Reforming the Structure of Medicare Provider Payment: Where Do We Go from Here?

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**Typology of Recent Approaches in Medicare**

**Pay-for-Performance Systems**
Adjust fee-for-service payment amounts up or down based on provider-level measures of cost and quality performance.

**Alternative Payment Models**

- **Medical Home Models**
  Give primary care practices monthly per beneficiary payments in exchange for performing various care coordination activities.

- **Episode Payment Models**
  Replace fee-for-service payment with a single payment for all services during an “episode” of patient care.

- **Accountable Care Organization (ACO) Models**
  Permit providers who hold annual spending by their patients below a “benchmark” to keep a portion of the savings.
The Value-Based Payment Modifier: Program Outcomes and Implications for Disparities

Eric T. Roberts, PhD; Alan M. Zaslavsky, PhD; and J. Michael McWilliams, MD, PhD

Total Annual Medicare Spending per Beneficiary

Threshold of 10 Clinicians

Threshold of 100 Clinicians

Adjusted discontinuity estimate: $234 per beneficiary (95% CI, −$148 to $616 per beneficiary)

Adjusted discontinuity estimate: −$152 per beneficiary (95% CI, −$712 to $408 per beneficiary)
Readmissions, Observation, and the Hospital Readmissions Reduction Program

Rachael B. Zuckerman, M.P.H., Steven H. Sheingold, Ph.D., E. John Orav, Ph.D., Joel Ruhter, M.P.P., M.H.S.A., and Arnold M. Epstein, M.D.
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Estimated Effect of the Comprehensive Primary Care Initiative on Spending Per Beneficiary

Source: Peikes et al. (2018)
Estimated Effect of Episode Payment Models on Average Episode Spending

Note: Results for BPCI are weighted based on episode counts in the treatment group.
Estimated Effect of the Medicare Shared Savings Program on Spending of Aligned Beneficiaries

Source: McWilliams (2016)
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Three Important Unanswered Questions

• Will the effect of ACOs on spending grow as providers gain experience?

• How much room is there to strengthen incentives in ACO models, and will it affect performance?

• Will APMs have “systemic” effects on health care delivery not captured in standard evaluations?
A Tentative Path Forward

• End cross-cutting pay-for-performance programs

• Implement bundles on a mandatory basis for a range of clearly defined episodes, ideally via legislation

• Continue tinkering with medical homes, at modest scale

• Create stronger incentives for ACO participation

• Remember that APMs are only one available policy tool