Brave New World?

HEALTH SYSTEM REFORM
HEALTH CARE ENVIRONMENT - 2011

- Health Care Cost Trends
- Budget Deficit
- Debt Ceiling
- Demographics
- Immediate Challenges
  + SGR Adjustment, 2012 – Negative 29.2%
  + IPAB – Starting 2014 – “SGR on Steroids”
HEALTH CARE COST TRENDS

U.S. healthcare spending

16.0% of GDP in 2007

Source: OECD Health Data 2009.
THE NATIONAL DEBT
MITIGATING FACTORS

- Cost of Medical Education
- Cost of Custodial Care
- Other “Medicalized” Social Issues
- Population Diversity
- Immigrants with Pent-Up Medical Needs
- Investor Owned Sectors
  + Hospital, Pharmaceutical, Durable Medical Eqpt.
NOT TO BE FORGOTTEN
MOTHER’S WHEELCHAIR

- Internet Wheelchair
  - $72.00 (and up)

- Medicare Wheelchair
  - Rent to Own
  - 13 Months Rent ($85.00)
  - Total Cost $1,105.00
  - (At least there’s no sales tax) ($107.74)
  - 20% co-pay $221.00

- Before 2008, $115.00/month
PAYMENT REFORM

- Building Blocks
  - Pay More for Certain Services
  - Pay Based on Quality of Services
  - Combining Services into Single Payment
  - Pay Depending on Cost of Others’ Services
  - Pay to Support/Incentivize Specific Structures
PAYMENT SYSTEM CHANGES

- Condition/Severity Adjustment
- Outlier Adjustment/Risk Corridors
- Price-Setting
- Quality, Resource Use; Performance Targets
- Patient Attribution Rules
- Insurance Benefit Design (Value, Wellness)
MODELS FOR PAYMENT REFORM

- Patient-Centered Medical Home
- Episode of Care Payment
- Global Payments
OPPORTUNITIES FOR DOCTORS

- Pay for Desirable Services Not Currently Paid
- More Pay for High Quality Care
- Greater Flexibility to Individualize Services
- Predictable Revenues through Capitation
- Reward for Reducing Health Care Costs
CHALLENGES FOR DOCTORS

- Inadequate Payment New, Bundled Services
- Shift, Reduce Payments From Current Services
- Too High Performance Standards
- Increased Administrative Costs
- Timely Data for Planning and Improvement
- Increased Capital Needs
- Reduced Service Volume due to Above
- Effective Penalty for Higher Baseline Quality
REQUIRED CAPABILITIES - 1

- Achieve Sufficient Patient Volume
- Sufficient Capital *up front*
- Team Experience in Implementing Services
- Team Experience in Quality Improvement
- Resources for High Quality Service Delivery
- Access External Services – Patient Adherence
- Data Analysis Variation, Episode Costs
REQUIRED CAPABILITIES - 2

- Skills for Efficiency Improvement
- Analysis: Cost, Quality - Other Providers
- Reduce Utilization, Costs
- Manage Other Providers’ Services
- Access Sufficient Capital for New Services
- Access Sufficient Capital – Reserves
- Claims Payment; Division of Remainder
- Control Patient Choice – Providers, Services
ACCOUNTABLE CARE ORGANIZATIONS

- Many Possible Models May Succeed
- *Outcome* not *Structure*
- Strong Primary Care
  - Prevention, Early Diagnosis, Chronic Disease Mgmt
- Coordination Among Doctors
- Hospital *not* Required to be in ACO
INDIVIDUAL DOCTOR COMPENSATION

- Doctor’s Own Performance
- Organization’s Overall Performance
- Factors Unrelated to Revenues (Quality, etc.)
- Salary
- Key Factors
  + Hospital Included?
  + Legal Barriers
  + New Services, Financial Reserves
MARKET STRUCTURE

- Multiple Small Payers
  + Different Payment Models
- Dominant Payer
  + May Refuse to Implement Changes Needed
- Dominant Provider (Hospital, Specialty Group)
  + May Refuse to Accept Change
  + Increase Prices
LEGAL ISSUES

- Physician Self-Referral, Payments for Referrals
- Payments to Reduce Services, Financial Risk
- Tax-Exempt Hospital Payment Limitations
- Joint Action Prohibition (Anti-Trust)
- Corporate Practice Limitations
- Construction Limitations
- Professional Liability Laws
- Limitation on Benefit Design Changes
SUMMARY

- Change is A Certainty
- New and Changing Alliances
  + Focus on Interests, Not Positions
- *Divide et Impera; Divide ut Regnes*
  + Specialty
  + Practice Structure
  + Urban, Rural
  + And, Anything Else They Can Think Up