

# Physician Payment Reform

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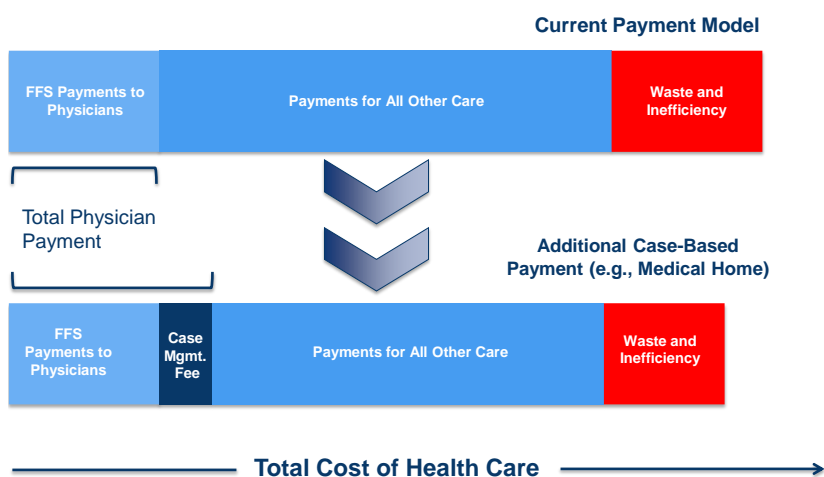
## Why Adopt Alternative Payment Models in Fee-for-Service Medicare?

- **Address rising costs** that have led to continuing reductions in fee-for-service payment rates
- **Better support for critical physician services:** care coordination (efficient referrals, efficient sharing of information on patients), communication with patients using new technologies (e.g., telemedicine, web tools and sensors), care teams and other supports for physicians to prevent diseases and disease complications
- **Alignment with other initiatives** to improve and coordinate care: bundled payments, accountable care organizations, health plan and integrated system payments
- **Increasingly personalized medicine** requires increasingly person-focused care, not just traditional specific services

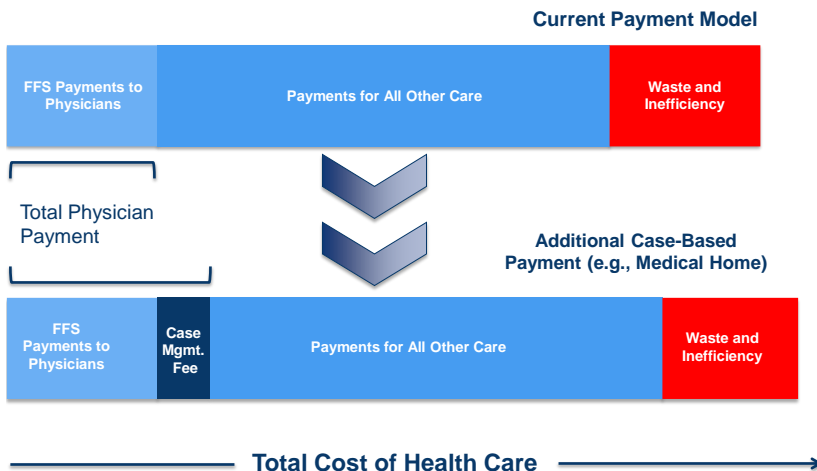
## Wide Range of Alternative Payment Models

- **Clinical Pathways**
  - Recommended treatment pathways developed based on guidelines using clinical evidence and expert opinion
  - New case-based payment for adhering to pathways in most of relevant cases (e.g., 80%)
  - Off-pathway care, including costly chemotherapy treatments, may not be reimbursed
- **Patient-Centered Medical Home and Partial Case-Based Payment**
  - Per-case or per-beneficiary payment for care that meets criteria related to quality (medical home, oncology medical home, case management fee for specialists)
  - May also have up-front payment for initial infrastructure investments
- **Bundled Payments**
  - Payment for set of services moves from fee-for-service to case- or episode-based amount
  - For physicians only (e.g., chemo administration, routine imaging services, routine care) or physicians and other health care providers (e.g., bundled payment for colonoscopy, coronary artery bypass surgery, or cancer care)
- **Shared Savings and Shared Risk**
  - Physicians share in savings from reducing costs while improving quality for some or all costs incurred by a patient, and possibly share in risks for higher costs

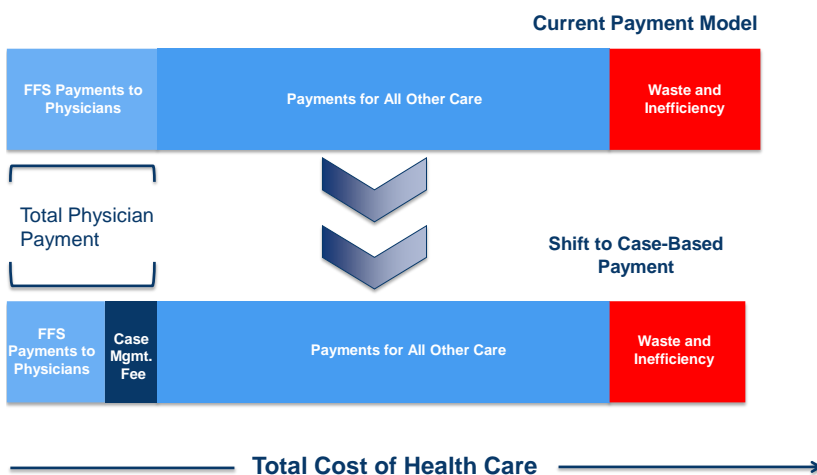
## Alternative Payment: Additional Case-Based Payment



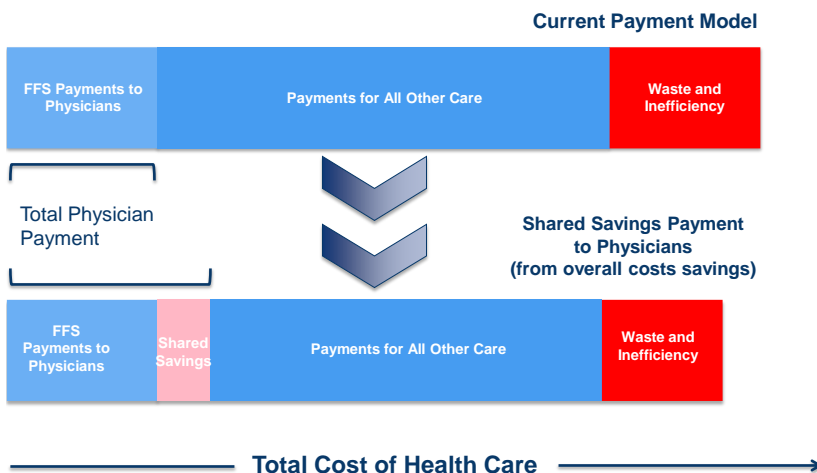
### Alternative Payment: Additional Case-Based Payment



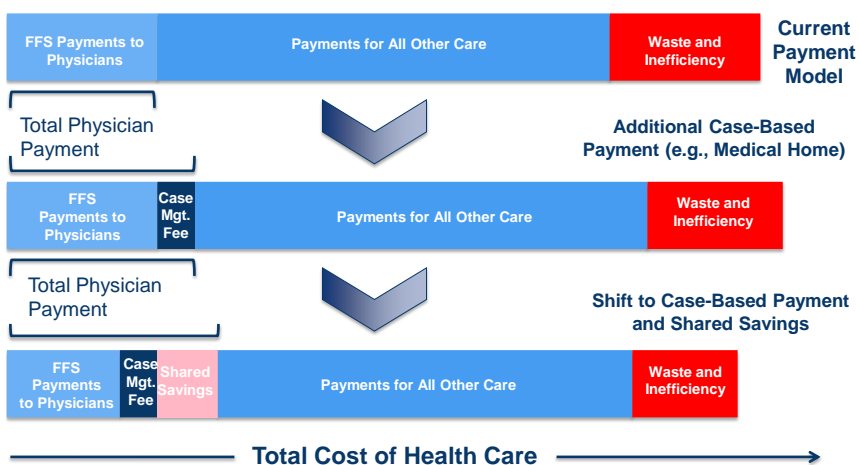
### Alternative Payment: Shift to Case-Based Payment



## Alternative Payment: Case-Based Payment from Savings



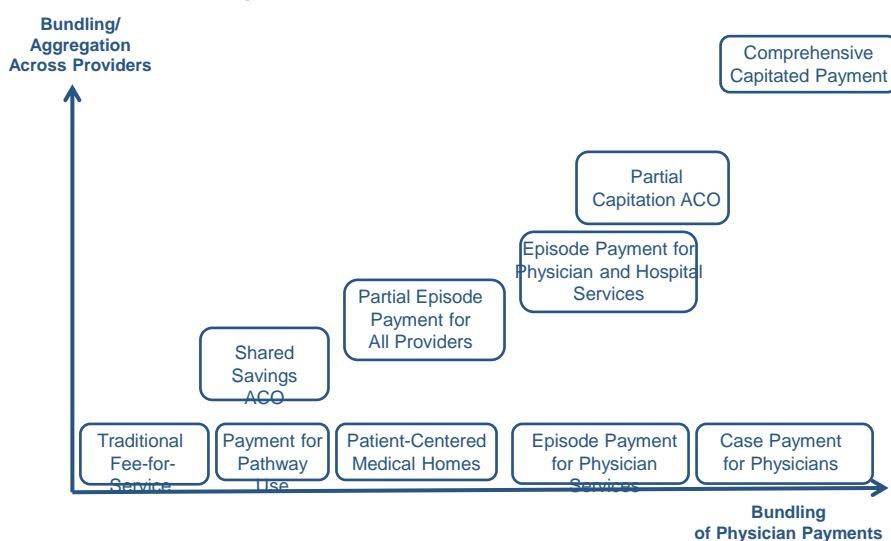
## Alternative Payment Model: Transition From Additional Payments to Models Based on Savings



## Essential Reforms to Support Physicians in Alternative Payment Models

- **Timely and useful data sharing from Medicare** to physicians and other health care providers, in ways that can be combined with data from electronic health records and other sources, to enable registries and other clinical decision support systems
- **Meaningful performance measures** – relevant, built into practice data systems to minimize burden, consistent to allow fast evaluation of pilots
- **Alignment with payment reforms for other health care providers** including bundled payments

## Physician Payment Reforms Moving Away from Fee-For-Service



## Alignment across payment reforms

- **Common core performance measures and a rapid but feasible pathway for improving them to better capture relevant outcomes for patients**
- **Timely and consistent methods for sharing underlying data with providers, suppliers to use with IT and other tools to improve performance**
- **Rapid pilot evaluation and expansion based on evidence**

### Medical Homes for Primary Care

- Supports care coord, prevention, chronic disease mgmt, and other key primary-care activities
- Rewards reductions in primary care-related cost trends

### Case-Based Payments for Specialty Care and Post-Acute Care

- Combine payments across providers involved in specialty care
- Rewards greater efficiency and quality within the episode of care

### Performance-Based Payments for Drugs, Devices

- Reimburses improvements in results and reductions in costs for devices and drugs
- Supports targeting treatments to patients likely to benefit
- Coverage with Evidence Development

### Accountable Care (System-wide)

- Reimburses population-level improvements in quality and overall per-capita costs
- Encourages coordination across the continuum of care
- Can reinforce/ support "piecemeal" accountable-care reforms

## One More Thing: Paying for It

- Permanent (10-Year) SGR Fix Plus Financial and Data Support for Payment and Delivery Reform: \$140-\$160 billion
- Potential Reinforcing Provider Payment Reforms
  - Postacute care payment reforms
  - Stronger incentives for hospitals, other providers to coordinate care
  - Other "site-neutral" payments
  - Competitive bidding
- Medicare Benefit and Medigap Reforms
  - Significant savings possible without increasing beneficiary costs on average
- Other Possible Sources of Funding for Physician Payment Reform
  - Other provider savings
  - Income-related premiums
  - New revenues or non-Medicare spending cuts
- Semi-Permanent (5-Year) Fix?
  - Medium-term payment stability plus needed support for care reforms