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Payment Reform 3.0: It's Time

Len M. Nichols, Ph.D.
Alliance for Health Policy
Washington, DC
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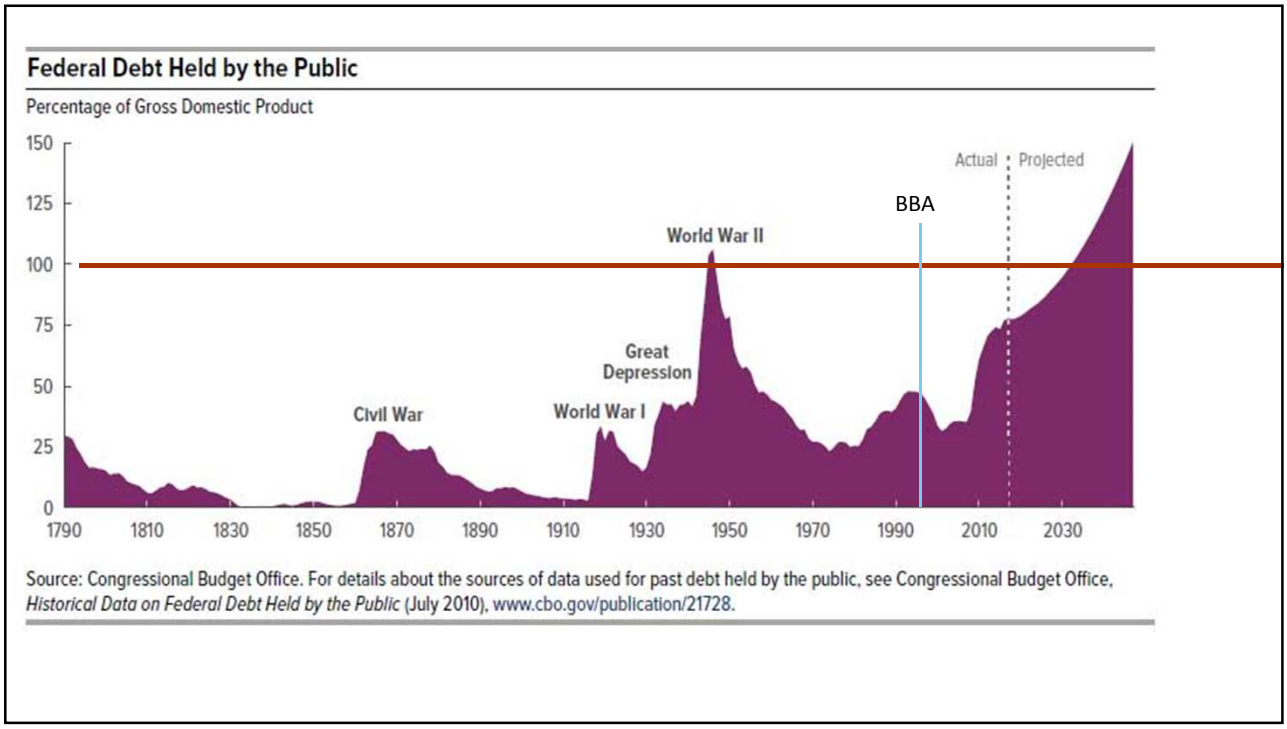
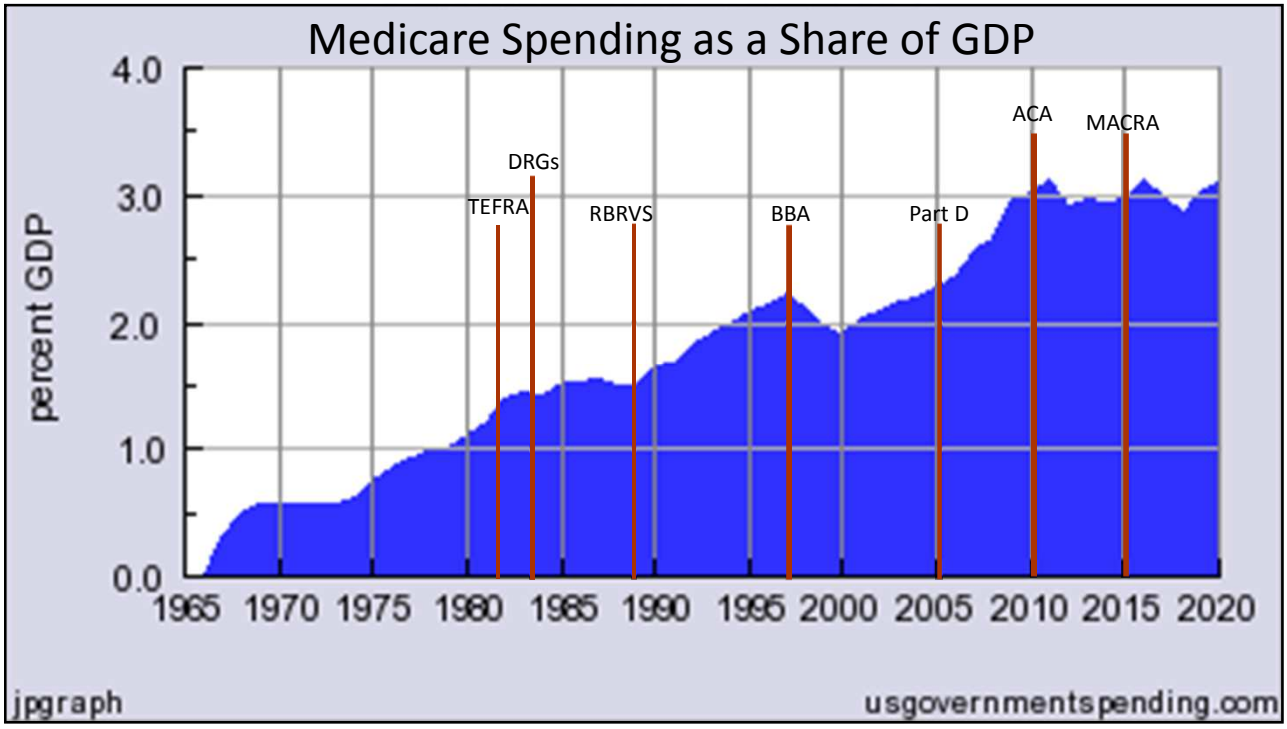

Federal Debt Held by the Public
Percentage of Gross Domestic Product
150
125
100
75
50
25
0
1790
1810
1830
1850
1870
1890
1910
1930
1950
1970
1990
2010
2030
Actual
Projected
BBA
World War II
Great Depression
World War I
Civil War
Source: Congressional Budget Office. For details about the sources of data used for past debt held by the public, see Congressional Budget Office, Historical Data on Federal Debt Held by the Public (July 2010), www.cbo.gov/publication/21728.


Medicare Spending as a Share of GDP
percent GDP
4.0
3.0
2.0
1.0
0.0
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
TEFRA
DRGs
RBRVS
BBA
Part D
ACA
MACRA
jpgraph
usgovernmentspending.com

Individual payment models' performance mixed → disappointing, glass > ½ full?

- ACOs
  - MSSP
  - Pioneer
  - Next Generation?
- Primary Care
  - CPCI
- Bundled Payments (Models 2* {acute and post-acute} and 4** {prospective acute})

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Table 7.1a. Percentage impacts on Medicare FFS expenditures and service utilization over the first three years of CPC: CPC-wide and by region (all attributed beneficiaries)

	CPC-wide	AR	CO	NJ	NY	OH/KY	OK	OR
Total Medicare expenditures ($ PBPM)								
Without CPC care management fees								
Year 1	-2%**	0%	0%	-5%***	-2%	3%*	-7%***	-3%
Year 2	-1%	1%	-2%	-3%*	-2%	4%	-1%	-3%*
Year 3	0%	0%	0%	1%	-4%**	5%	-1%	-1%
Years 1, 2, and 3 combined	-1%	0%	-1%	-2%	-3%	4%	-3%**	-2%
With CPC care management fees								
Year 1	0%	2%	3%	-3%*	0%	6%***	-4%***	0%
Year 2	1%	3%*	0%	-2%	0%	7%**	1%	-1%
Year 3	1%	2%	1%	3%	-2%	7%*	0%	1%
Years 1, 2, and 3 combined	1%	2%	1%	0%	-1%	6%**	-1%	0%

Private Sector PCMH evaluations

- Sinaiko et al ("collaborative" → meta analysis)
  - No statistically significant impact on cost or quality in general
  - 4.2% cost reduction for sickest patients*
- BCBS of MI (4000+ docs), better results
- CareFirst (4000+ docs; conflicting results)
  - Even if PCMH saved 2% off trend, still not enough…
- McWilliams et al, *NEJM* perspective: Care Coord. not enough

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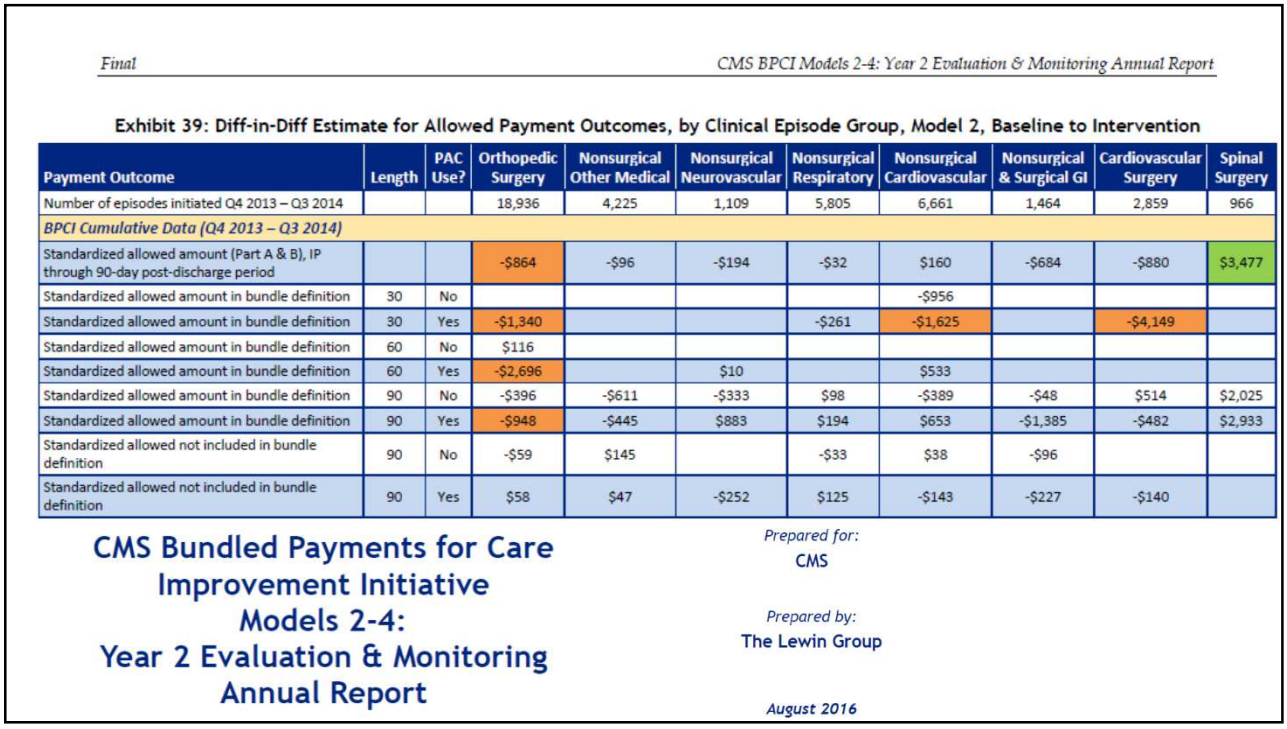

Final *CMS BPCI Models 2-4: Year 2 Evaluation & Monitoring Annual Report*

Exhibit 39: Diff-in-Diff Estimate for Allowed Payment Outcomes, by Clinical Episode Group, Model 2, Baseline to Intervention

Payment Outcome	Length	PAC Use?	Orthopedic Surgery	Nonsurgical Other Medical	Nonsurgical Neurovascular	Nonsurgical Respiratory	Nonsurgical Cardiovascular	Nonsurgical & Surgical GI	Cardiovascular Surgery	Spinal Surgery
Number of episodes initiated Q4 2013 – Q3 2014			18,936	4,225	1,109	5,805	6,661	1,464	2,859	966
BPCI Cumulative Data (Q4 2013 – Q3 2014)										
Standardized allowed amount (Part A & B), IP through 90-day post-discharge period			-$864	-$96	-$194	-$32	$160	-$684	-$880	$3,477
Standardized allowed amount in bundle definition	30	No					-$956			
Standardized allowed amount in bundle definition	30	Yes	-$1,340			-$261	-$1,625		-$4,149	
Standardized allowed amount in bundle definition	60	No	$116							
Standardized allowed amount in bundle definition	60	Yes	-$2,696		$10		$533			
Standardized allowed amount in bundle definition	90	No	-$396	-$611	-$333	$98	-$389	-$48	$514	$2,025
Standardized allowed amount in bundle definition	90	Yes	-$948	-$445	$883	$194	$653	-$1,385	-$482	$2,933
Standardized allowed not included in bundle definition	90	No	-$59	$145		-$33	$38	-$96		
Standardized allowed not included in bundle definition	90	Yes	$58	$47	-$252	$125	-$143	-$227	-$140	

CMS Bundled Payments for Care Improvement Initiative Models 2-4: Year 2 Evaluation & Monitoring Annual Report

Prepared for: CMS

Prepared by: The Lewin Group

August 2016

Lessons for Payment Reform 3.0

- Focus on ID'ing right patients and directing care resources to them
- PMPM + "risk" not nec. better than targeted in-kind assistance
- TCC not to be avoided, but embraced by heterogeneous care *teams*
- Need to focus on PRICES as much as "win-win" utilization reduction (reference prices, with time certain transition path)
  - Tie exclusivity period to $/QALY for new drugs
- Focus on specific SDOH might lower health costs enough …
- HIT systems not ready for prime time, need back-office HIT at CMS to speed use of info system as real time pop health / cost reducing tool

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