Variations in Cost and Quality: What Is To Be Done?

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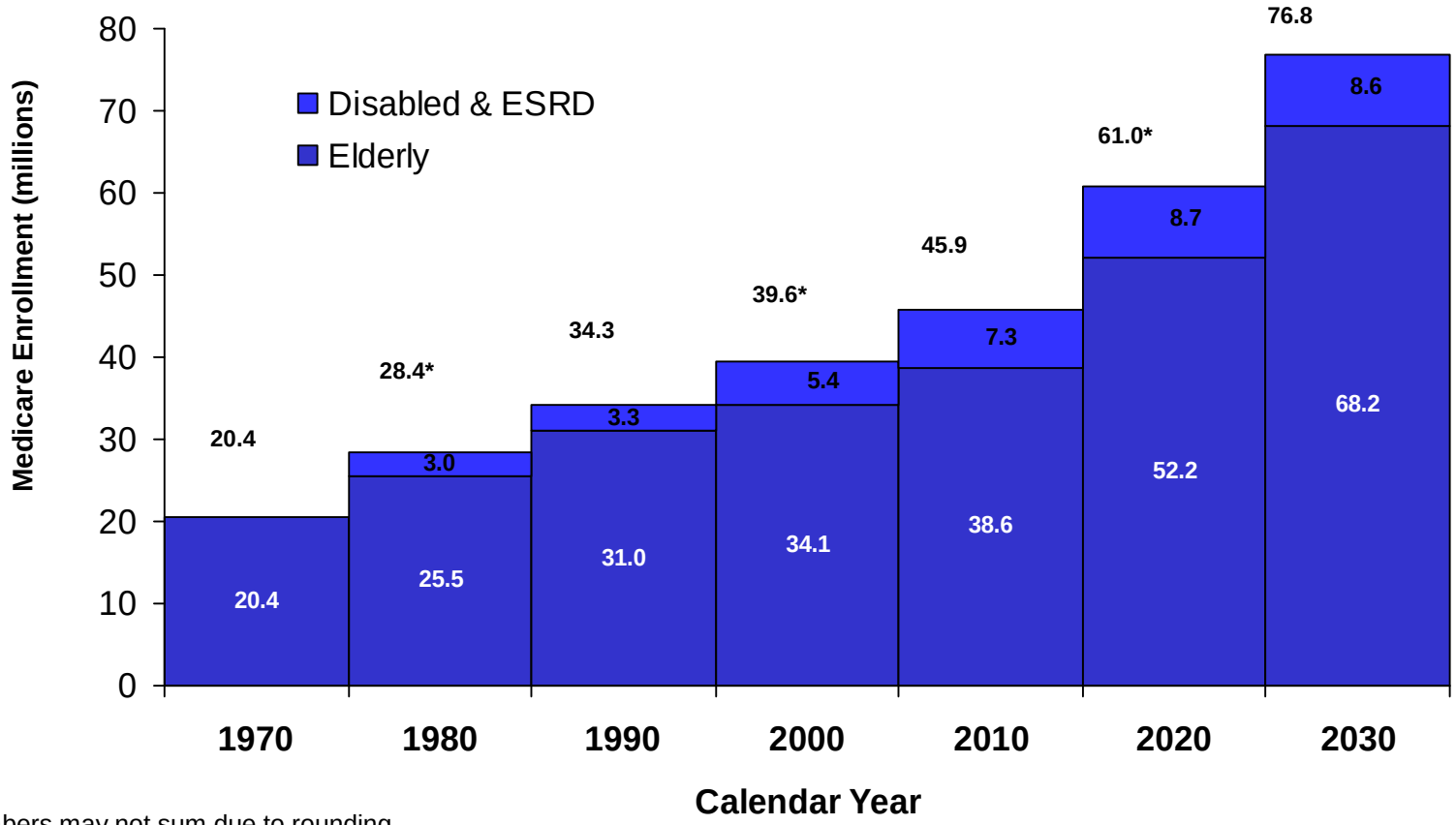
Table 3.6
Number of Medicare Beneficiaries, 1970-2030

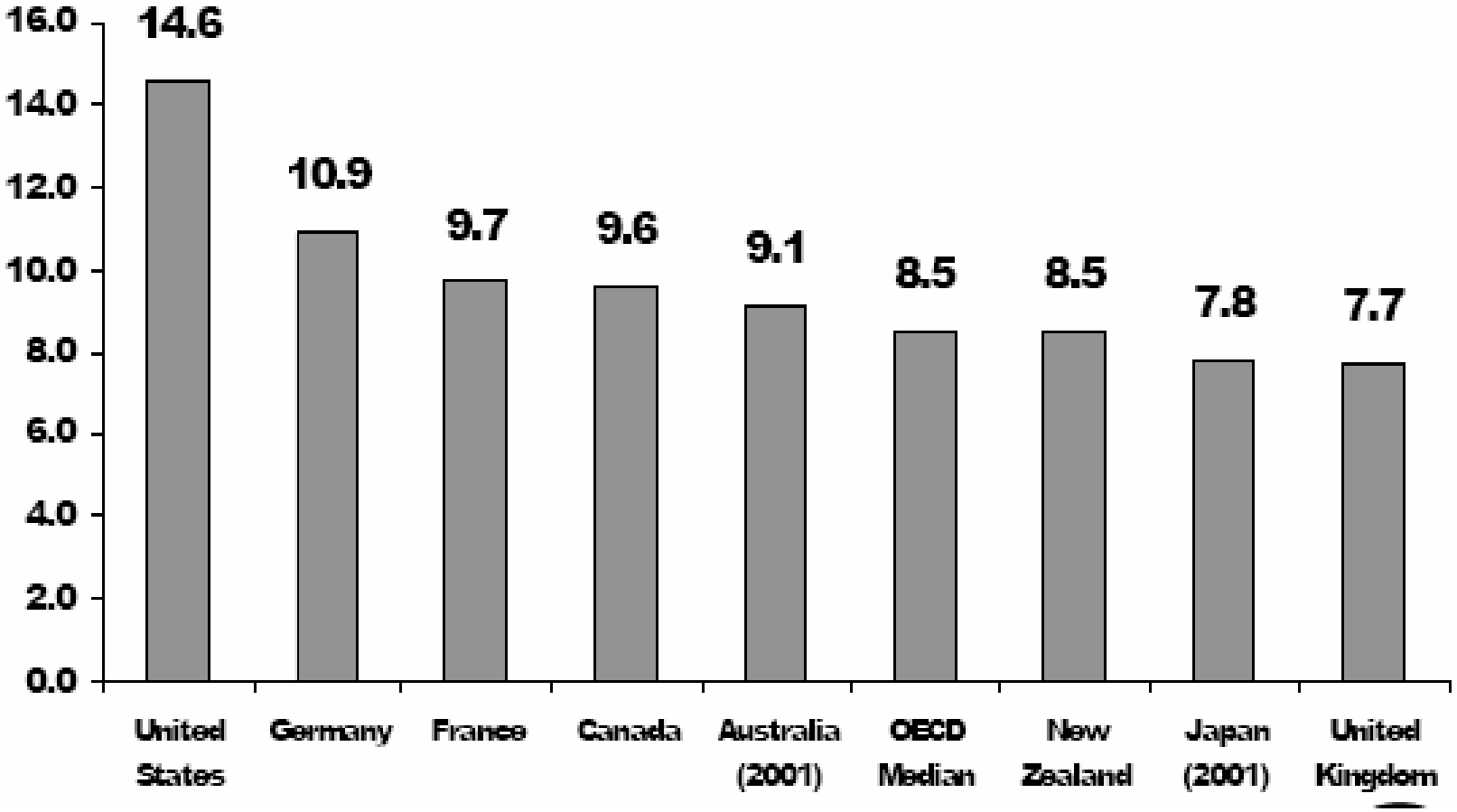
The number of people Medicare serves will nearly double by 2030.



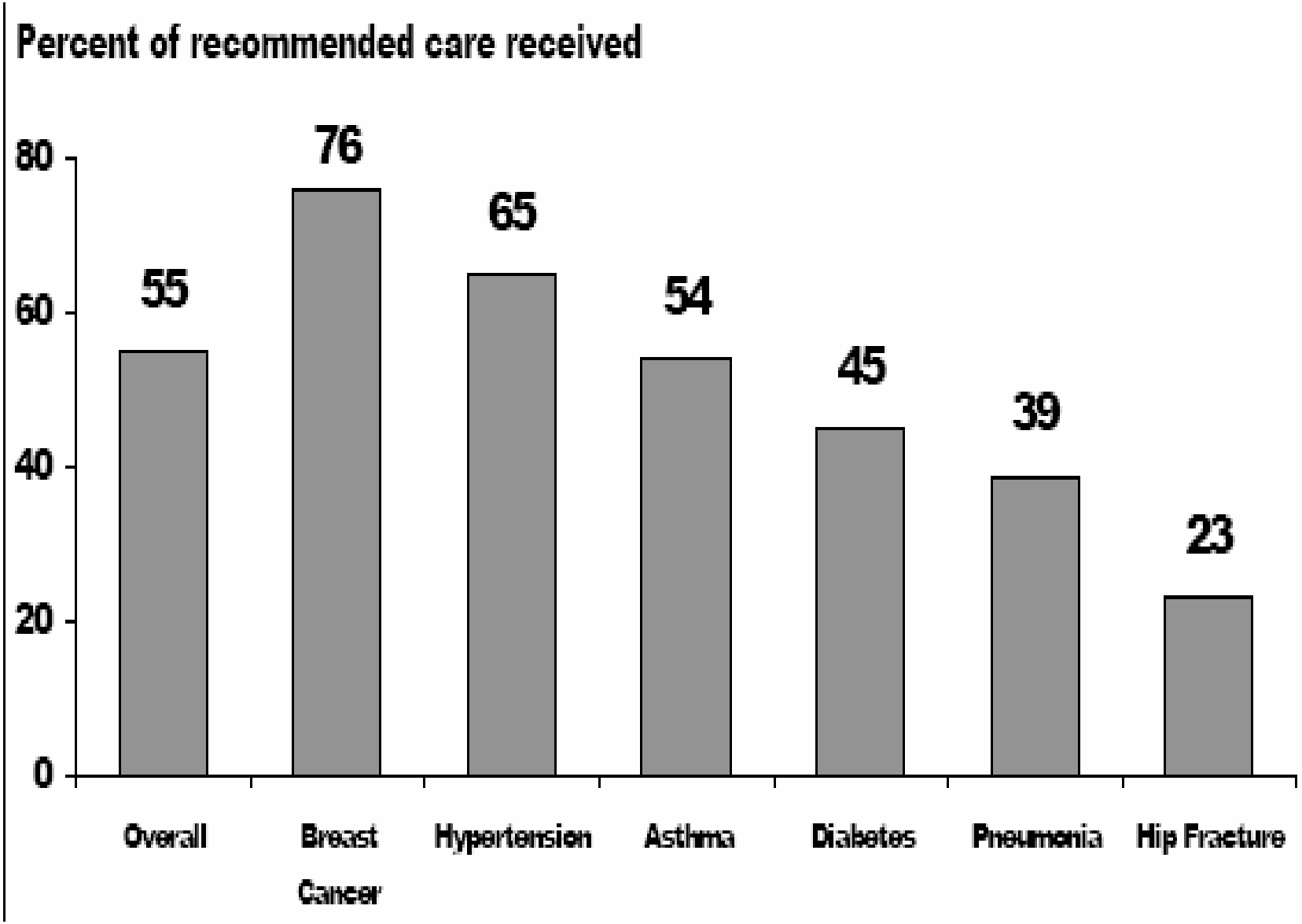
* Numbers may not sum due to rounding.

Source: CMS, Office of the Actuary.

Percent of gross domestic product (GDP) spent on health care, 2002

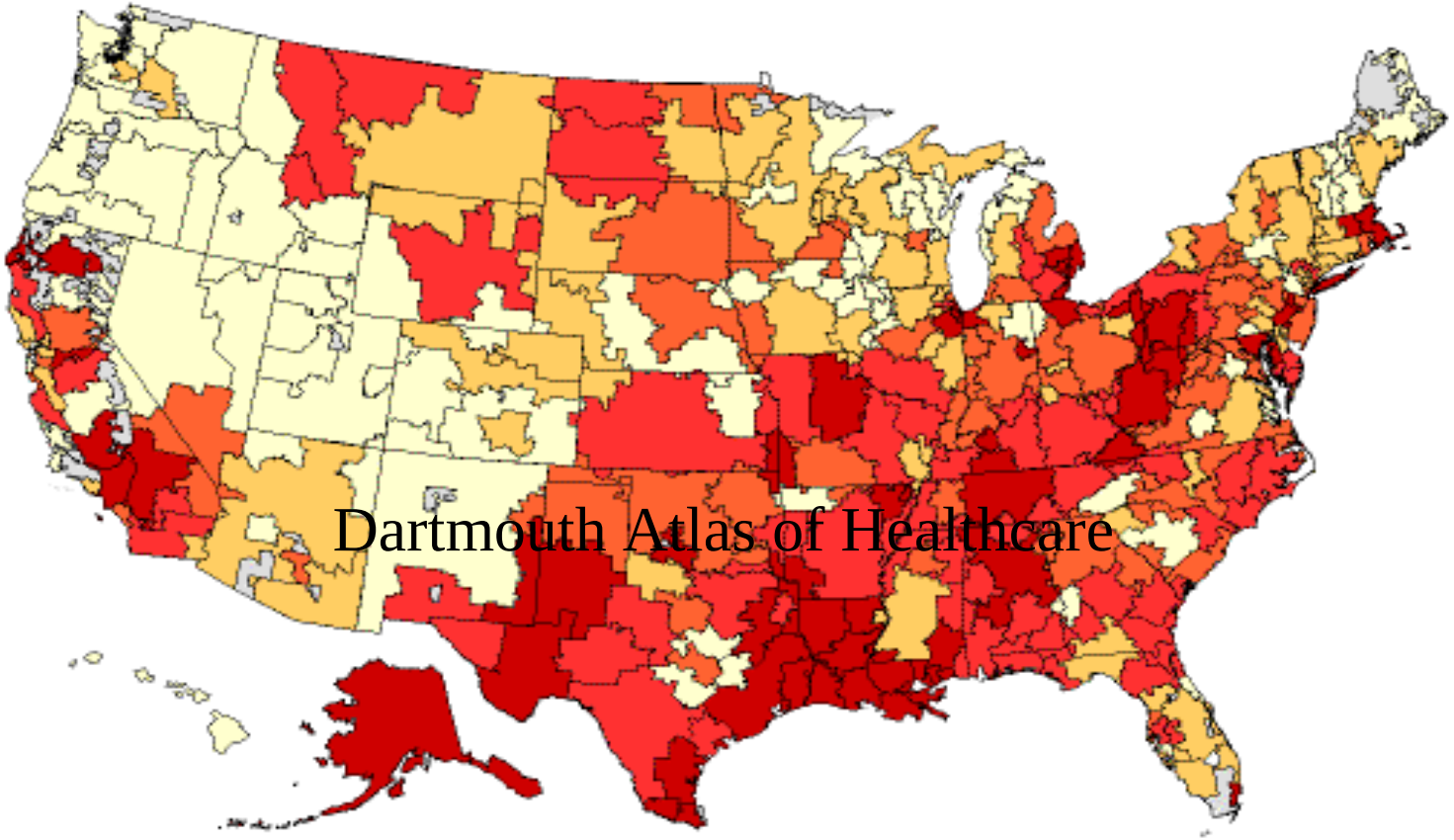


Source: G. F. Anderson and P. S. Hussey, *Multinational Comparisons of Health Systems Data 2004*, The Commonwealth Fund, October 2004. OECD data.



Source: E. McGlynn et al., "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine* (June 26, 2003): 2635–2645.

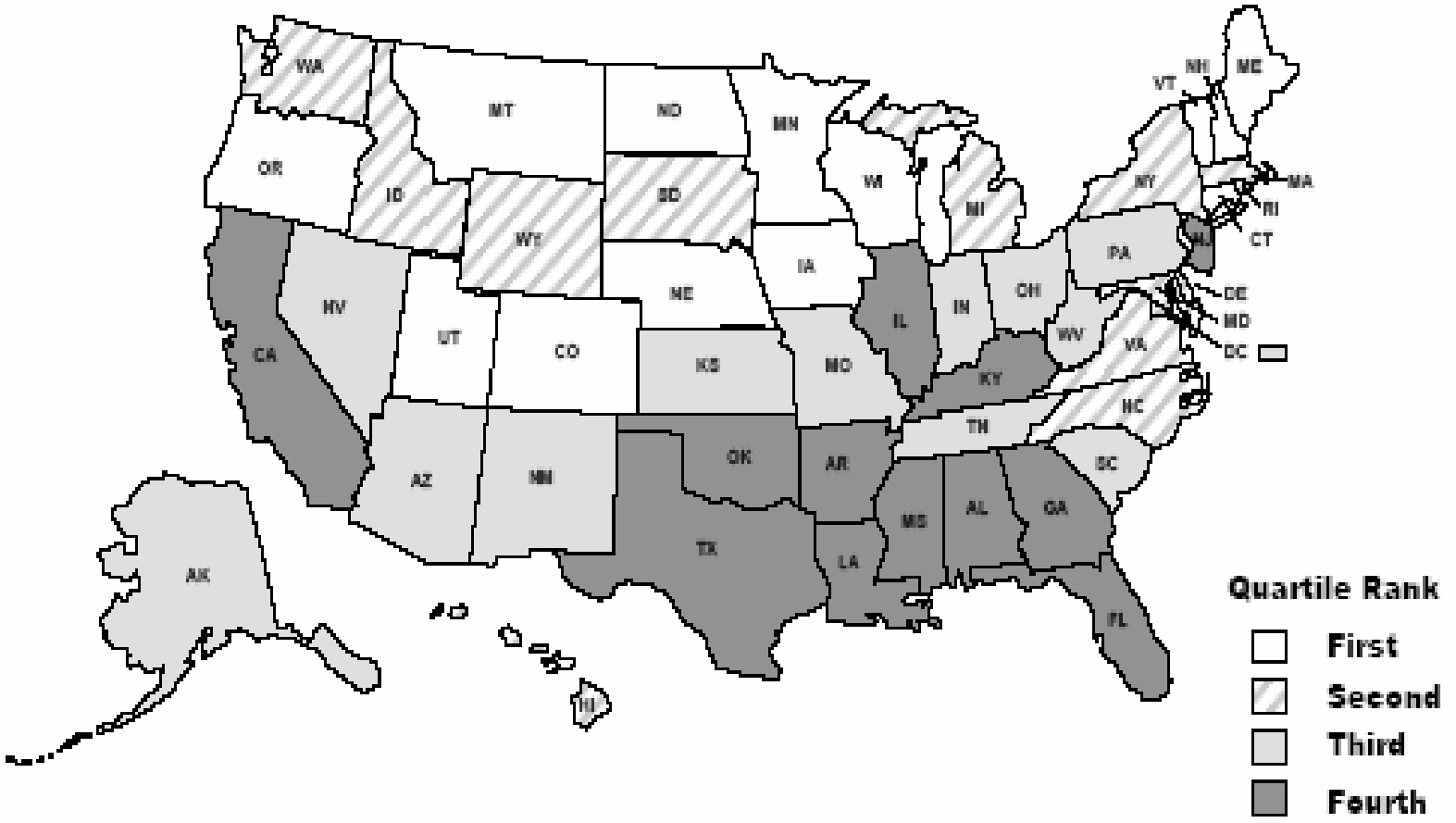
A Variation Problem



Map 2.5. Inpatient Hospital Services per Medicare Enrollee
by Hospital Referral Region (1995)

- $2516 to 3723 (61)
- 2321 to < 2516 (60)
- 2117 to < 2321 (61)
- 1893 to < 2117 (62)
- 1483 to < 1893 (62)
- Not Populated

Performance on Medicare Quality Indicators, 2000–2001



Source: S. F. Jencks, E. D. Huff, and T. Cuerdon, "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998–1999 to 2000–2001," *Journal of the American Medical Association* 289 (Jan. 15, 2003): 305–312.

The Healthcare Quality Challenge

- We spend more per capita on healthcare than any other country in the world
- In spite of those expenditures, US Healthcare quality is often inferior to other nations and often doesn't meet expected evidence-based guidelines
- There are significant variations in quality and costs across the nation
- CMS is responsible for the healthcare of a growing number of persons
- CMS, in partnership and collaboration with other healthcare leaders, must demonstrate leadership in addressing these issues

Components of CMS Efficiency Efforts

- Major element of CMS Quality Roadmap & CMS Administrator's Priorities
- Transparency Initiative
- Medicare (& Medicaid) Payment Reform
  - P4P
  - PVRP
- Multiple Demonstrations
- Major element of QIO Program Redesign
- Health Information Technology Initiatives

CMS Quality Roadmap: Strategies for QI

1. Work through partnerships to achieve specific quality goals
2. Publish quality measurements and information as a basis for supporting more effective quality improvement efforts
3. Pay in a way that expresses our commitment to quality, and that helps providers and patients to take steps to improve health and avoid unnecessary costs

CMS Quality Roadmap: Strategies for QI

4. Assist practitioners in making care more effective and less costly, especially by promoting the adoption of HIT
5. Bring effective new treatments to patients more rapidly and help develop better evidence so that doctors and patients can use medical technologies and treatments more effectively, improve quality and avoid unnecessary complications and costs

Healthcare Transparency Initiative

- Administration's Transparency Initiative
  - Making available quality and price/cost information
  - Allowing consumers, employers, payers to choose the best value healthcare
- Presidential Executive Order
  - Sharing of information on quality and cost
  - Promote interoperable HIT systems
  - Incent consumers to choose efficient, high quality providers

Transparency: Secretary HHS Goals

- Secretary of HHS Goals
  - HIT Standards
  - Quality Standards
  - Price Comparison Standards
  - Market Incentives
- Collaborative Support of AQA & HQA efforts
  - Ambulatory Care Quality Alliance (AQA)
  - Hospital Quality Alliance (HQA)
  - HQA/AQA Steering Committee
  - Beneficiary Quality Improvement (BQI) Pilots

CMS Demonstrations

- Section 646: Medicare Health Care Quality Demonstration
- Section 648a: Consumer Directed Chronic Outpatient Services Demonstration
- Section 649: Medicare Care Management Performance Demonstration
- National Voluntary Hospital Reporting Initiative
- Premier Hospital Demonstration

Other Issues

- CMS Posting of hospital volume & reimbursement information
- Physician Voluntary Reporting Program (PVRP)
- CMS P4P Initiatives
- Deficit Reduction Action Issues
  - Hospital Gainsharing Demonstration
  - Value-based purchasing for hospitals and HHAs
  - ***Post-acute Care Demonstration***
- QIO Program Redesign

Physician Resource Use Reports

- Likely Conclusions and Recommendations for the Final Evaluation
  - Physicians understand their practices from a patient-by-patient perspective, not from an aggregate statistics perspective
  - Simple claims data does not yield rich enough information to generate resource use reports (RURs) that are meaningful or actionable for individual physicians
  - The cost of widespread dissemination of these RURs would outweigh the benefits
  - These RURs could be used as a screening tool to identify outliers for educational intervention
  - May need to look at population management at group and regional levels

Conclusions

- We have a major problem in quality and resource use variation in the U.S.
- Although capacity is an important factor, other factors still need delineation, as well as methods to influence all the drivers
- The federal system will rely on:
  - Transparency
  - Public reporting of quality and price information
  - HIT promotion and adoption
  - Consumer, employer, payer informed choice & influence
  - Healthcare provider reimbursement & payment reform
  - Technical assistance through various channels
  - Collaboration between public & private sectors

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