The Reality of Health Care Reform: Accountable Care, Bundled Payments and Opportunities for Innovation

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The Case for Payment and Delivery Reform

- The problems are widely recognized:
  - Fragmented care
  - Uneven, unsafe practices
  - Unsustainable costs
- *Crossing the Quality Chasm*, 2001
  - Quality = care that is safe, effective, efficient, patient-centered, timely and equitable

The Case for Payment and Delivery Reform

"Our fee-for-service system, doling out separate payments for everything and everyone involved in a patient's care, has all the wrong incentives: it rewards doing more over doing right, it increases paperwork and the duplication of efforts, and it discourages clinicians from working together for the best possible results."

— Atul Gawande, "Testing, Testing," The New Yorker, 12/14/09

The Case for Payment and Delivery Reform

- **Solution**:
  - Better coordinated care, more transparent to the consumer, using evidence-based measures to achieve better outcomes, greater patient satisfaction and improved cost efficiency
  - Or, in other words, “accountable care”
  - “Accountable care organization” (“ACO”) means a provider-based organization comprised of multiple providers with a sufficient level of clinical integration to deliver accountable care
  - Both the payment system and delivery system need to change together to achieve accountable care

How did we get here?

- Early alternative delivery systems development – HMOs, PPOs, EPOs, IPAs, TPAs, PSOs, DMCs
- Physician-hospital integration post-Clinton plan – PHOs, MSOs, PPMCs, IDSs
- Quality movement – PSROs, QIOs, IHI, IOM, NQF

In Search of Accountable Care – Part II

- Why might ACOs and global payments work now when similar concepts did not in the 1990s?
  - There is greater recognition of the urgency of the cost and quality problems
  - The implications of evidence-based medicine are more widely understood and accepted
  - There is greater understanding that good outcomes, patient satisfaction and cost-efficiency are linked
  - We have learned from past experience with provider integration efforts and risk contracting
  - Consensus measures and IT infrastructure have advanced significantly
  - Early pilots and demonstrations show promise

The Benefits of Pilots and Demonstrations

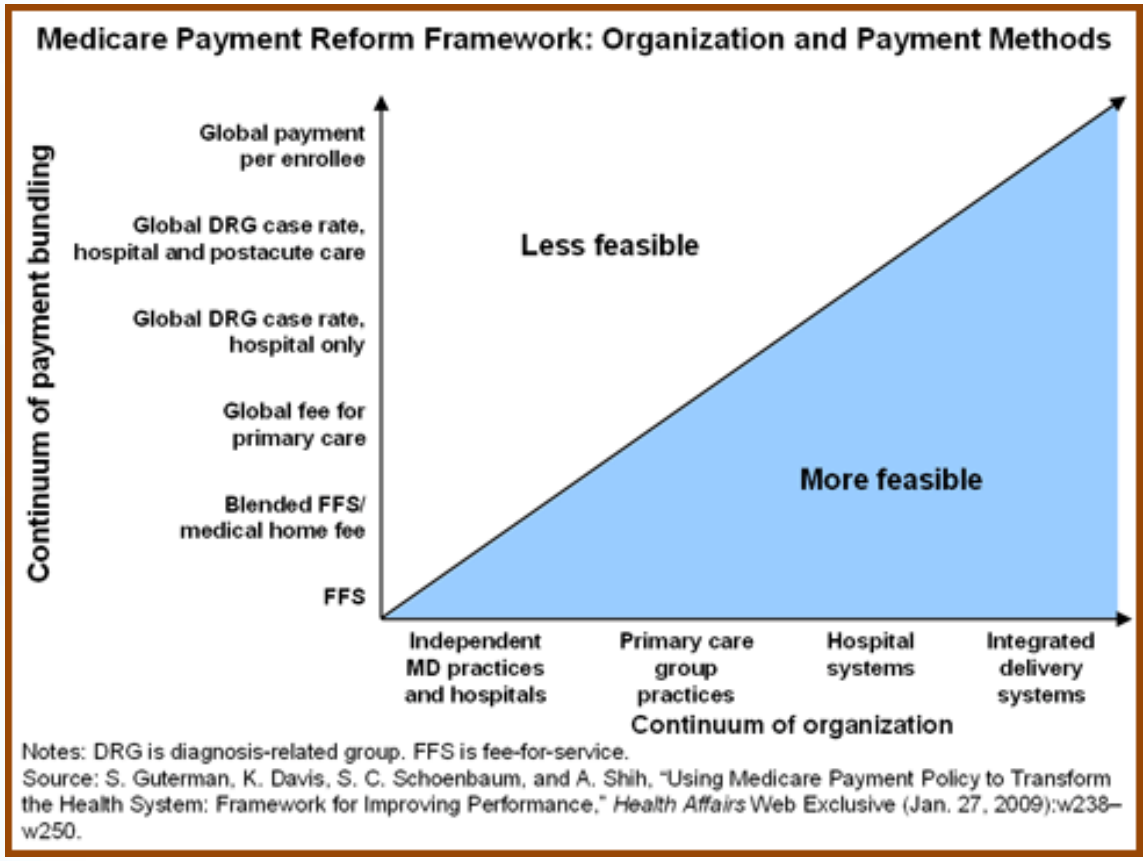
"The history of American agriculture suggests that you can have transformation…without knowing all the answers up front…. Transforming health care everywhere starts with transforming it somewhere."

— Atul Gawande, "Testing, Testing," The New Yorker, 12/14/09

Current Demonstration Projects and Pilot Programs

- Medicare Acute Care Episode (ACE) Demonstration
- Medicare Physician Group Practice Demonstration (PGPD)
- PROMETHEUS
- CMS/Premier Hospital Quality Incentive Demonstration (HQID)
- Medicare Hospital Gainsharing Demonstration
- Nursing Home Value-Based Purchasing
- Home Health Pay For Performance
- Medicare Care Management Performance Demonstration
- Care Management for High Cost Beneficiaries (CMHCB)
- End Stage Renal Disease (ESRD) Disease Management Demonstration

The Accountable Care Framework



"To change the way health care is organized and delivered, we need to change the way it is paid for — to move from fee-for-service payments to bundled payments."

– Gutterman, Davis, Schoenbaum and Shih, 2009

PPACA Accountable Care: Innovation Opportunities

- **Sec. 3011. National Strategy for Improvement in Health Care.**
  - Secretary of HHS required to develop strategy to improve payment policy to emphasize quality and efficiency.
  - Strategy to focus on outcomes, cost-efficiency and patient-centeredness.
  - To address health care provided to patients with high-cost chronic conditions.
  - To enhance the use of data.
  - To disseminate best practices.
  - Due January 1, 2011.

PPACA Accountable Care: Innovation Opportunities

- **Sec. 3021. Establishment of Center for Medicare and Medicaid Innovation within CMS.**
  - Creates a Center for Medicare and Medicaid Innovation ("CMI") within CMS to test innovative payment and service delivery models to reduce program expenditures while preserving or increasing the quality of care.
  - Instructs CMI to use open door forums or other mechanisms to seek input from interested parties.
  - Models to be tested include medical homes; risk-based contracting; coordinated care models like ACOs; and improved post-acute care models.
  - $10 billion in funding, 2011 to 2019.
  - To be up and operating by January 1, 2011.

PPACA Accountable Care and Innovation Opportunities: ACOs

- **Sec. 3022. Medicare Shared Savings Program.**
  - Directs the Secretary to create a shared savings program by 2012 that will promote accountability, coordinate services between Parts A and B.
  - ACOs that meet quality performance standards can receive payments for shared savings.
  - Eligible ACOs include:
    - Physicians and other professionals in group practice arrangements;
    - Networks of individual physicians;
    - Partnerships or joint ventures between hospitals and physicians;
    - Hospitals employing physicians; and
    - Other groups the Secretary deems appropriate.
  - Allows the Secretary discretion in implementing a partial capitation model for ACOs.
  - Prohibits any additional program expenditures; incentive payments to an ACO under this provision must be funded from savings generated by the ACO.

PPACA Criteria for ACOs

- Agree to become accountable for overall care for their Medicare fee-for-service beneficiaries
- Have a formal legal structure that would allow the organization to receive and distribute payments to participating providers
- Include primary care physicians for at least 5,000 Medicare fee-for-service beneficiaries
- Have arrangements in place with a core group of specialist physicians
- Have in place a leadership and management structure, including with regard to clinical and administrative systems
- Define processes to promote evidence-based medicine, report on quality and cost measures, and coordinate care

PPACA Accountable Care and Innovation Opportunities: Bundled Payments

- **Sec. 3023. National Pilot Program on Payment Bundling.**
  - Creates a voluntary pilot program implementing bundled payments surrounding hospitalizations in order to improve coordination, quality and efficiency of care.
  - To be established by January 1, 2013.
  - Can be expanded if it is found to improve quality and reduce costs.
  - Bundle to include acute, inpatient hospital services, physician services and post-acute services for episode of care beginning 3 days prior to hospitalization and 30 days post-discharge.

Other PPACA ACO-Related Provisions

- 2010
  - Section 6301: Patient-Centered Outcomes Research
  - Section 4201: Community Transformation Grants
  - Section 3027: Extension of Gainsharing Demonstration
  - Section 2705: Medicaid Global Payment System Demonstration
- 2011
  - Sections 3006: Plans for Value-Based Purchasing Programs for Skilled Nursing Facilities, Home Health Agencies and Ambulatory Surgical Centers
  - Section 10333: Community-Based Collaborative Care Networks

Other PPACA ACO-Related Provisions

- 2012
  - Section 3001: Hospital Value-Based Purchasing Program
  - Section 3025: Hospital Readmissions Reduction Program
  - Section 3024: Independence at Home Demonstration Program
  - Section 2706: Pediatric Accountable Care Organization Demonstration Project
  - Section 2704: Demonstration Project to Evaluate Integrated Care Around a Hospitalization

Other PPACA ACO-Related Provisions

- 2014
  - Section 3004: Quality Reporting for Long-Term Care Hospitals, Inpatient Rehabilitation Hospitals and Hospice Programs
- 2015
  - Section 3008: Payment Adjustment for Conditions Acquired in Hospitals
  - Section 3002: Improvements to the Physician Quality Reporting System

Early Questions for CMS

- How will the ACO benchmarks be set?
- How will savings be allocated between the ACO and Medicare?
- What quality measures will be used?
- Will CMS use partial capitation or other alternative payment methods?
- How will “formal legal structure” and “shared governance” be interpreted?
- Will there be formal rules or guidance relating to ACOs and the Stark, Antikickback, CMP and antitrust laws, among others?

Legal Issues

- Stark, anti-kickback, CMP
- Antitrust
- Corporate practice of medicine
- State regulation of risk transfer
- How to define clinical integration
- How to distinguish good collaboration from bad

A Note on the Pricing Debate

- Recent volley of cross-allegations of who is at fault for price increases
- Aggregation does not equal accountability
- As long as the payment system rewards volume, unit pricing and billable transactions, this issue will be difficult to resolve
- The private sector would benefit from greater payer-provider collaboration and acceleration of the movement to accountable care
- Failure to do so will put more onus on government to regulate prices on both parties and potentially micro-manage contract provisions
- If the promise of accountable care is realized, purchasers, payers, providers and consumers all should benefit