Tackling Health Care Costs: Finding Common Ground

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Background

- Numerous comprehensive strategies for cost containment developed in 2013
  - Expectation of substantial budget legislation
  - Most sought consensus from panels with varied membership
    - Different stakeholders
    - Conservative and liberal policy experts
    - Republicans and Democrats
    - One from perspective of states
- RWJF project to synthesize the reports

Striking Consistency in Vision

- Diminish the role of fee for service (FFS) payment in medical care
  - Use other payment approaches to promote coordination of care, management of populations, clinical integration
    - Seek improved patient outcomes as well as cost reduction
- Goals to achieve most of transition by end of this decade

Strategies (1)

- Medicare payment policy is key lever
  - Medicaid policy in SHCC
  - Move away from traditional policies of cutting rates
    - Limits of cost shifting
      - But cuts for some services, especially through bidding
    - Large savings for Medicare achievable only through delivery system improvements affecting all medical care

Strategies (2)

- Most have system-wide policies as well
  - Liability reform, nurse practitioners, tax treatment of health insurance, wellness
  - SHCC state-led reform guided by spending targets
- None address core of ACA
  - Some propose changes on payment reform, Cadillac tax, other provisions
- None propose Medicare premium support
  - Political environment perceived as too hostile

Medicare Provider Payment Reform

- Many do not offer concrete steps to achieve goals of reduced role for FFS
- Levers tend to be provider payment rate incentives
  - SGR fix can include physician incentives
  - Incentives to other providers more controversial
- Proposals for "second-generation" ACOs
  - Concerns about potential for initial Medicare models
  - Seeking greater beneficiary engagement

Medicare Benefit Redesign

- Unified benefit structure
  - Catastrophic protection
  - Copayments for physician visits
  - Leave existing A/B financing
- Discourage overly-comprehensive supplemental coverage
- Only Simpson-Bowles addresses age of eligibility

Medicaid and Federalism

- Revamping waiver process
  - More authority for states to innovate
  - State performance incentives on spending and quality

Tax Treatment of Health Insurance

- Recognition that Cadillac tax now the baseline
  - But most reports silent
- Potential for shift to limits on exclusion—longstanding economists' approach
  - Design for greater progressivity
  - Cap tax benefits—not premiums

Opportunities and Obstacles (1)

- Sources of opportunity
  - Consistency of vision across leadership of providers, payers, policymakers
  - ACA provider payment cuts pushing providers forward
  - Consensus about need for permanent SGR fix
  - New approaches to federalism
    - From gridlock over block grants to shared savings for delivery reforms

Opportunities and Obstacles (2)

- Key obstacles
  - Rudimentary state of innovative payment approaches
    - Concerns that a second generation needed soon
    - Lack of readiness of many providers to succeed under reformed payment approaches
  - Importance of consistency in payment approaches by payers
    - Potential for success in reformed payment leading to losses in remaining FFS payment

Opportunities and Obstacles (3)

- Key obstacles (contd)
  - Traditional hostility to demand side approaches
    - Important role in augmenting supply-side approaches
  - Polarization in Congress
    - Absence of resolution on broad issues of entitlement cuts and taxes holding up action on health care cost containment
      - Efforts to fix SGR shows how parties can come together when an issue is separated from deadlock on big issues