Delivery System Reform
The ACA and Beyond:
Challenges
Strategies
Successes
Failures
Future

Arnold Epstein

MSU 2018 Health Care Policy Conference

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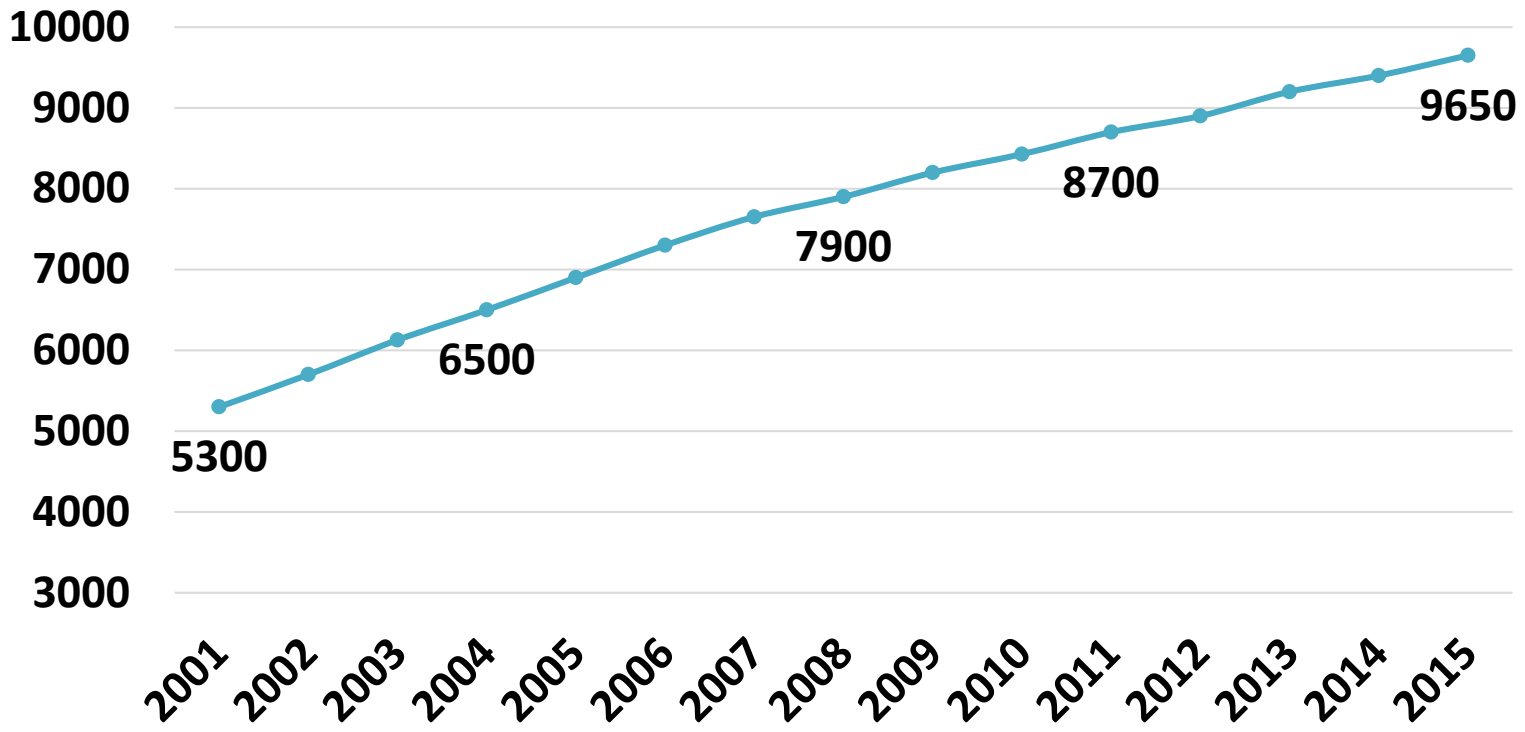
The Good Ole Days

Per Capita National Healthcare Expenditures

2000-2014



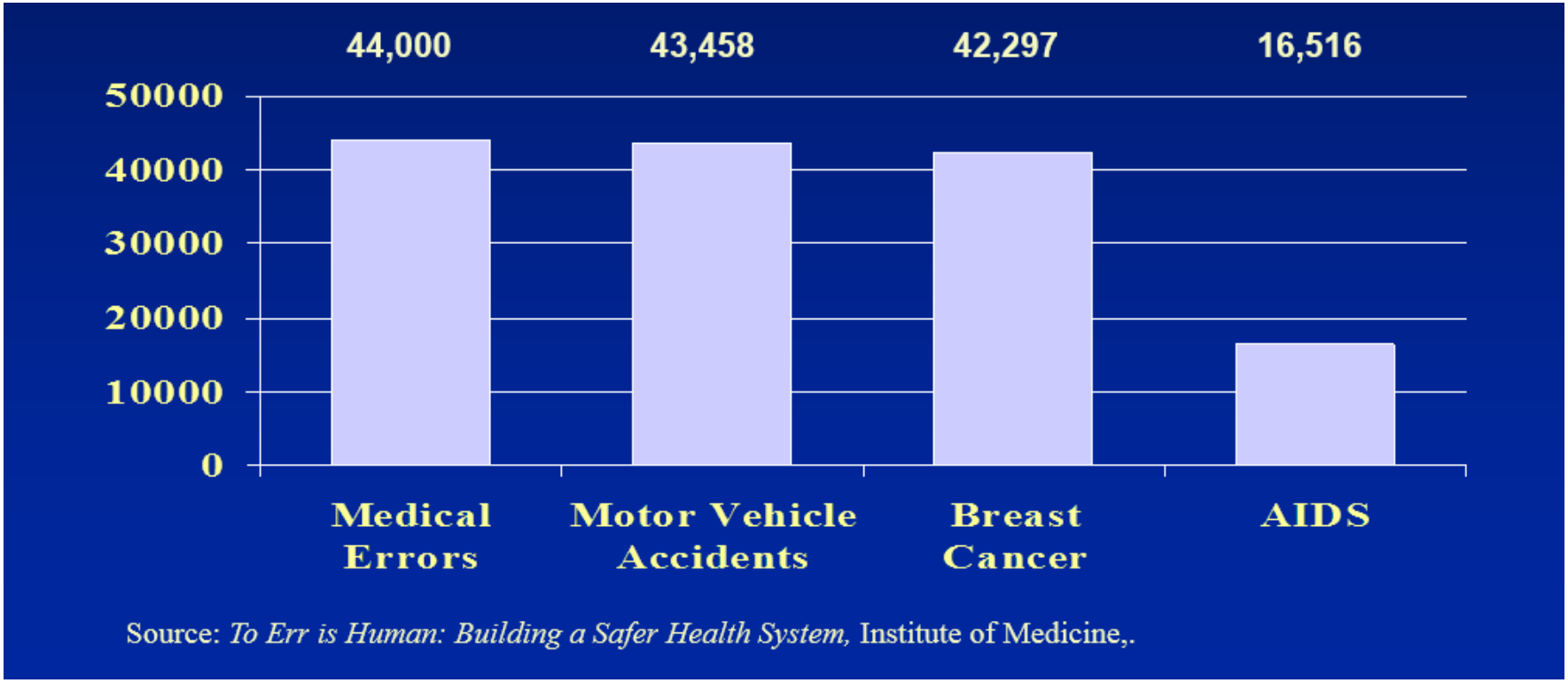
Centers for Medicare & Medicaid Services

McGlynn et al reviewed charts of 6,712 patients in 12 American Cities

Patients received the proper diagnosis and care only 55% of the time

McGlynn, et al, N Engl J Med 2003

Medical Error is the 8th Leading Cause of Death

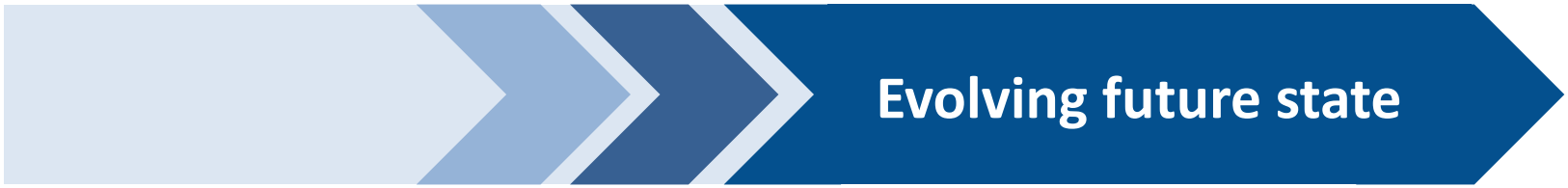


Who is the Culprit?

- Unfettered Fee-for-Service
- Fragmented, uncoordinated care
- Inadequate competition
- Excessive competition
- Inadequate incentives for patients

Evolution in the Health Care Delivery System

The delivery system is moving from fragmented quantity-based care towards coordinated value-based care



Characteristics of Care

- Fragmented Care
- Producer Centered

Payment and Policies

- Fee-For-Service Payment Systems

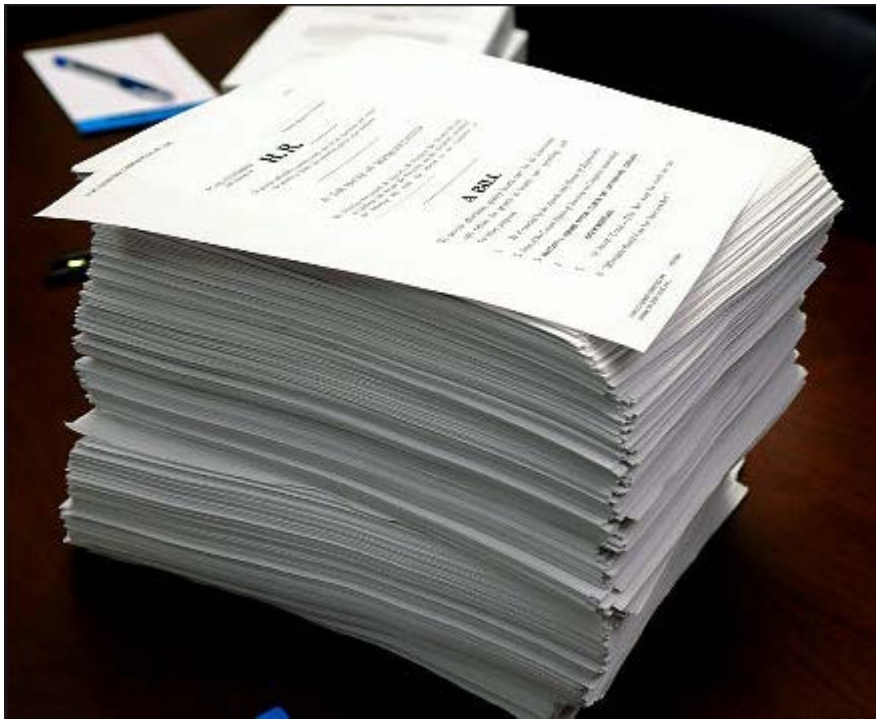
Characteristics of Care

- Coordinated Care
- Patient-centered

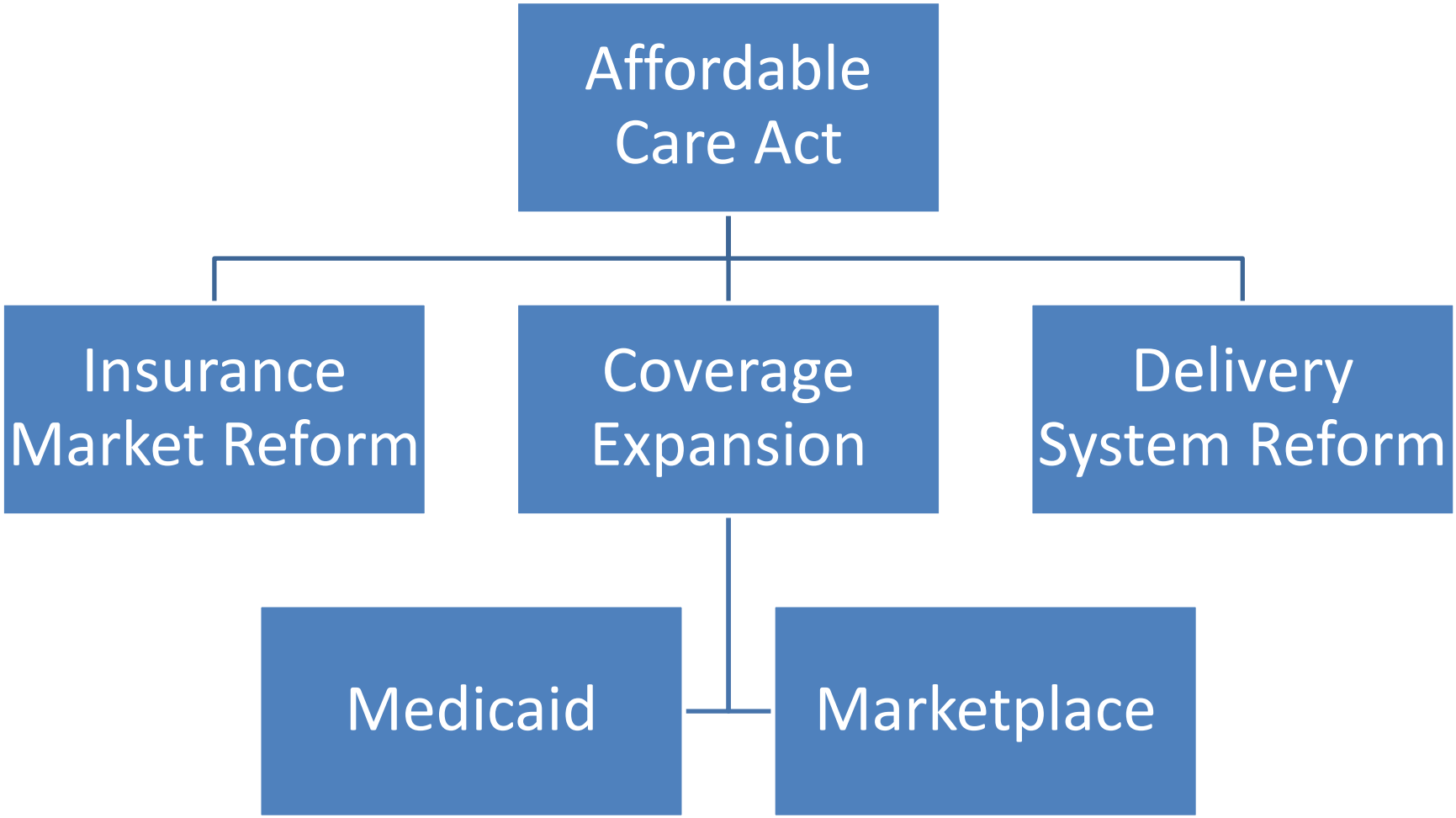
Payment and Policies

- Episode-based payments
  Alternative payment models
- Incentives for quality—value based payments

Affordable Care Act—2010 (ACA)



The ACA is Not Just About Coverage Expansion



Delivery System Reform Through the ACA (CMMI)

- Changing Payment Systems
  - Hospital Readmissions
  - Value Based Purchasing
- Holding Providers Accountable
  - Accountable care organizations ACOs
  - Bundled Payments for Care Improvement (BPCI)
- Tools to Improve Care
  - Incentives for HIT
  - Technical Assistance
  - Patient Centered Outcome Research Institute (PCORI)

ACA Programs

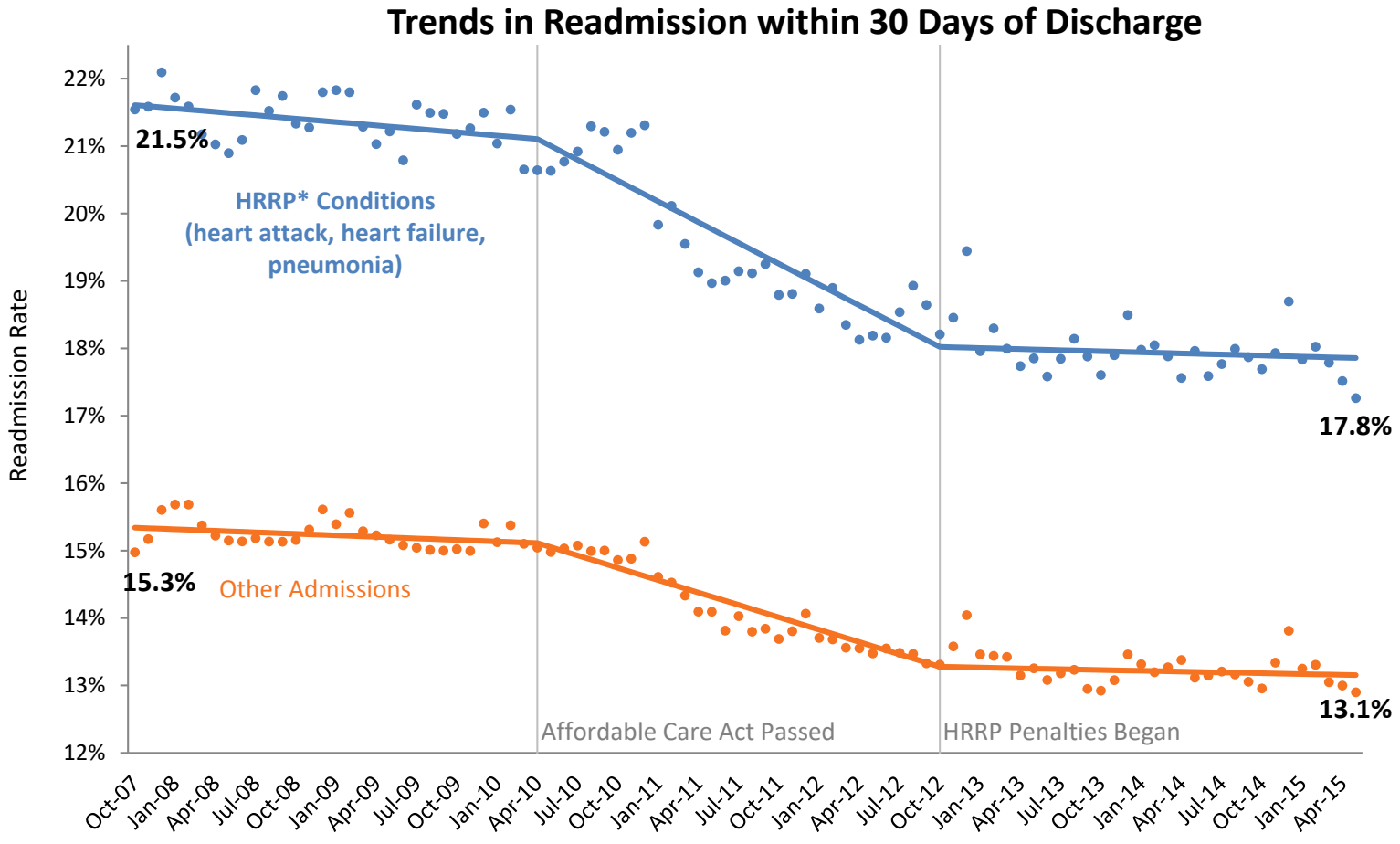
- **Hospital Readmission Reduction Program**
- Hospital Value Based Purchasing
- Accountable Care Organizations
- Bundled Payments for Care Improvement

Hospital Readmissions Reduction Program (HRRP)

- Established by the ACA (2010), Penalties initiated FY 2013
- Up to 3% penalty for high readmission rate (“excess” readmissions)
- Initially three conditions: AMI, pneumonia, heart failure
- Roughly two thirds of hospitals penalized each year

Did the Hospital Readmissions Reductions Program (HRRP) Catalyze Changes in Behavior and Lower Readmissions?

Hospital Readmissions Have Declined Since the ACA

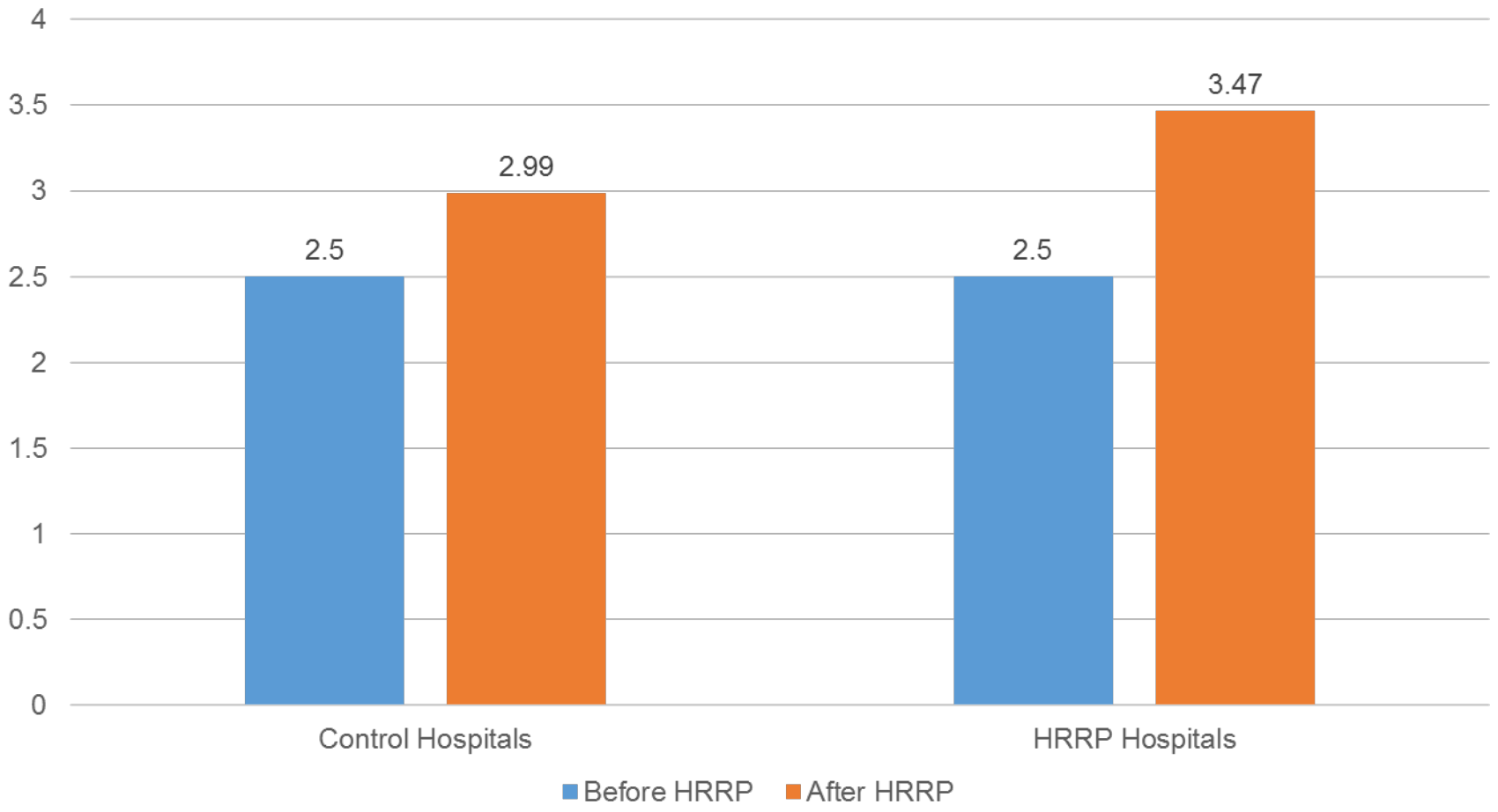


*HRRP: Hospital Readmissions Reduction Program. Heart attack, heart failure, and pneumonia were used in the program beginning in October 2013. Chronic obstructive pulmonary disease and hip and knee replacement were added in October 2015 and are not included in this graph.

Zuckerman et al, N Engl J Med, 2016

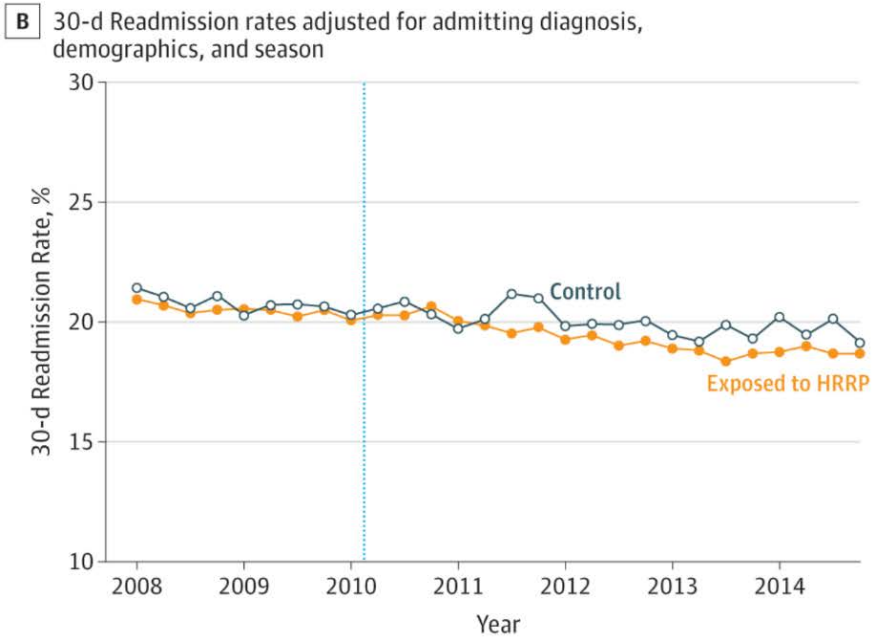
What Are the Worries?

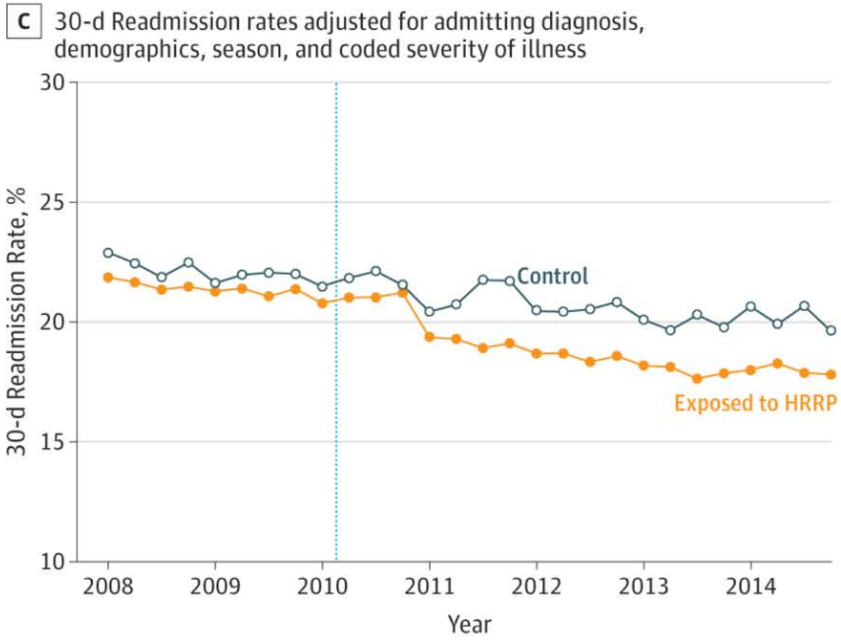
Comorbidity Count Increased in HRRP Hospitals After Start of the HRRP in April 2010



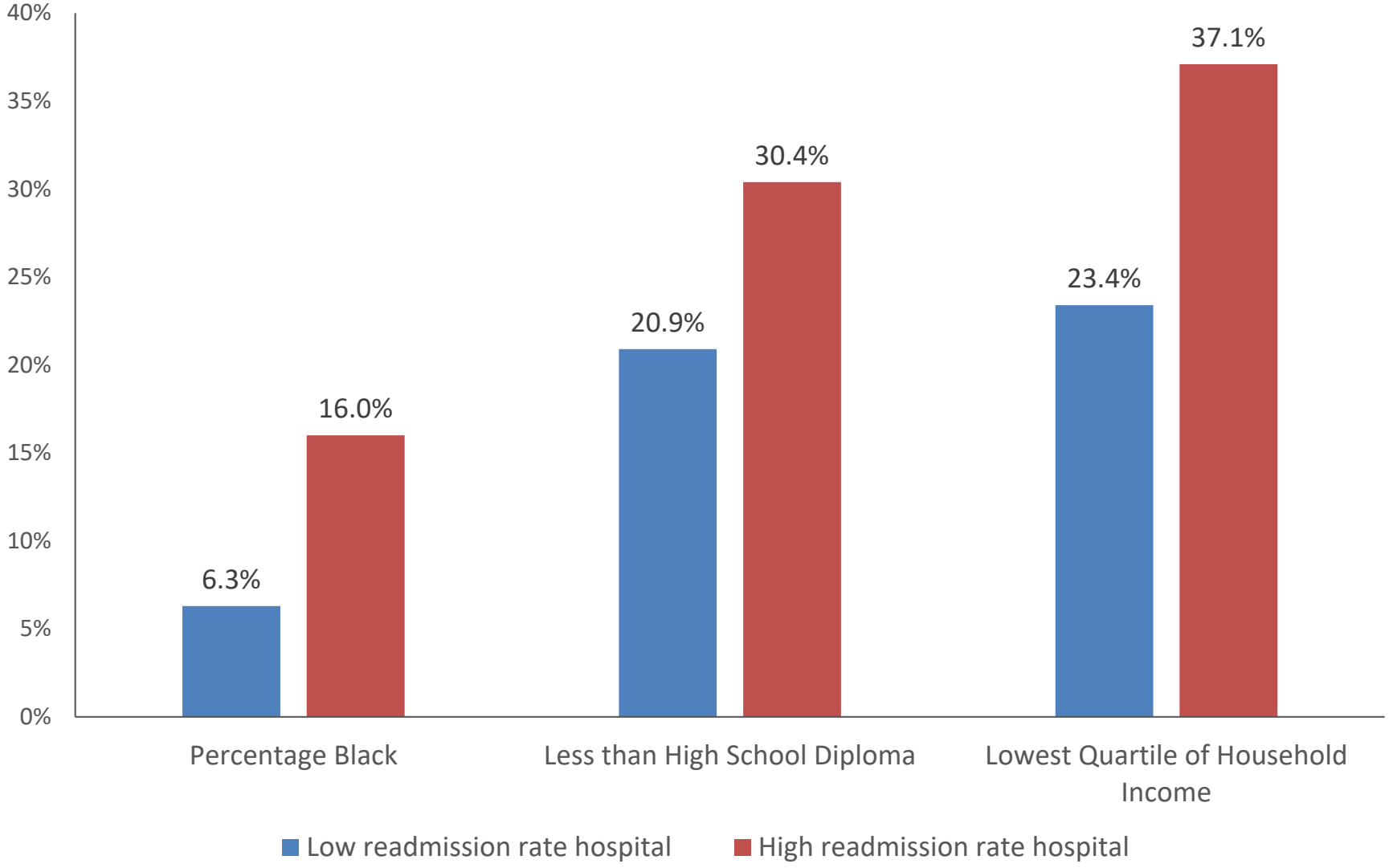
Source: Ibrahim et al. JAMA Internal Medicine 2017.
1/08 to 4/10 vs. 4/10 to 12/14

63% of the Reduction in Risk-Adjusted Readmissions After HRRP Was Due to Increases in Comorbidities





Hospitals With More Minorities, Less Educated and Poorer Patients are More likely to be Penalized?



Barnett et al., JAMA IM 2015. Courtesy Ashish Jha

ACA Programs

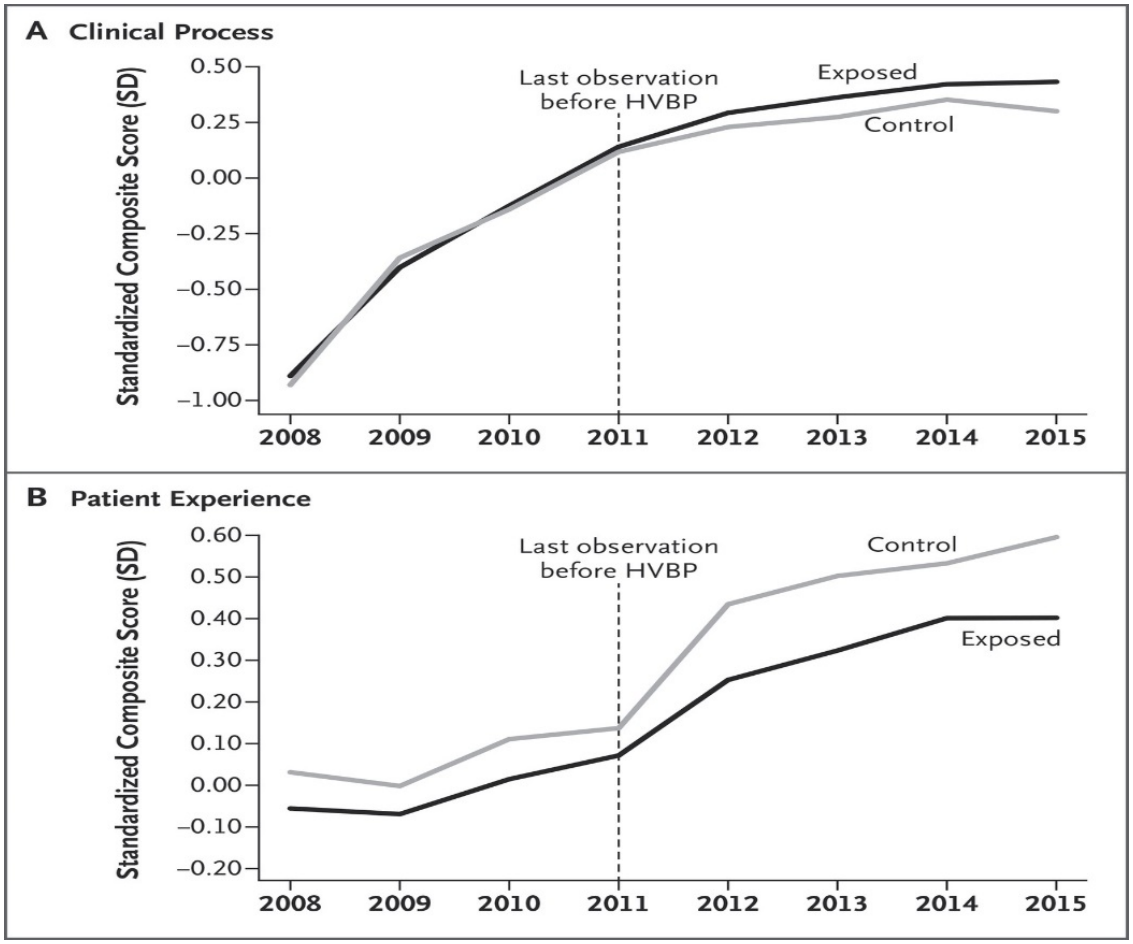
- Hospital Readmission Reduction Program
- **Hospital Value Based Purchasing**
- Accountable Care Organizations
- Bundled Payments for Care Improvement

Hospital Value Based Payment (HVBP, formerly known as P4P)

- Established in FY 13
- Budget Neutral: 1% of Medicare payment going to 2% in FY 17
- Broad set of quality metrics
  - Clinical Process (5%):
  - Patient experience (25%)
  - Outcomes (25%) e.g. CHF mortality
  - Safety (20%) e.g. Hospital acquired infections
  - Efficiency (25%)

Has Hospital VBP Been Successful in Improving Quality?

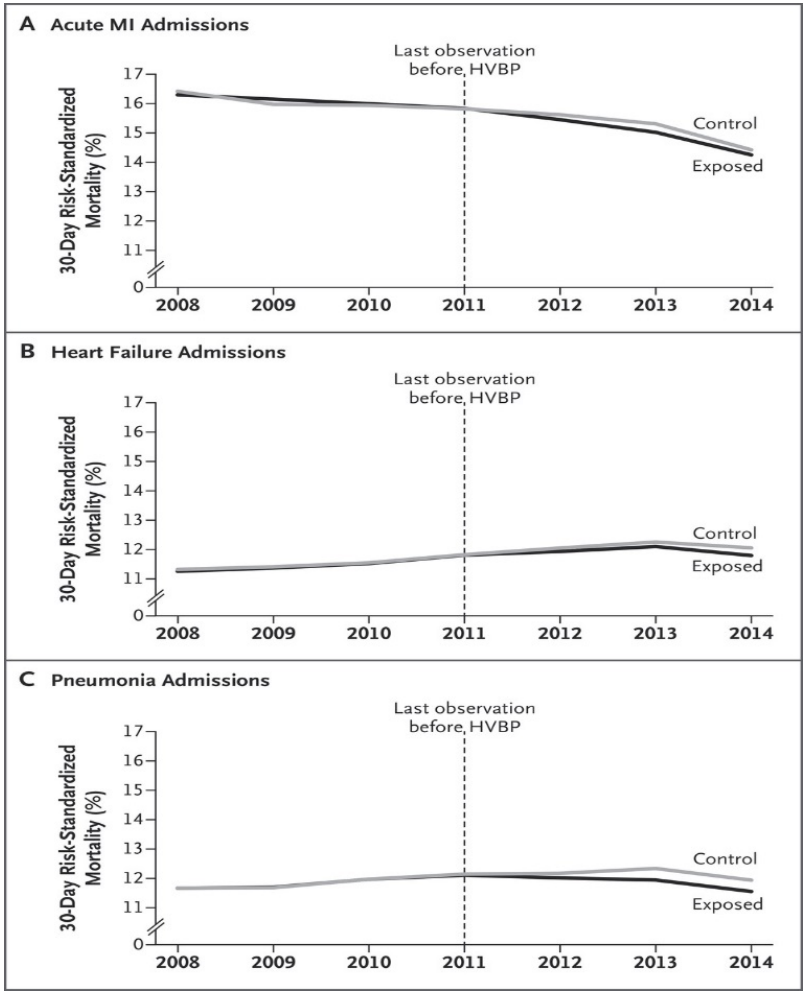
Standardized Clinical-Process and Patient-Experience Performance among Matched Exposed and Matched Control Hospitals, 2008–2015.



Ryan AM et al. N Engl J Med 2017;376:2358-2366.

The NEW ENGLAND JOURNAL of MEDICINE

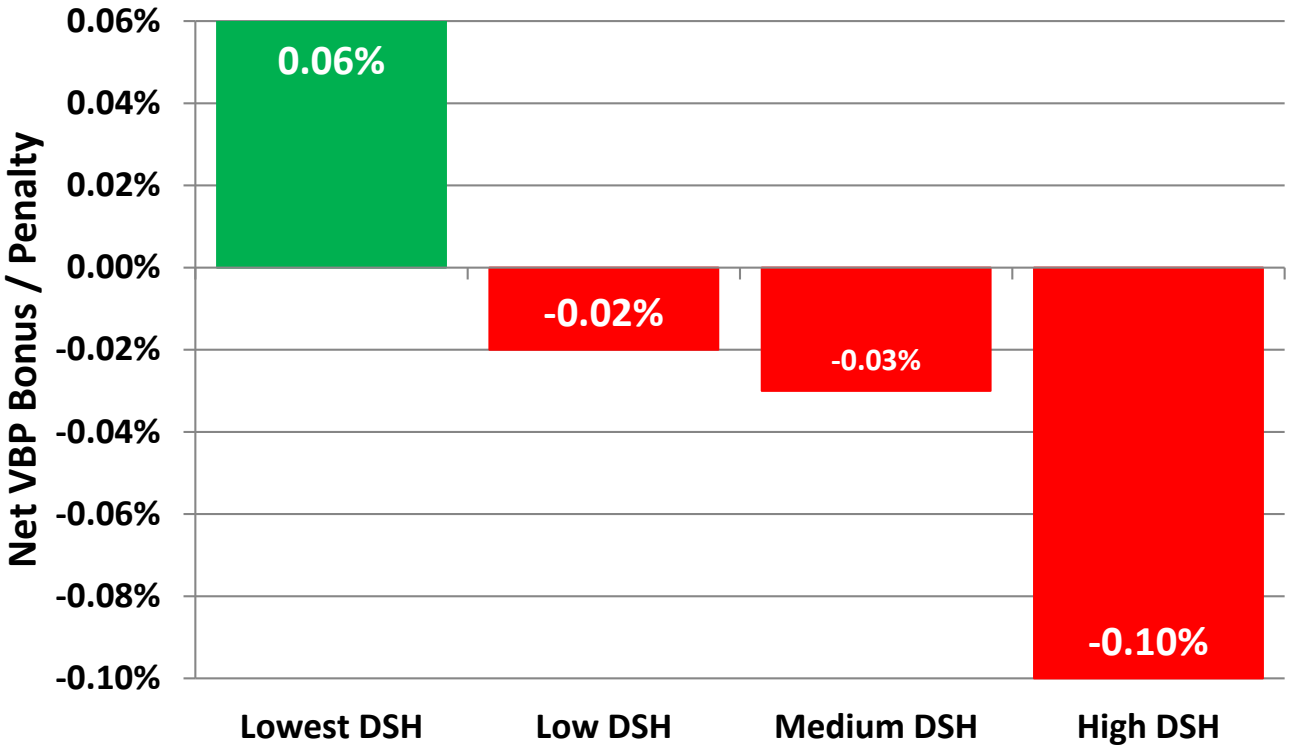
30-Day Risk-Standardized Mortality among Hospitalized Patients With Acute Myocardial Infarction (MI), Heart Failure, or Pneumonia in Exposed and Matched Control Hospitals, 2008-2014.



Ryan AM et al. N Engl J Med 2017;376:2358-2366.

What About Unintended Consequences?

Unintended Consequences: Penalizing Hospitals Caring for Indigent Patients



Jha, Online Blog, 2014

ACO Programs

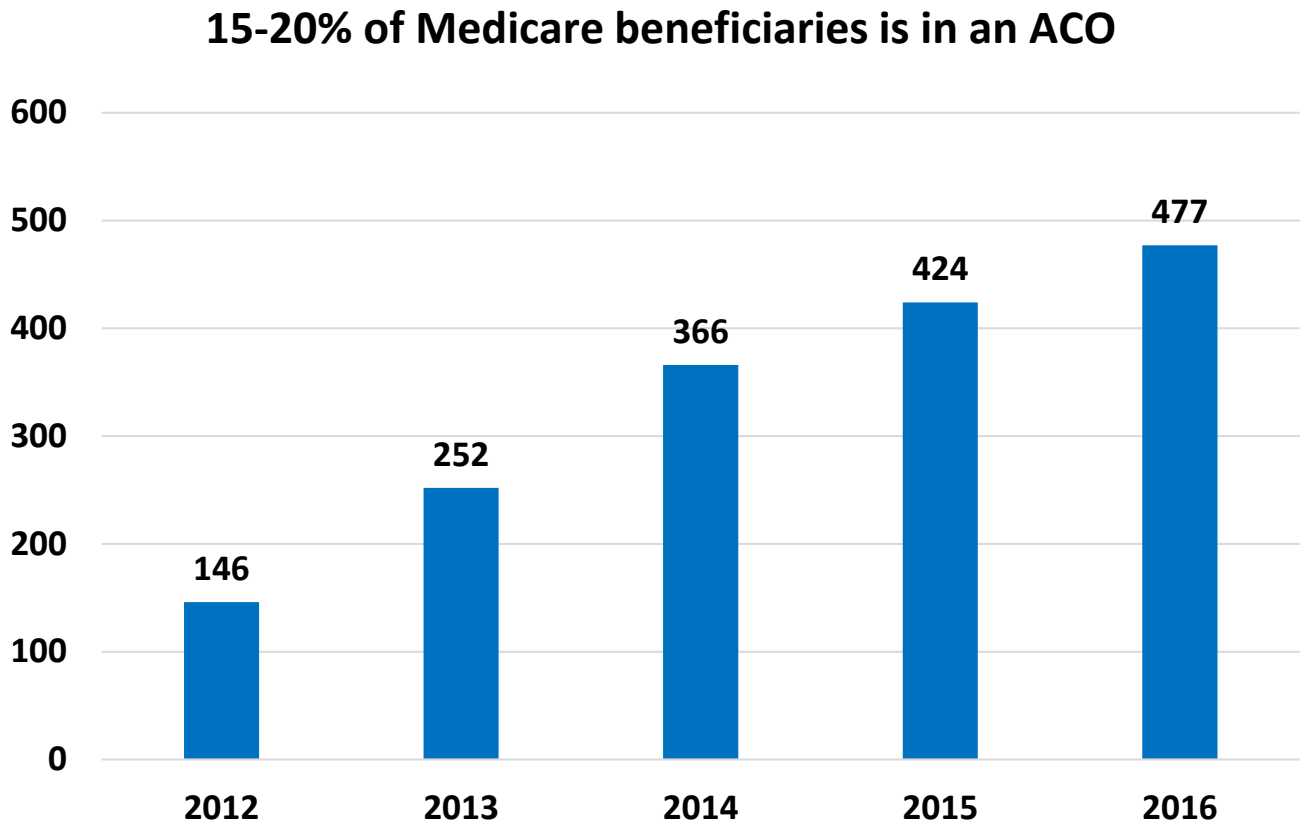
- Hospital Readmission Reduction Program
- Hospital Value Based Purchasing
- **Accountable Care Organizations**
- Bundled Payments for Care Improvement

Accountable Care Organizations (ACOs)

- Groups of providers that take responsibility for care of a population
- If medical expenditures are below the benchmark providers get a share of the savings; if above the benchmark may have to pay a penalty
- Financial incentives for meeting various quality standards
- Medicare Shared Savings Program and Pioneer established by the ACA

How are ACOs doing?

The Medicare Shared Savings Program is Growing



Medicare Shared Savings Program (Almost all one sided risk)

Quality Results- positive

- ACOs that reported in both 2013 and 2014 improved average performance on 27 of 33 quality measures

Financial Results- mixed to weakly positive

- In 2015:
  - 203 ACOs (52%) held spending $1.56 billion below their targets
  - 189 ACOs (48%) spent more than their targets by 1.13 billion
  - Initial Savings to CMS $429 million, cost CMS shared savings $645 million, Net impact to CMS: loss of $216 million

Source: Ashish Jha Blog, August 2016; CMS fact sheet 2015

ACOs in the program for longer are doing better (2015 Data)

Initial Year	Net Per Capita Savings
2012	$46
2013	-$60
2014	-$83
2015	-$33

ACA/CMMI Program

- Hospital Readmission Reduction Program
- Hospital Value Based Purchasing
- Accountable Care Organizations
- **Bundled Payments for Care Improvement (BPCI)**

Bundled Payments for Care Improvement Initiative is Sizeable

- The bundled payment model targets 48 conditions with a single payment for an episode of care
- In the most popular version hospitals or physician group practices are accountable for initial hospitalization and all care received in the following 90 days and share in any gains or shortfalls
  - Provides incentives for quality of care as well
- More than 2000 organizations participating as awardees or episode initiators by July 2015

* Current until July 2015

Source:CMS Fact Sheet, August, 2015

Despite Little Information on BPCI, It Has and Will be Expanding

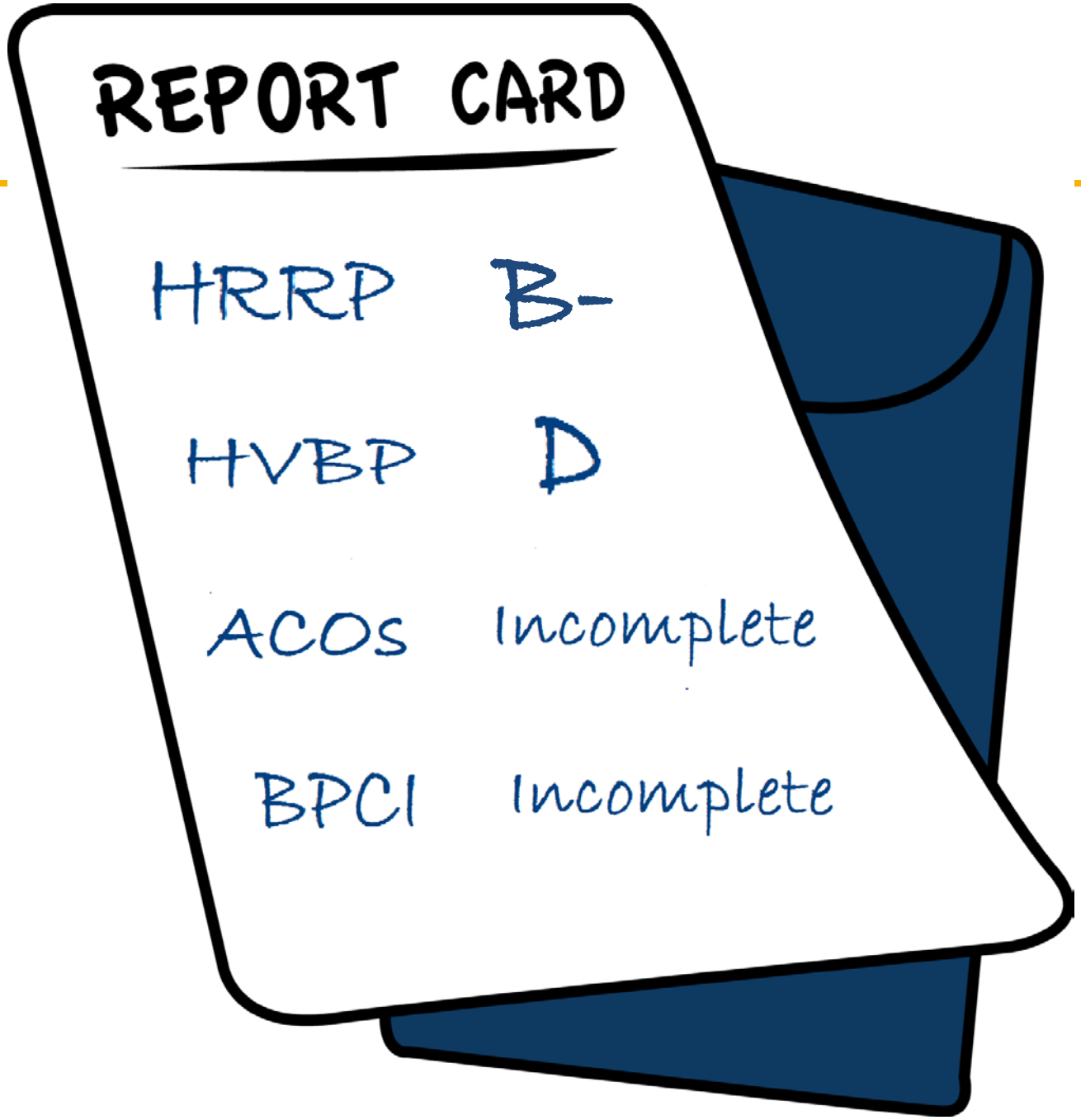
- Preliminary evaluation by the Lewin group examined 11 of 48 conditions and found savings for one: total hip or knee replacement.

Nonetheless

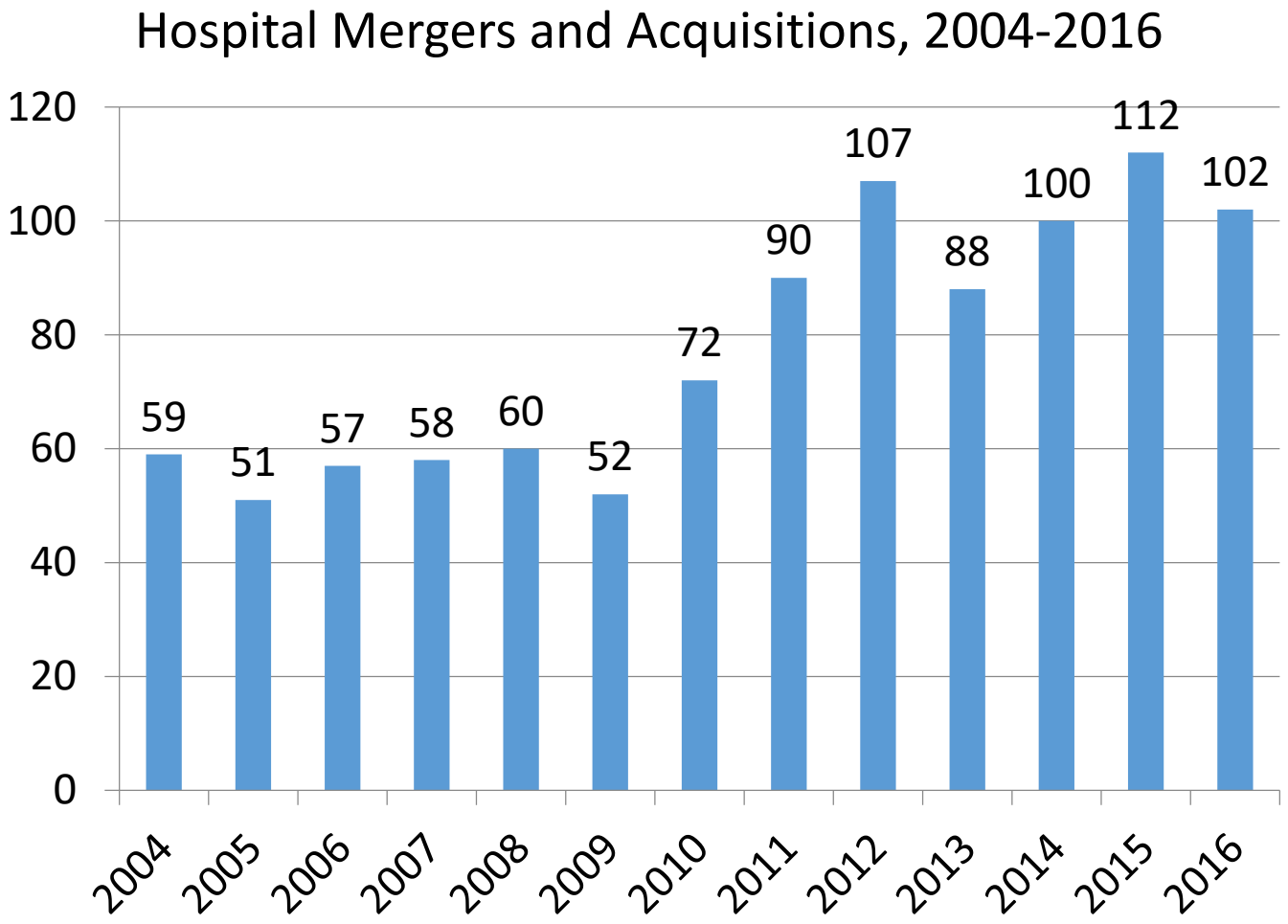
- Mandatory bundle for total joint replacement began in 8 states in April, 2016
- New version of voluntary BPCI due to start in October, 2018 for 27 Conditions and 3 procedures

To Summarize---The ACA and Other Forces Kindled Lots of Activity

- Some of it seems helpful
- Several programs show promise
- Further adjustments and additional time may help
- Overall is it winner—at this point, not so clear
- No home runs yet

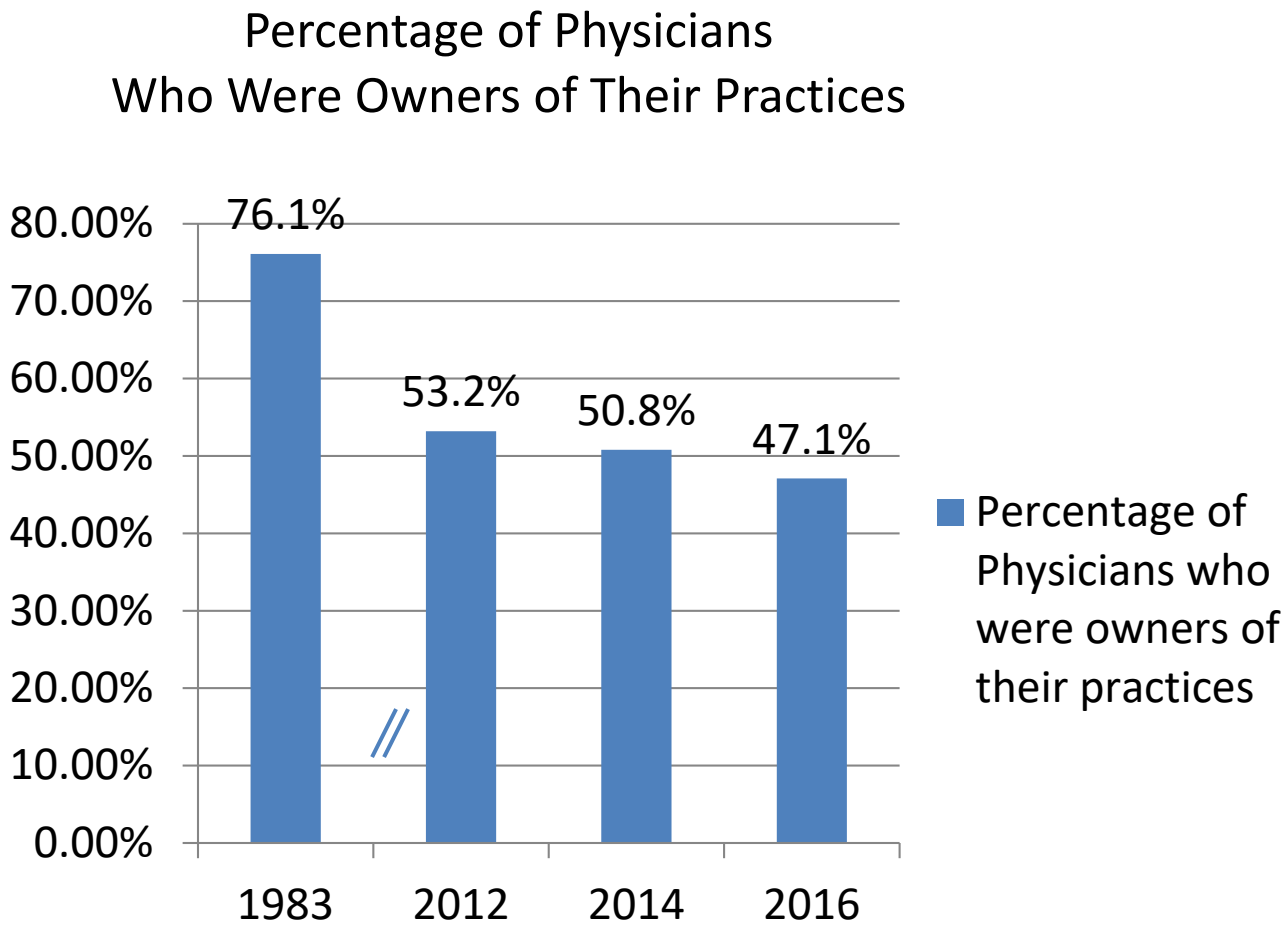

REPORT CARD
HRRP B-
HVBP D
ACOs Incomplete
BPCI Incomplete

The Delivery System is Consolidating



Source: American Hospital Association, Modern HealthCare

Independent Physicians are Steadily Disappearing



Source AMA 2017 Updated data on physician practice arrangements

Goals for Medicare

Federal targets for moving towards value-based payments in Medicare FFS system

Alternative Payment Models

2016 **30%** → **50%** 2018

FFS Linked to Quality or Value

2016 **85%** → **90%** 2018

What to Expect Going Forward

- An oasis of partisan support remains for delivery system reform
- Continued evolution in payment systems with more risk to providers
- More emphasis on efficiency and costs
- Further integration and consolidation
- Expansion of activity to aid practice transformation
  - More IT, practice facilitators, management partners
- A long journey ahead

We Have Made Progress – But it is a Long Way to the Finish Line

End of Presentation