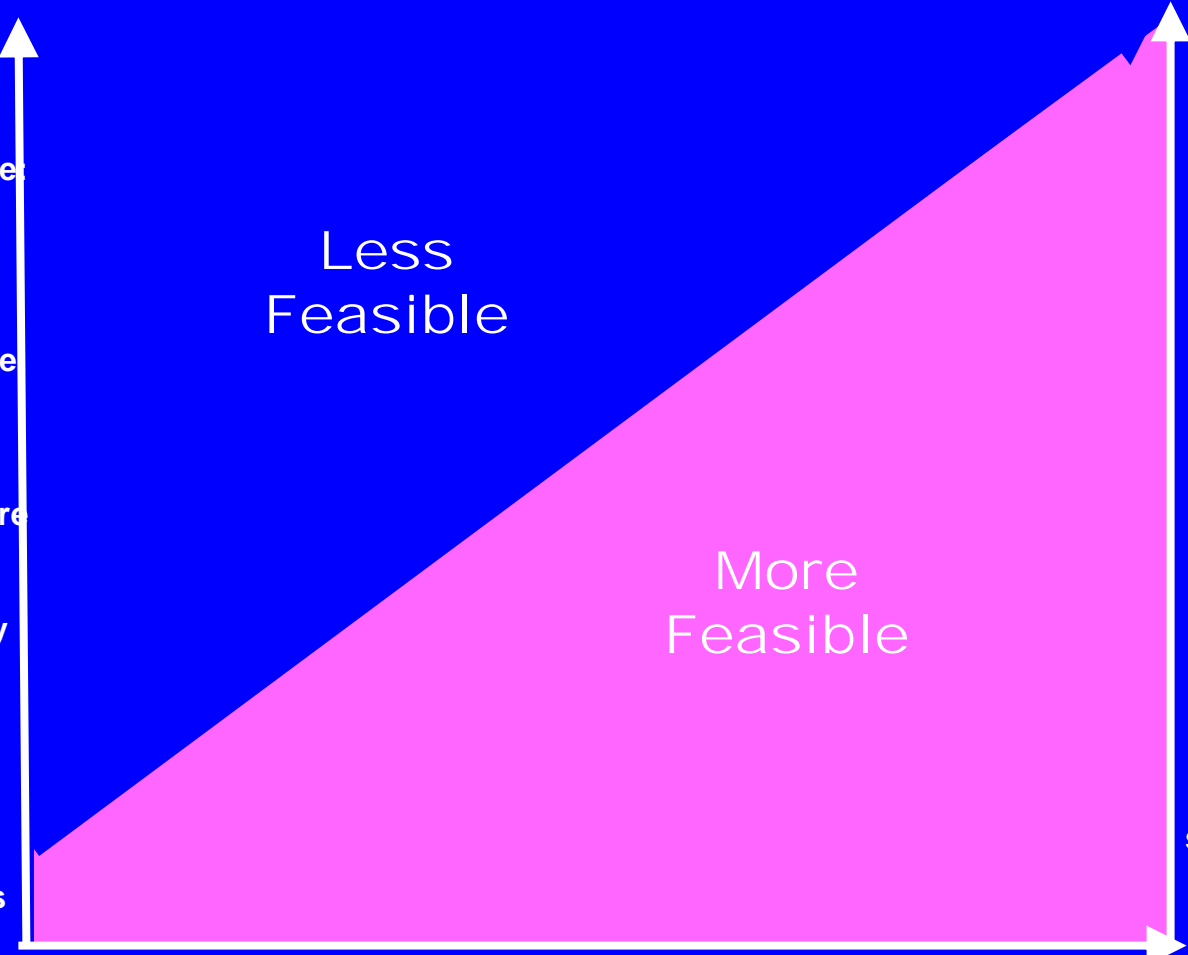
Medicare: System Reform

- Accountability: Quality standards and quality reporting
 - Physicians, hospitals, integrated delivery systems electing global payment must be accredited/certified as capable of assuming accountability for bundled services and meeting quality standards
 - All providers must report quality measures, with more comprehensive outcome and care coordination metrics for providers assuming accountability for bundled services
 - Payment rewards for quality and outcome results
 - Greater organization and accountability reap greater rewards
- Transparency – Medicare publishes quality, accountability, and provider profile information
- Information technology – electronic medical records within five years; 1% assessment of private insurers and Medicare outlays to finance information exchange networks and safety net providers; personal health records accessible to beneficiaries
- Comparative effectiveness – center to evaluate comparative effectiveness of drugs, devices, procedures; benefit design tied to recommendations

Organization and Payment Methods

Continuum of Payment Bundling

- Integrated system capitation
- Global DRG fee hospital and physician inpatient
- Global DRG fee hospital only
- Global ambulatory care fees
- Global primary care fees
- Blended FFS and medical home fees
- FFS and DRGs



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

Continuum of Organization

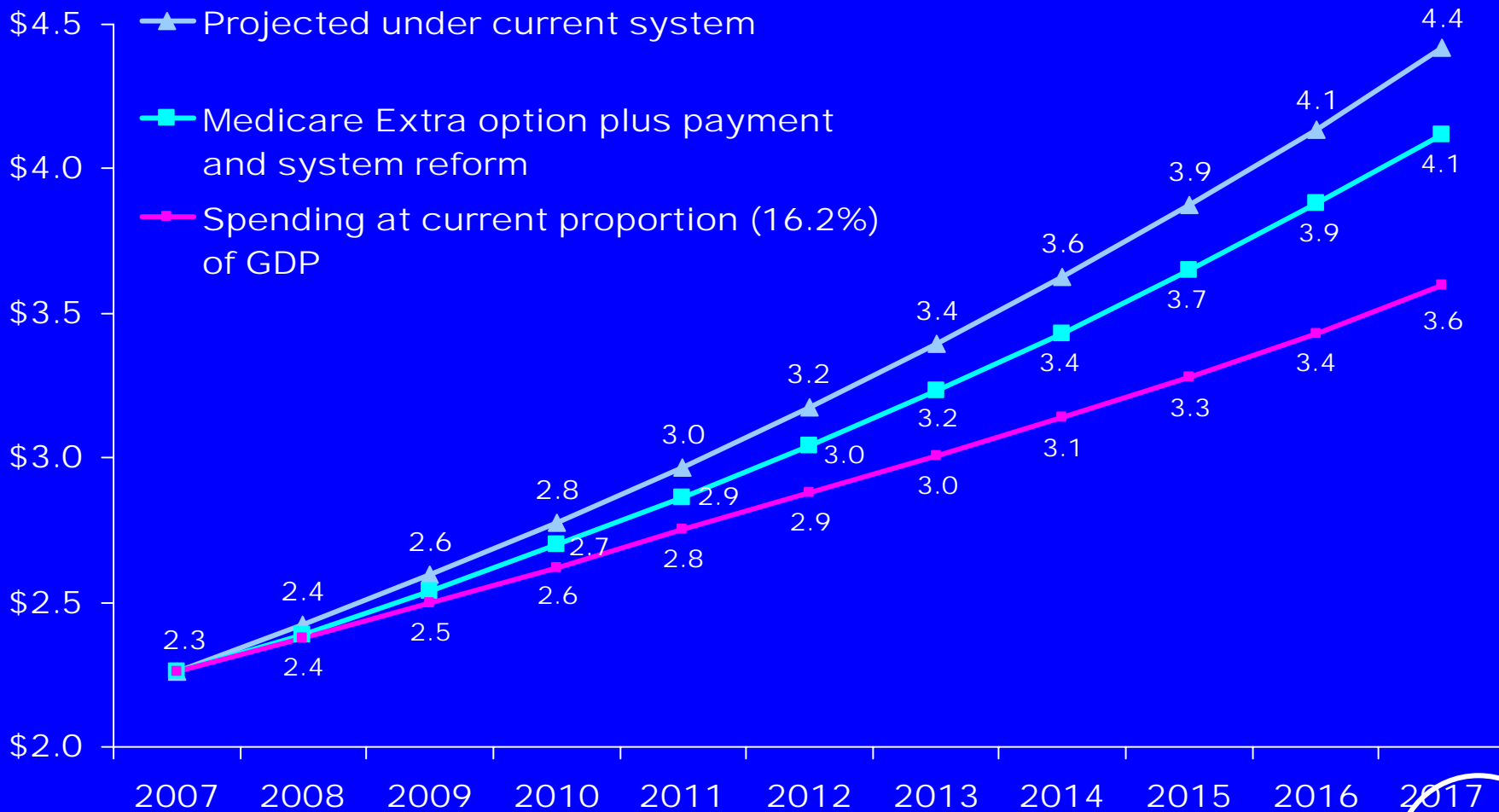
Continuum of P4P Design

- 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



Total National Health Expenditures, 2008-2017 Projected under Medicare Extra with Payment and System Reform

Dollars in trillions

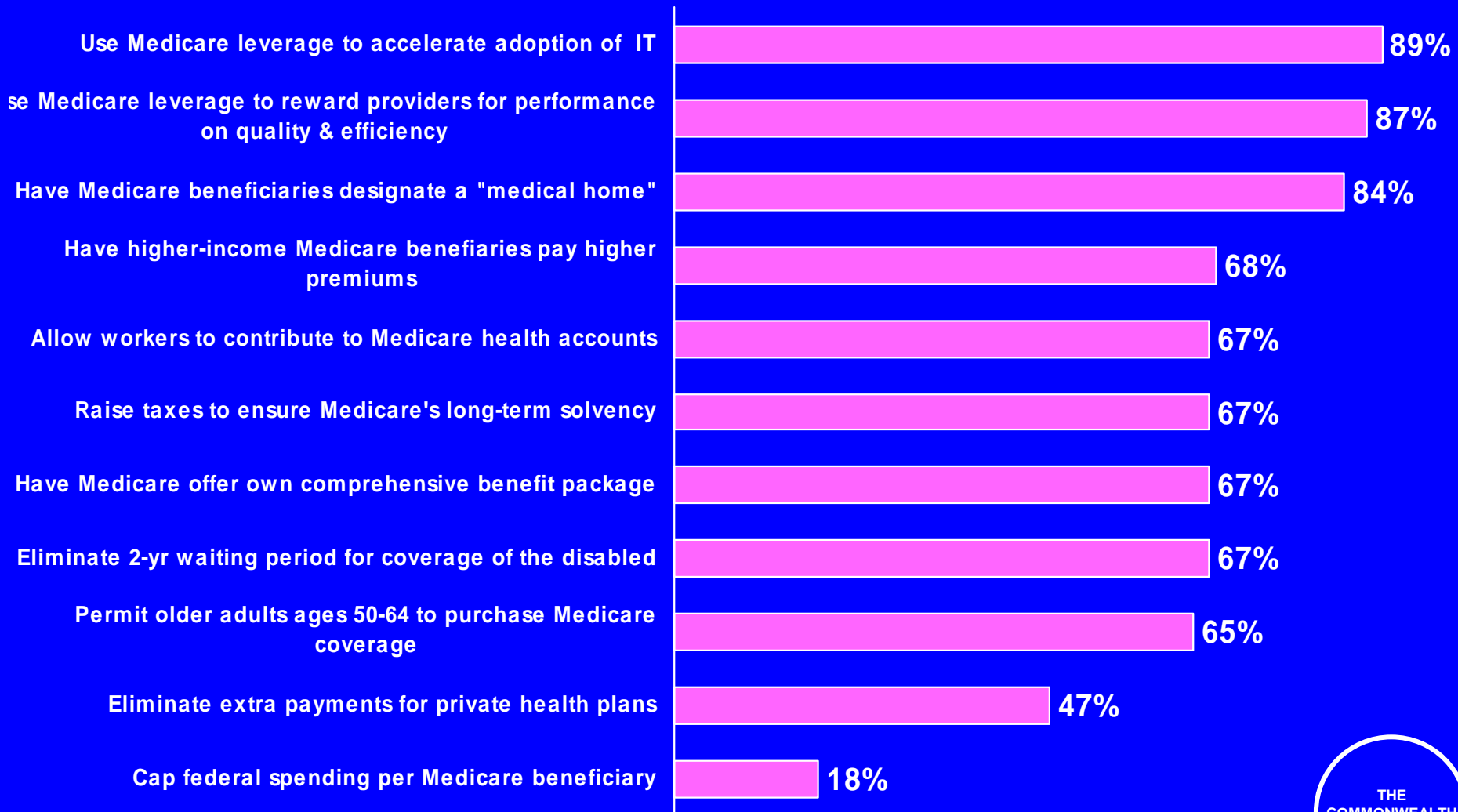


*Selected individual options include improved information, payment reform, and public health.

Source: Schoen et al. *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*, The Commonwealth Fund, December 2007



“Health policy experts have suggested various changes to the Medicare program. Do you favor changing Medicare in the following ways?”



Source: The Commonwealth Fund Health Care Opinion Leaders Survey, June 2005.

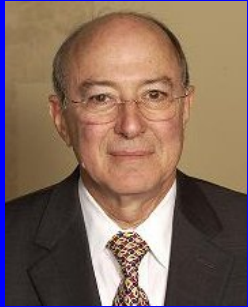


Medicare Agenda for Change

- Short-term actions: Medicare savings targeted on high cost areas, high cost providers, waste, and unsafe or ineffective care:
 - Lower payment updates for physicians and hospitals in higher spending areas
 - Incentives for reduced hospital readmissions
 - No payment for hospital-acquired infections and “never events”
- Offer Medicare Extra as a choice to small employers and individuals, eliminate two-year waiting period for disabled, and buy-in for older adults; financial protection for beneficiaries
- Offer global fee payment options to physicians, hospitals, and integrated care systems
- Accountability for quality and care, rewards for results
- Transparency
- Health information technology and information exchange networks; personal health records for beneficiaries
- Comparative effectiveness
- National leadership and public-private collaboration



Thank You!



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