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

Matthew Fiedler

USC-Brookings Schaeffer Initiative for Health Policy  
Brookings Institution

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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.

## 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

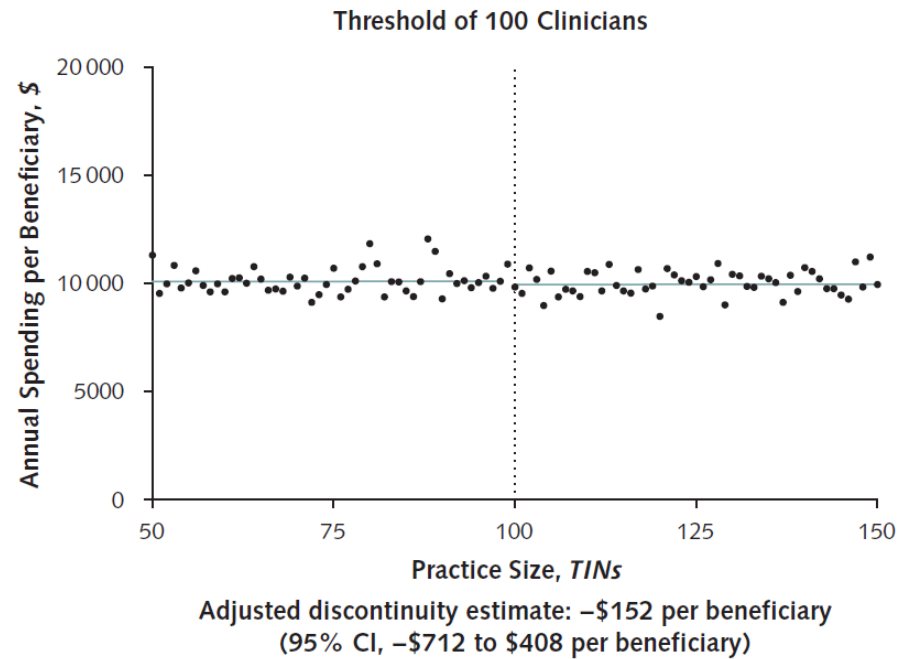
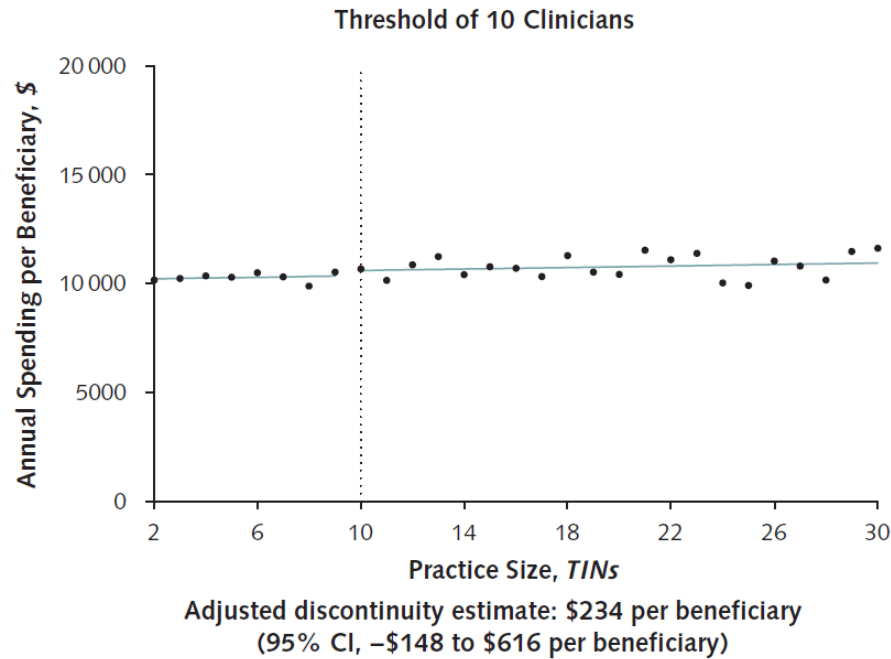
Permit providers who hold annual spending by their patients below a “benchmark” to keep a portion of the savings.

Alternative  
Payment  
Models

# 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

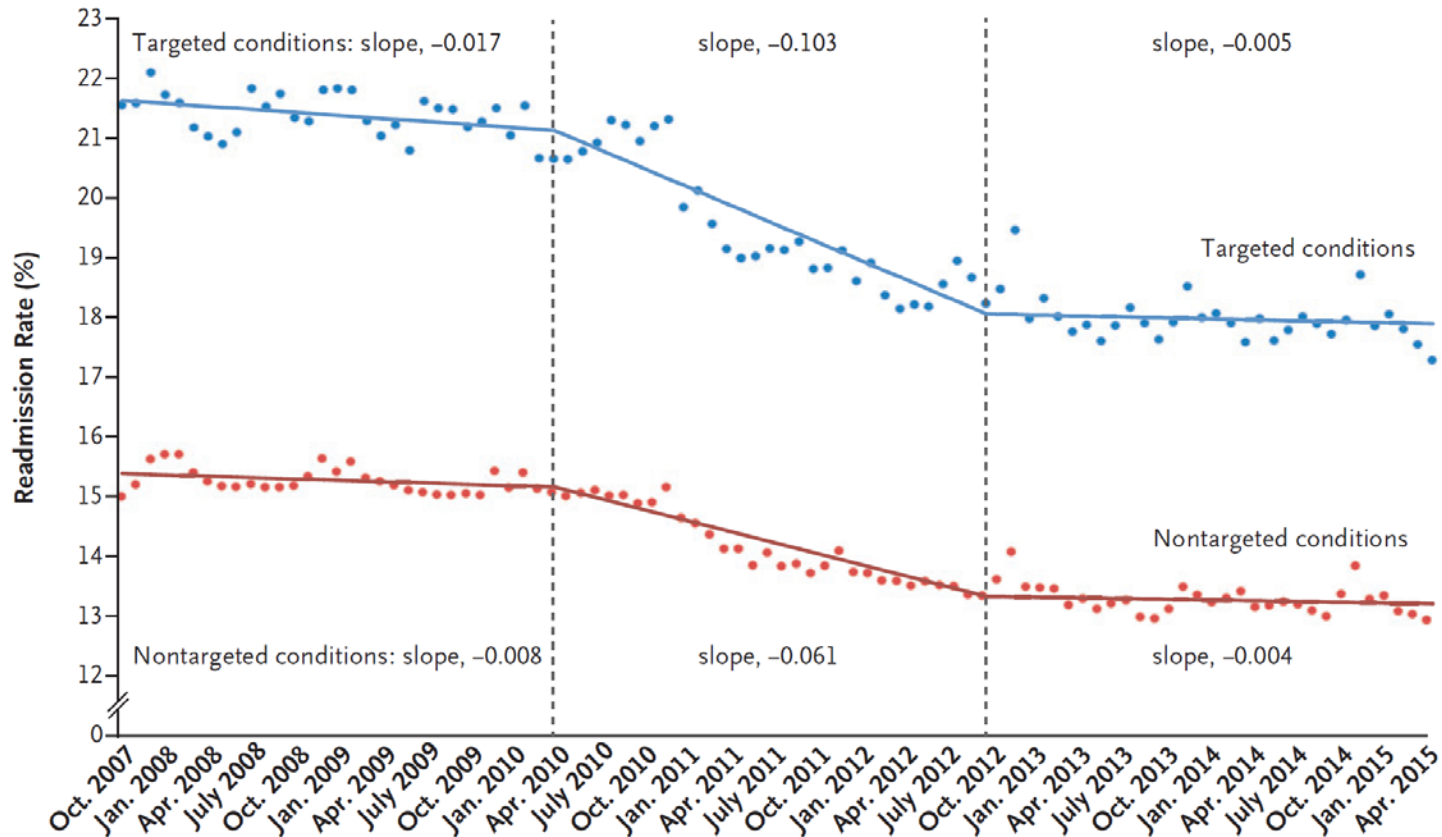
Total Annual Medicare Spending per Beneficiary\*‡



SPECIAL ARTICLE

# 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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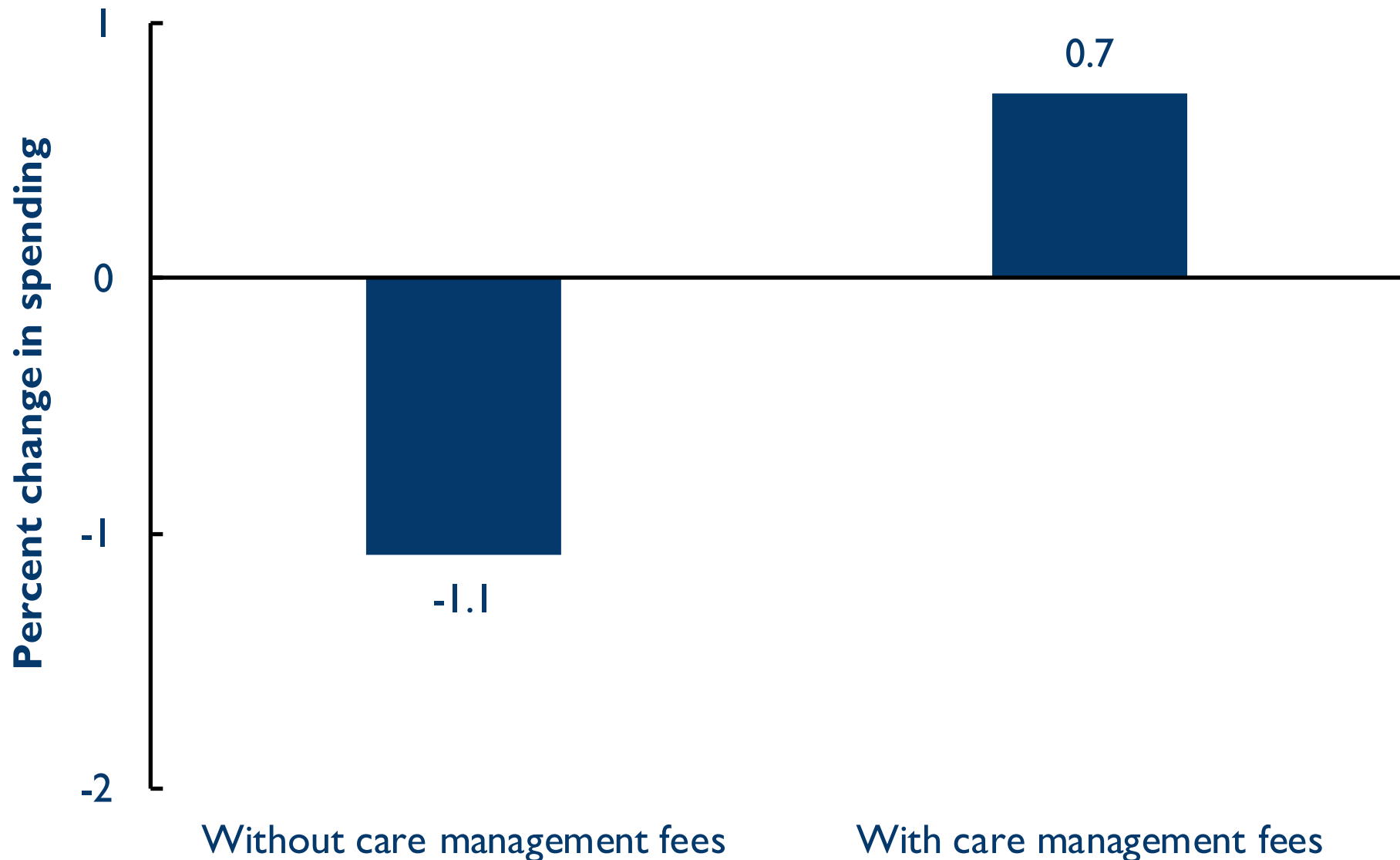
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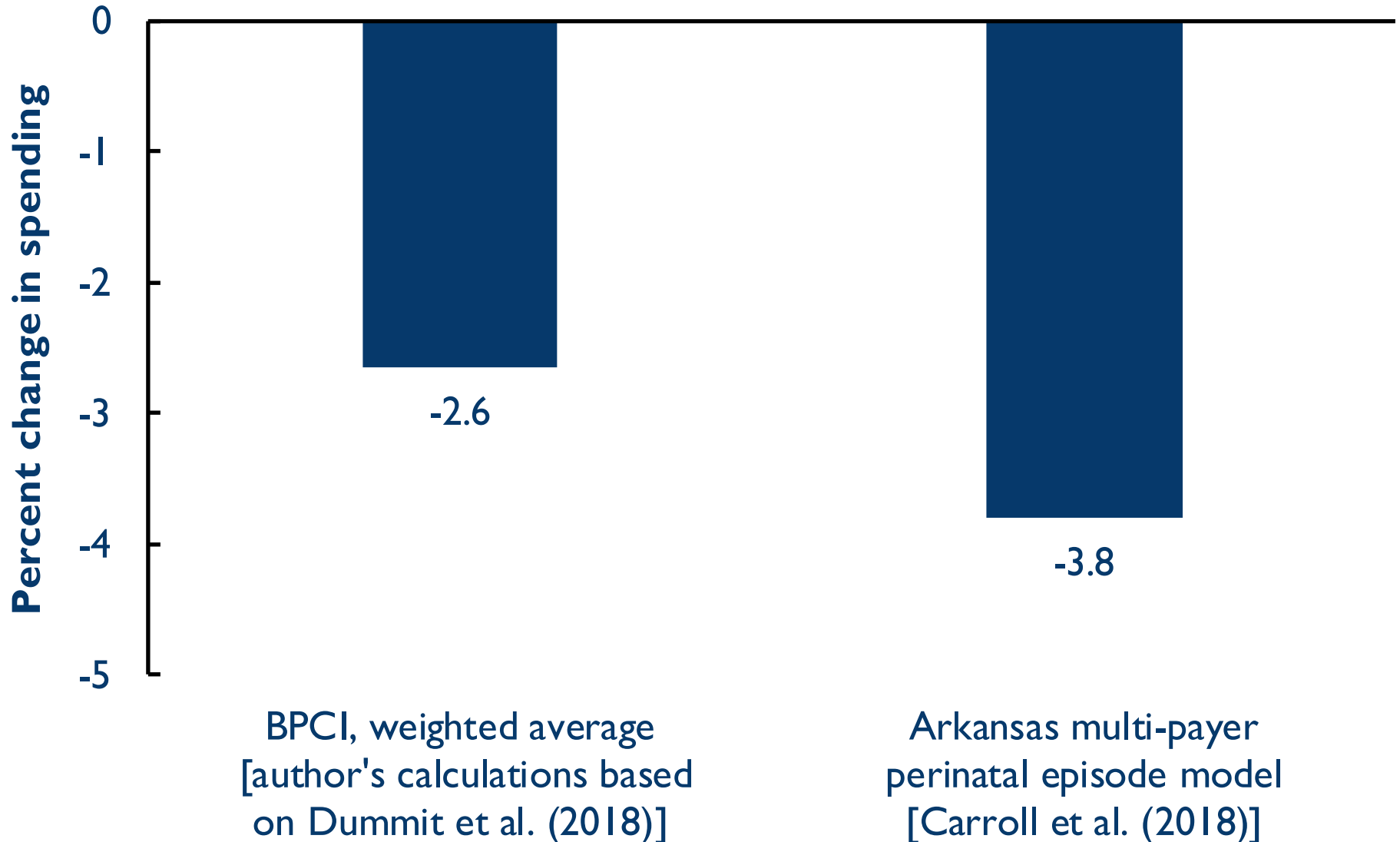
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# Estimated Effect of the Comprehensive Primary Care Initiative on Spending Per Beneficiary

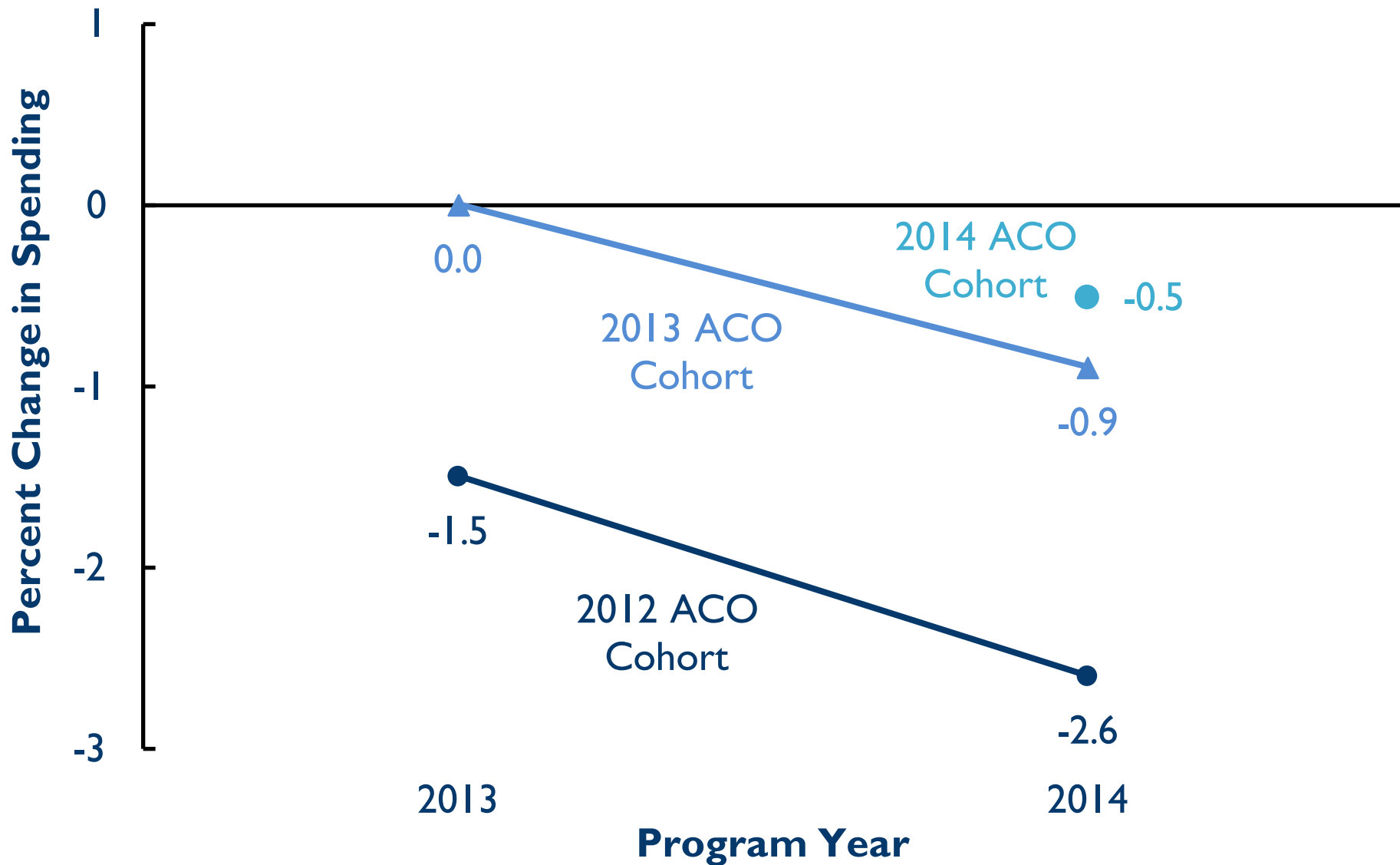


# Estimated Effect of Episode Payment Models on Average Episode Spending



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





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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