Creating a High Performance Health System: The Importance of Delivery System Reform

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Agenda

• Challenges
• Alternatives
• Next Steps
  – ACA
  – Confronting Costs
• Implications for Medicaid Officials
COST
- Billions in unnecessary and wasteful spending
- Overuse puts patients at risk, drains resources, and makes healthcare less accessible and less effective

QUALITY
Despite rapid advances, thousands of patients die each year from medical error

A BROKEN SYSTEM

COVERAGE
55 million uninsured; many more underinsured
30 Percent of Working-Age Adults Uninsured Now or During the Past Year

Percent of adults ages 19–64

<table>
<thead>
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<th>Year</th>
<th>Insured now, time uninsured in past year</th>
<th>Uninsured now</th>
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<tbody>
<tr>
<td>2003</td>
<td>9</td>
<td>17</td>
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<td>2005</td>
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<td>18</td>
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<td>2010</td>
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<td>20</td>
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<td>2012</td>
<td>10</td>
<td>19</td>
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Note: Totals may not equal sum of bars because of rounding.
In 2012, Nearly Half of Adults Were Uninsured During the Year or Were Underinsured

- **Insured all year, not underinsured**: 54% (100 million adults)
- **Uninsured during the year**: 30% (55 million adults)
- **Insured all year, underinsured**: 16% (30 million adults)

**184 million adults ages 19–64**

Note: Numbers may not sum to indicated total because of rounding.
* Combines “Uninsured now” and “Insured now, time uninsured in past year.” ^ Underinsured defined as insured all year but experienced one of the following: out-of-pocket expenses equaled 10% or more of income; out-of-pocket expenses equaled 5% or more of income if low income (<200% of poverty); or deductibles equaled 5% or more of income.
Cumulative Increases in Health Insurance Premiums, Workers’ Contributions to Premiums, Inflation, and Workers’ Earnings, 1999-2013

U.S. Health in International Perspective: Shorter Lives, Poorer Health

- Americans live shorter lives and are in poorer health at any age
- Poor outcomes cannot be fully explained by poverty or lack of insurance
- White, insured, college-educated, and upper income Americans are in poorer health than their counterparts in other countries
Huge Geographic Variability in Health System Performance

Overall Health System Performance for Low Income Populations

Overall Performance
- Top Quartile (12 states)
- Second Quartile (13)
- Third Quartile (13 + D.C.)
- Bottom Quartile (12)

Source: Commonwealth Fund Scorecard on State Health System Performance for Low-Income Populations, 2013.
International Comparison of Spending on Health, 1980–2011

Note: $US PPP = purchasing power parity.
U.S. Health Spending is Larger Than the GDP of Most Nations

Notes: Data from 2011, adjusted for differences in cost of living
Compelling Need to Eliminate Waste in US Health Care

Looking Back: What We Could Have Saved if We Had Matched the Next Highest Country (Switzerland)

Looking Forward: A Durable Reduction in Spending Growth Offers $770 Billion in Potential Public Sector Savings

Health Policy at a Fork in the Road

Benefit and Price Reduction

OR

Fundamental Delivery System Reform

Regardless of how you envision the role of government, health care and the markets in which it’s purchased need to be improved
We can’t approach our health system problems until we get costs under control

**Cost Control is Job 1**
Improving Performance

Microsystems

Macrosystems

Health System Performance
People, processes and practices that interact directly with patients or support patient care at the local level (the “sharp end”).
Macrosystems

Organizations and environmental forces that support and influence microsystems (the “blunt end”).
Interventions That Work: Microsystem

Microsystems

- Primary Care
- Reminder Systems
- CDS/CPOE
- Care Coordination
- Toyota Production System
We have failed to create macrosystems that encourage and support use of these solutions, thereby changing the behavior of large numbers of Microsystems and raising the performance of the health care system as a whole.
We need to make it easier to do the right thing...
Improving Performance

Microsystems

Health System Performance

Macrosystems

Affordable Care Act and State/Medicaid Policy
The Affordable Care Act

- Reduced Payments for Avoidable Complications
- Medicare Advantage Plan Bonuses
- Bundled Payments
- Physician Quality Reporting System
- Value Based Purchasing
- Accountable Care Organizations
- Hospital Inpatient Quality Reporting
- Medical Homes
- Meaningful Use
Synergistic Policies to Stabilize Costs and Improve Outcomes

• Goal: Create incentives and structures for better care and lower cost throughout the continuum of health care services

• Bite the Bullet: National per Capita Cost Target

• Three pillars:
  – Payment Reforms to Accelerate Delivery System Innovation
  – Policies to Expand and Encourage High-Value Choices
  – Other Actions to Improve How Health Care Markets Function
One of Many Frameworks
Shared Approaches to Confronting Costs

• Provider payment reform
  – Repeal Medicare sustainable growth rate formula
  – Move from paying for volume to paying for value
  – Enhance support for primary care

• Delivery system reform
  – Encourage development and implementation of innovative delivery models

• Medicare reform
  – Improve financial protection for beneficiaries
  – Provide positive incentives for choosing high performing providers

• Consumer/patient engagement

• Enhancing performance of health care markets
  – Increase transparency of quality and cost information
  – Eliminate administrative inefficiency
Good News: Integrated Care Movement is Spreading

Note: the sum of the ACOs reflects the total number of unique, publicly identifiable, confirmed private-payer ACOs as of 08/2012 and public-payer ACOs as of 01/2013.
More Good News: Spending Growth Rate Has Slowed Recently

Many States are Actively Pursuing Delivery System Reform

- CMS State Innovation Models (SIM) Initiative provides funding and technical assistance to help states plan, design, and test new service delivery and payment models to advance broad health system reform

- Vermont Blueprint for Health includes medical home, bundled payment, ACO, and multi-payer initiatives

- Accountable Care Collaborative Program in Colorado encourages care coordination with shared savings and risk agreements

- ACOs in Minnesota entering into risk arrangements with Medicaid to achieve better health outcomes while being held accountable for the total costs of providing care to their patient populations

- Further initiatives in AZ, AR, and SC, among others
CMMI launched SIM in July 2012 to assist states in planning, designing, and testing new payment and delivery system models to advance broad health system transformation.

Emphasis on state flexibility while improving population health through multi-payer models that integrate public health and community resources.
Medicaid/CHIP Participation in Accountable Care Models, Sept. 2013

State ‘Accountable Care’ Activity Map

Source: CMWF supported NASHP tracking project: http://nashp.org/state-accountable-care-activity-map
Medicaid Medical Home Payments and Multi-Payer Initiatives as of Sept. 2013

States with Multi-Payer Initiatives

States making Medical Home payments

More Delivery System Reform Models for Serving High Cost Patients

• On Lok Lifeways' PACE (Program of All-inclusive Care for the Elderly)
  – Participants have access to medical care, social activities, exercise and meals at On Lok Lifeways centers

• Commonwealth Care Alliance
  – Offers a full spectrum of medical and social services for older people and the physically and mentally disabled

• Bridges to Health Model
  – Divides the U.S. population into eight groups and offers a series of population-focused priorities

• Promoting Integrated Care for Dual Eligibles
  – Expands the capacity and scalability of existing well-performing integrated managed care plans that serve dual eligibles
New Payment Arrangements Offer Potential for New Focus on Population Health

- Acute care system won’t adopt a true population health perspective, but there are opportunities
Is This the Dawn of a New Day?
The Answer is Partially Up to You