

Bending the Curve: Effective Steps to Address Long-Term Health Care Spending Growth

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The Brookings Institution

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Outline

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Objectives and Process

- Addressing growth in health spending is a top priority for Congress and the Administration.
- Yet identifying a feasible set of reforms that can lower cost growth while improving quality has proven challenging.
- Brookings convened experts in health policy and economics to develop consensus around feasible, concrete steps that together can slow spending growth and improve care quality.
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Four “Pillars” of Effective Health Care Reform

- The overarching strategy consists of four interrelated pillars:
 1. Building the Necessary Foundation for Effective Reform
 2. Reforming Payments to Create Accountability for Higher-Value Care
 3. Improving Health Insurance Markets
 4. Supporting Better Individual Choices

Pillar 1: Build the Necessary Foundation for Cost Containment and Value-Based Care

- **Ensure that Investments in Health IT are Effective**
 - Link “meaningful use” health IT bonuses to achieving better results
 - Create interoperability and provider communication standards
 - Fund technical support programs
- **Make the Best Use of Comparative Effectiveness Research (CER)**
 - Create an entity to allocate CER funding
 - Emphasize areas of medical uncertainty and provider practices
 - Protect providers and insurers from liability when they use available evidence
- **Improve the Health Care Workforce**
 - Create incentives for states to amend scope of practice laws
 - Align payments to better support the use of allied health professionals
 - Reform graduate medical education payments

Pillar 2: Reform Payment Systems to Create Accountability for Lower-Cost, High-Quality Care

- **Initial Reforms: Adjust FFS Payments in Medicare and Medicaid**
 - Broaden bundled payments
 - Expand P4P programs using outcome and patient experience measures
 - Increase payment rates for primary care
 - Support initial medical home payments
 - Ensure Medicare payments support use of allied health professionals
 - Reduce payments for lower-value care
 - Increase spending on programs to reduce fraud, waste, and abuse
 - Enable Medicare PDPs to share in savings created by the more effective use of prescription drugs
 - Establish a regulatory pathway for follow-on biologics

Pillar 2: Reform Payment Systems (*cont.*)

- **Key Reform 1: Build New Payment Systems for Provider Accountability**
 - Pilot accountable care organizations (ACOs)
 - Pilot “enhanced episode-based” and other related payment systems
 - Incorporate other bonuses into a transition to accountable payment systems emphasizing measurable impacts on quality and costs
- **Key Reform 2: Apply Pressure to “Non-accountable” Payments**
 - Establish “virtual” ACO incentives
 - Freeze market basket updates for non-accountable providers
- **Key Reform 3: Improve Payment/Coverage Flexibility & Rapid Learning**
 - Expand/streamline CMS pilot authority and resources
 - Support public/private regional collaborations
 - Empower an entity to ensure sustainability of Medicare/Medicaid
 - Reform medical liability to encourage and support accountable providers
 - Reform anti-trust laws and waivers from anti-gainsharing and Stark laws

Pillar 3: Improve Health Insurance Markets

- **Key Reform 1: Restructure Non-group/Small Group Insurance Markets**
 - Focus insurer competition on cost and quality
 - Establish health insurance exchanges
- **Key Reform 2: Reduce Inefficient Subsidies in Employer-based Insurance**
 - Cap the existing tax exclusion for employer-provided insurance
 - Adjust the cap based on plan demographics and location, but phase out geographic adjustments to put downward pressure on high-cost regions
- **Key Reform 3: Promote Competitive Bidding in Medicare Advantage**
 - Set local benchmarks at average bids
 - Establish significant quality bonuses
 - Consider a transition to include Medicare FFS in the bidding system

Pillar 4: Support Better Individual Choices

- **Key Reform 1: Reform Medicare Benefit Design to Promote Value and Beneficiary Savings**
 - Establish a global deductible and catastrophic out-of-pocket max for Parts A & B
 - Establish tiered, value-based insurance designs
 - Reform Medicare supplemental plans
 - Enhance and publicize provider quality and cost information
- **Key Reform 2: Promote Prevention and Wellness that Reduces Costs**
 - Target obesity reduction
 - Allow premium rebates for measurable health and risk-factor improvements
 - Provide public health outcome-based accountability
- **Key Reform 3: Support Patient Preferences for Palliative Care**
 - Encourage Medicare beneficiaries to file/regularly update advanced directives
 - Create a liability safe-harbor for providers adhering to advanced directives

Conclusion: Putting It All Together

- Slowing health care spending growth requires a systemic approach that addresses provider payment methods, benefit design, regulation, and health care institutions.
- The four reform pillars are interdependent and reinforcing. To be most effective, they should be implemented simultaneously as a linked series of steps.
- These reforms depend on a foundation of better tools and information to guide stakeholders in taking the many small steps necessary to transition toward high-value health care.