Medicare at 50: Issues and Future Directions

Congressional Briefing
Alliance for Health Reform and The Commonwealth Fund

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HHS: Delivery System Reform requires focusing on the way we pay providers, deliver care, and distribute information

**Focus Areas**  
**Description**

**Pay Providers**
- Promote value-based payment systems
  - Test new alternative payment models
  - Increase linkage of Medicaid, Medicare FFS, and other payments to value
- Bring proven payment models to scale
- **Goal:** 30% of provider spend tied to value-based payments by 2016 and 50% by 2018 (Anthem currently 53% tiers 2, 3, and 4; 29%, tiers 3 and 4)

**Deliver Care**
- Encourage the integration and coordination of clinical care services
- Improve population health
- Promote patient engagement through shared decision making

**Distribute Information**
- Create transparency on cost and quality information
- Bring electronic health information to the point of care for meaningful use

Source: Burwell SM. Setting Value-Based Payment Goals – HHS Efforts to Improve U.S. Health Care. NEJM 2015 Jan 26; published online first.
Cost Drivers: Medicare vs. Commercial Overall Spending

<table>
<thead>
<tr>
<th>% of Members</th>
<th>Commercial</th>
<th>Medicare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1%</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>Top 5%</td>
<td>57%</td>
<td>36%</td>
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<table>
<thead>
<tr>
<th>#</th>
<th>Commercial</th>
<th>Medicare</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ischemic heart disease</td>
<td>Ischemic heart disease</td>
</tr>
<tr>
<td>2</td>
<td>Chronic kidney disease</td>
<td>Chronic kidney disease</td>
</tr>
<tr>
<td>3</td>
<td>Breast cancer</td>
<td>Sepsis</td>
</tr>
<tr>
<td>4</td>
<td>Sepsis</td>
<td>Chronic bronchitis</td>
</tr>
<tr>
<td>5</td>
<td>Leukemia</td>
<td>Congestive heart failure</td>
</tr>
<tr>
<td>6</td>
<td>Neonatal Disorders</td>
<td>Lung cancer</td>
</tr>
<tr>
<td>7</td>
<td>Back joint disease</td>
<td>Pneumonia</td>
</tr>
<tr>
<td>8</td>
<td>Lung cancer</td>
<td>Leukemia</td>
</tr>
<tr>
<td>9</td>
<td>Stroke</td>
<td>Multiple myeloma</td>
</tr>
<tr>
<td>10</td>
<td>Lymphoma</td>
<td>Stroke</td>
</tr>
</tbody>
</table>

Provider Collaboration Pathway and Capabilities

- High Collaboration
- Vertical Integration
- Channel Partnerships
- Value-Based Payment
- Low Collaboration

Required Capabilities
- Data Foundation
- Care Continuum
- Reporting and Analytics
- Operations
- Member Engagement
Landscape of Anthem Payment Innovation

- **2,250 designations**: Blue Distinction Centers of Excellence
- **787 hospitals**: Hospital Payment for Quality and Safety
- **163,000 physicians**: Physician Pay for Quality and Pay for Value Programs
- **42,500 primary care physicians**: Patient Centered Primary Care Including Patient Centered Medical Homes and Comprehensive Primary Care Initiative
- **143 health systems**: Accountable Care Organizations

All value-based contracts: $50B, or 53%, of total medical spend

Payment Innovation in Primary Care: Enhanced Personal Health Care

- **7.8% fewer acute inpatient admits per 1,000**
- **5.7% fewer inpatient days per 1,000**
- **5.1% PMPM decrease in outpatient surgery costs**
- **3.5% decrease in ER costs, and a 1.6% decrease in ER utilization**

**$9.51 PMPM GROSS SAVINGS OVER THE FIRST YEAR (3.3%)**

**$6.62 PMPM NET SAVINGS**
Enhanced Personal Health Care: Aligned Anthem and Provider Incentives

Under the Shared Savings program, providers earn additional payment:

- Increase the amount of savings by reducing costs
- Increase the percent of savings they can earn by meeting quality and utilization targets established in the program’s scorecard

Accountable for Quality
Provider Scorecard Based on Nationally-Recognized Standards of Care

Quality Measures

<table>
<thead>
<tr>
<th>% Achieved</th>
<th>Medication Adherence</th>
<th>Diabetes Care</th>
<th>Annual Monitoring of Persistent Medications</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>Oral Glucose</td>
<td>HbA1c</td>
<td>Prescription Medication Management in Women with a Fracture</td>
</tr>
<tr>
<td>58%</td>
<td>Hypertension (ACE or ARB)</td>
<td>Blood Pressure Monitoring</td>
<td>Acid/Acidic and Chronic Care</td>
</tr>
<tr>
<td>52%</td>
<td>Hyperlipidemia</td>
<td>Lipid Profile</td>
<td>Appropriate Pain Management for Acute Respiratory Infection</td>
</tr>
<tr>
<td>45%</td>
<td>Anticoagulation</td>
<td>Inpatient Admission</td>
<td>Hospitalized Management in Women with a Hip Fracture</td>
</tr>
<tr>
<td>40%</td>
<td>Blood Pressure Monitoring</td>
<td>Pain Management in Women with a Hip Fracture</td>
<td>Appropriate Hospitalization for a Hip Fracture</td>
</tr>
<tr>
<td>30%</td>
<td>Inpatient Admission</td>
<td>Avoidable ER Visits</td>
<td>Acute Care and Chronic Care</td>
</tr>
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Utilization/Care Coordination Measures

- Avoidable ER Visits
- Avoidable Inpatient Hospital Admissions
- Generic Drug Dispensing Rate

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CareMore: Care Innovation

- Care Centers provide a “Healthy Start” initial evaluation and integrated care that combines wellness and medical supervision and offers personalized health planning.
- Extensivists intensively manage chronically ill members.
- Biometric monitoring applied to care management.

Superior Outcomes

End-stage renal disease
36% fewer inpatient admissions
62% less inpatient bed days than the national average

Diabetes
7.07 average HbA1c
60% lower amputation rate

Congestive heart failure
56% reduction in hospital admission rate in 3 months

<table>
<thead>
<tr>
<th>Measure</th>
<th>CareMore FFS</th>
<th>National Medicare FFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALOS (w/ contracted facilities)</td>
<td>3.7 days¹</td>
<td>5.4 days</td>
</tr>
<tr>
<td>Bed Days / 1000</td>
<td>967</td>
<td>1,868</td>
</tr>
<tr>
<td>Admit Rate / 1000</td>
<td>261</td>
<td>344</td>
</tr>
<tr>
<td>Readmission Rate²</td>
<td>14.1%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

¹ With contracted facilities
² Excluding ESRD
Anthem Cancer Care Quality Program

1 in 3
Chemotherapy patients receive treatment inconsistent with medical evidence

25%
Annual growth in cost of new cancer therapies

69%
Oncology practice revenue from drug margins

180
New cancer studies published quarterly

Evidence / best practice based pathways developed with oncologists & based on national guidelines
Meaningful incentives for pathway compliance
Streamlined approval process enables increased efficiency
Enhanced reporting for on quality, cost, outcomes

New Cancer Drugs: Higher Cost for Less Value

13 new cancer treatments approved by FDA in 2012:

1 extended survival by 6 months

2 extended survival by only 4-6 weeks

$5,900 average cost of treatment per month

Monthly and Median Cost of Cancer Drugs at the Time of FDA Approval 1965-2014

Peter B. Bach, MD, Memorial Sloan-Kettering Cancer Center

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Anthem’s Approach to Pathway Development

- A subset of regimens supported by evidence and clinical guidelines

- Applicable for 80%-90% of patients and selected based on:
  1. Clinical benefit (efficacy)
  2. Side effects/toxicities (especially those leading to hospitalizations & impacting quality of life)
  3. Strength of national guideline recommendations
  4. Cost of regimens

- Developed through a rigorous evidence-based medicine process involving external advisors and publicly available