

# NATIONAL PERSPECTIVE: HEALTH CARE COSTS AND READMISSIONS

Cost Trends Hearing  
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October 2, 2017

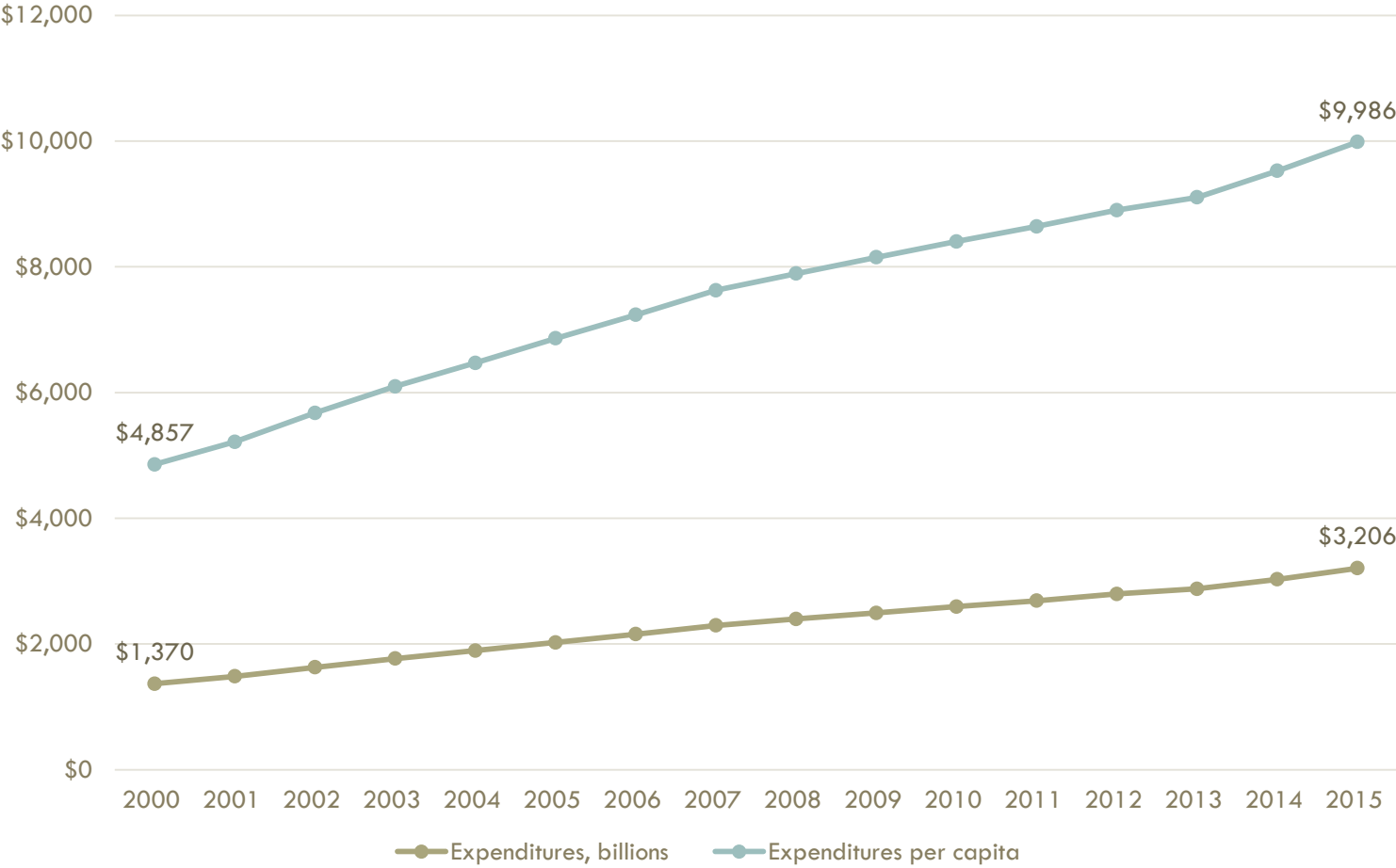


Who is  
spending?

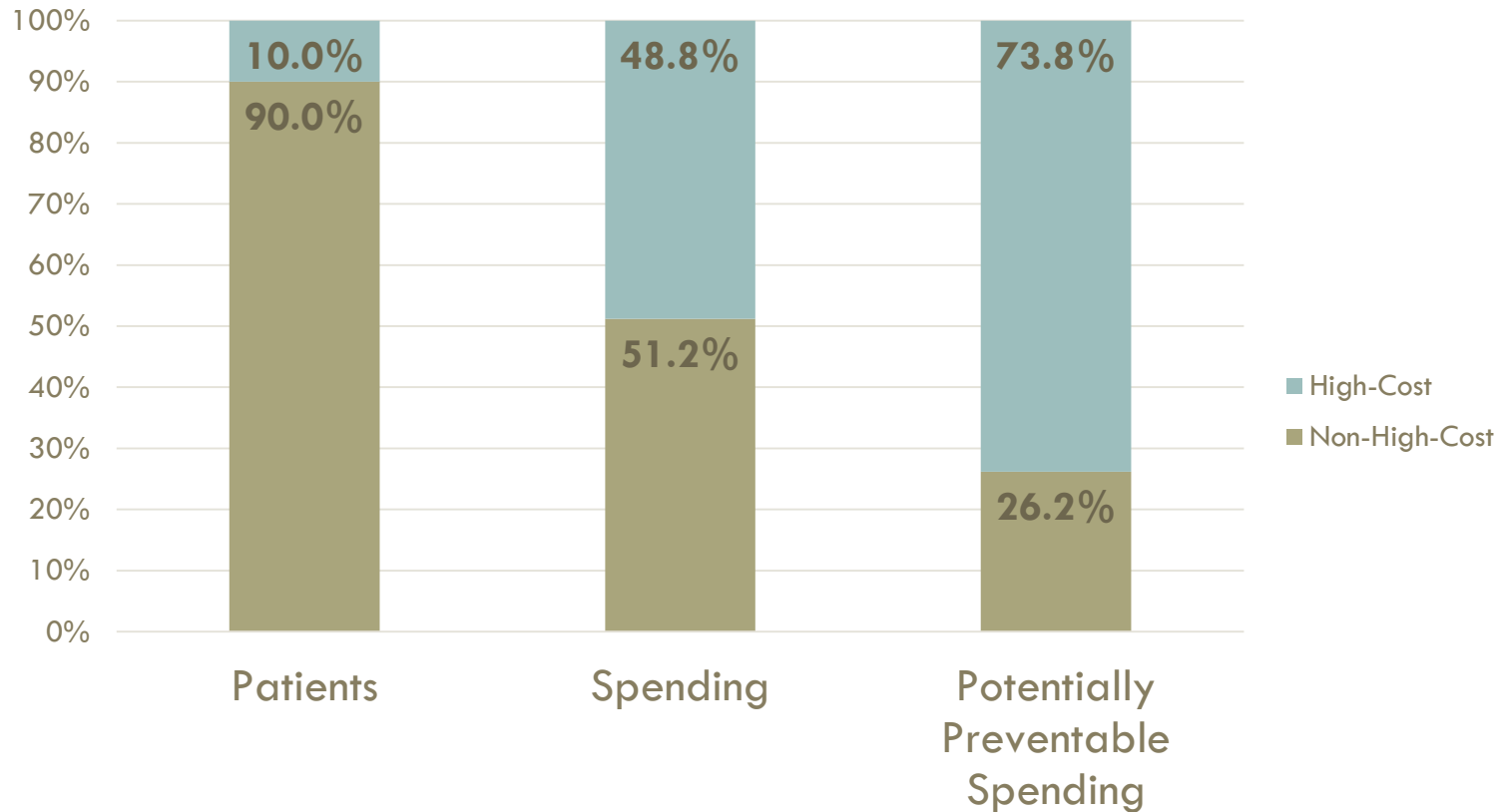
What is CMS  
doing about it?

How can MA  
do it better?

# NATIONAL HEALTH EXPENDITURES



# WHO IS SPENDING?



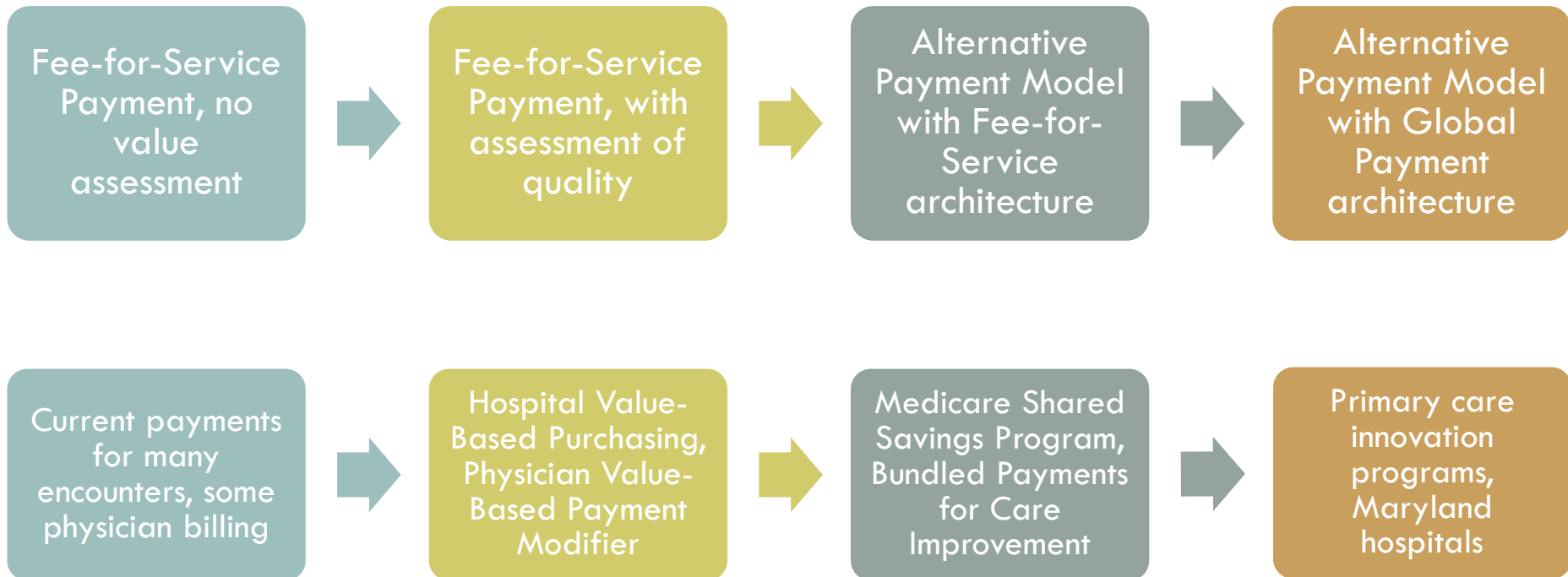
# WHO ARE THESE HIGH-COST PATIENTS?

	High-Cost	Non-High-Cost
Median Age	73	72
Non-white	24%	19%
Dually eligible	37%	18%
Qualified based on disability	37%	24%
Mental health diagnosis	16%	6%
Number of chronic conditions	11	6
2 or more frailty indicators	40%	5%

# NATIONAL EFFORTS TO REDUCE COSTS



# PAYMENT REFORM

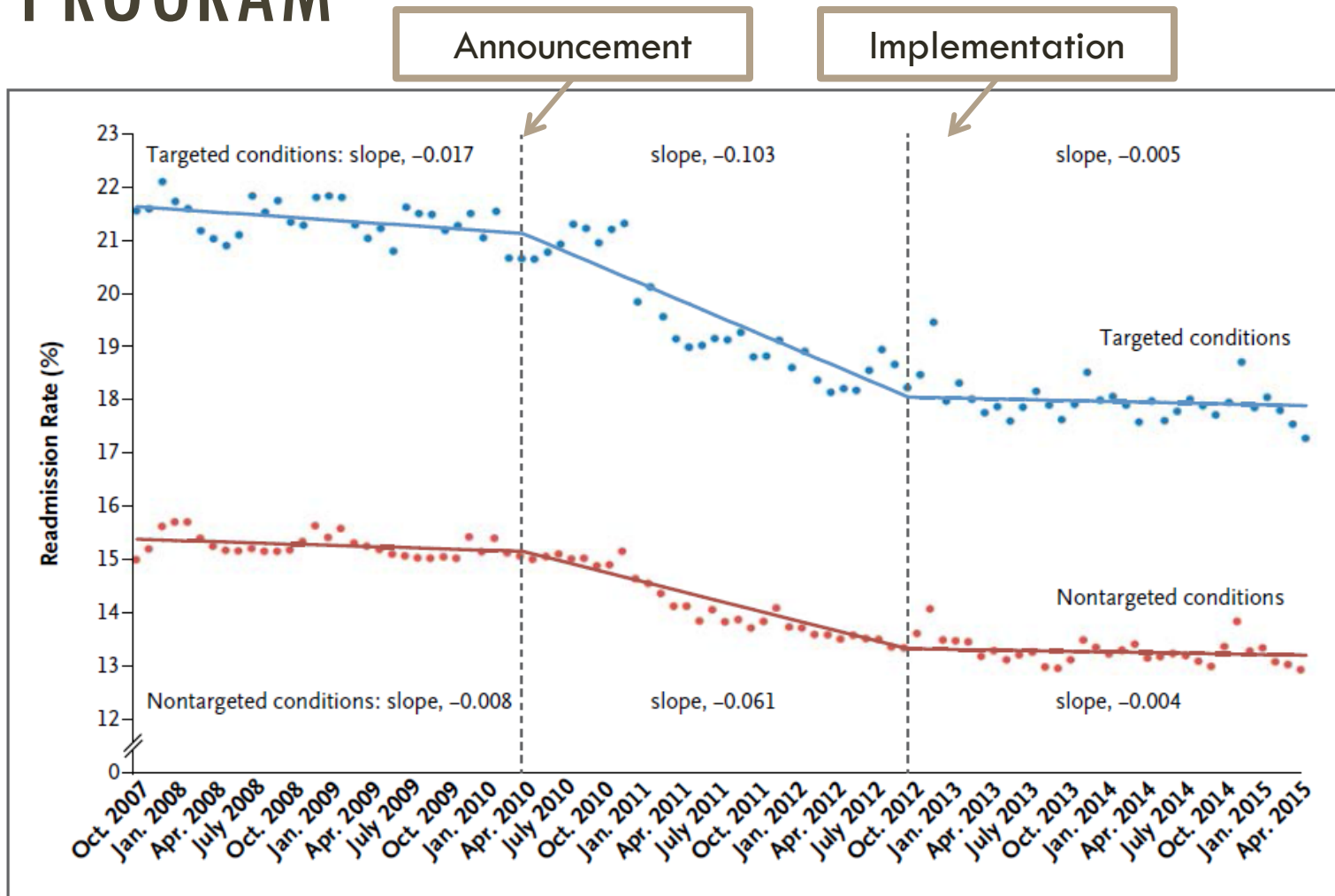


# HOSPITAL READMISSIONS REDUCTION PROGRAM

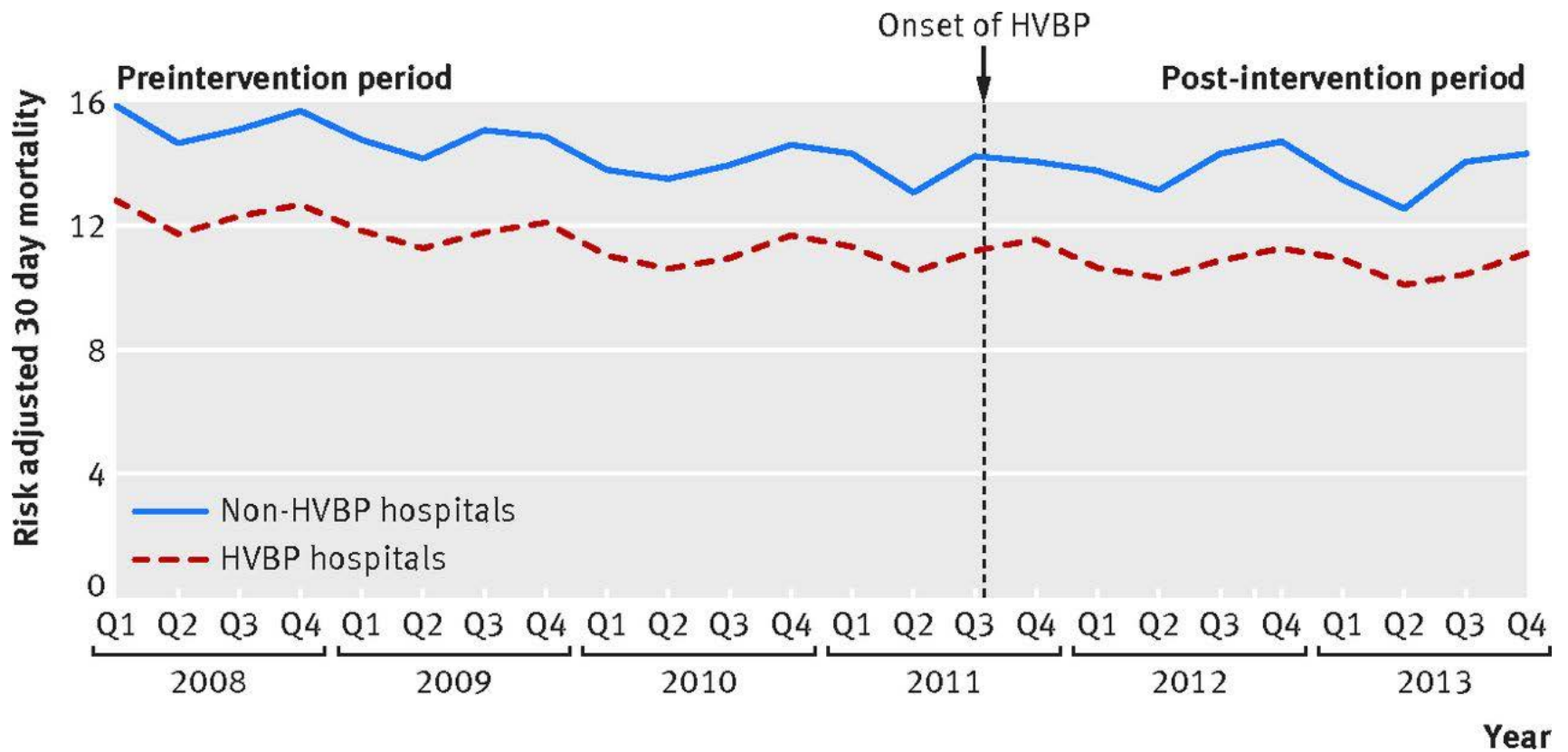
STATE	HOSPITALS PENALIZED	HOSPITALS NOT PENALIZED	% PENALIZED
Delaware	6	0	100%
West Virginia	29	0	100%
Arkansas	42	2	95%
New Jersey	61	3	95%
Connecticut	28	2	93%
New York	139	11	93%
Florida	155	13	92%
Virginia	68	6	92%
Kentucky	59	6	91%
<b>Massachusetts</b>	<b>52</b>	<b>5</b>	<b>91%</b>



# HOSPITAL READMISSIONS REDUCTION PROGRAM



# HOSPITAL VALUE-BASED PURCHASING



# POLICY EVALUATION: 2 PARTS

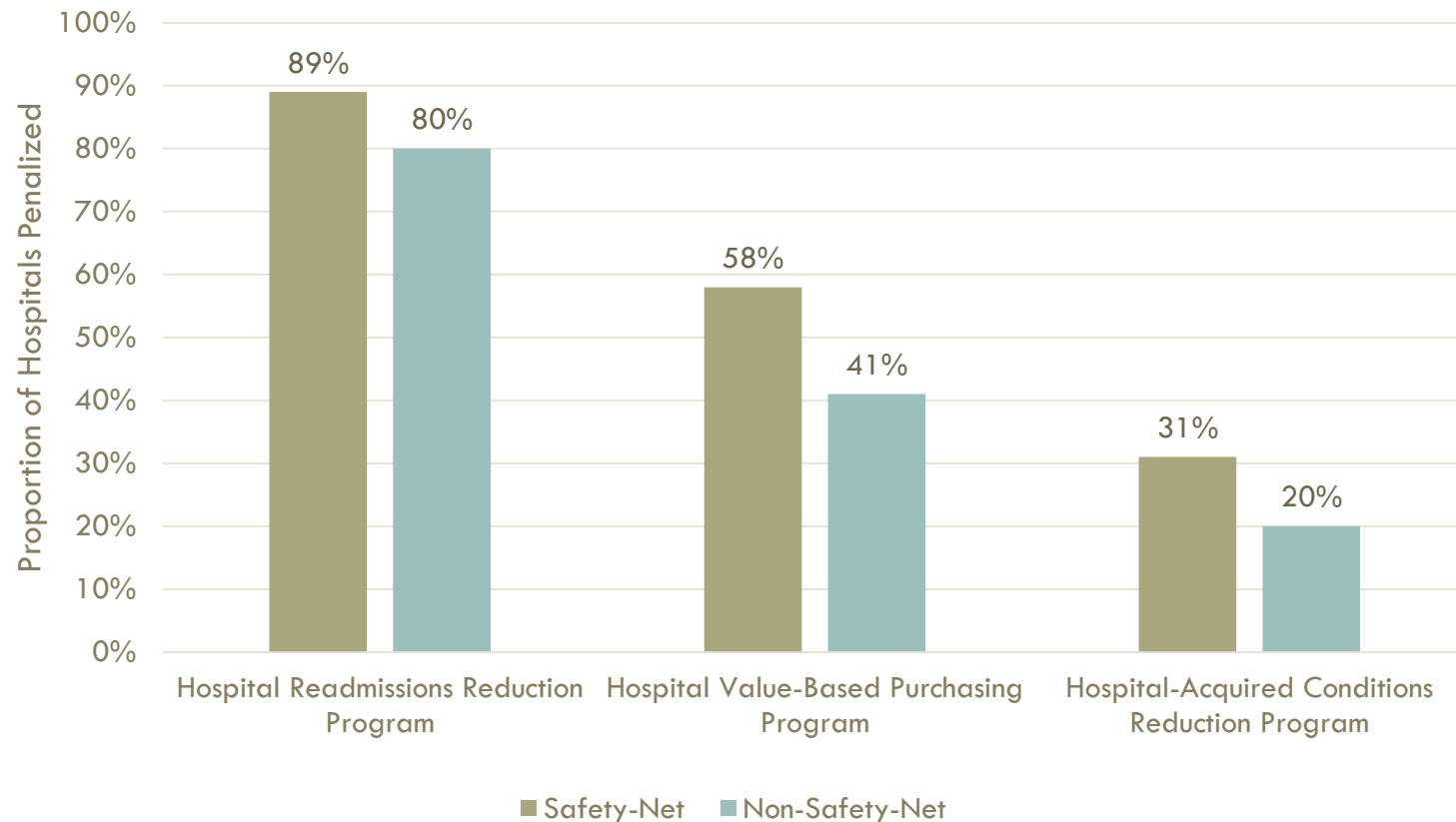
## Prove efficacy

- Like the treatment effect in a clinical trial
  - Size and consistency of effect

## Evaluate for unintended consequences

- Like the safety effect in a clinical trial
- What is “safety” in health policy?
  - Risk aversion
  - Gaming
  - Penalizing vulnerable hospitals
  - Exclusion of vulnerable populations

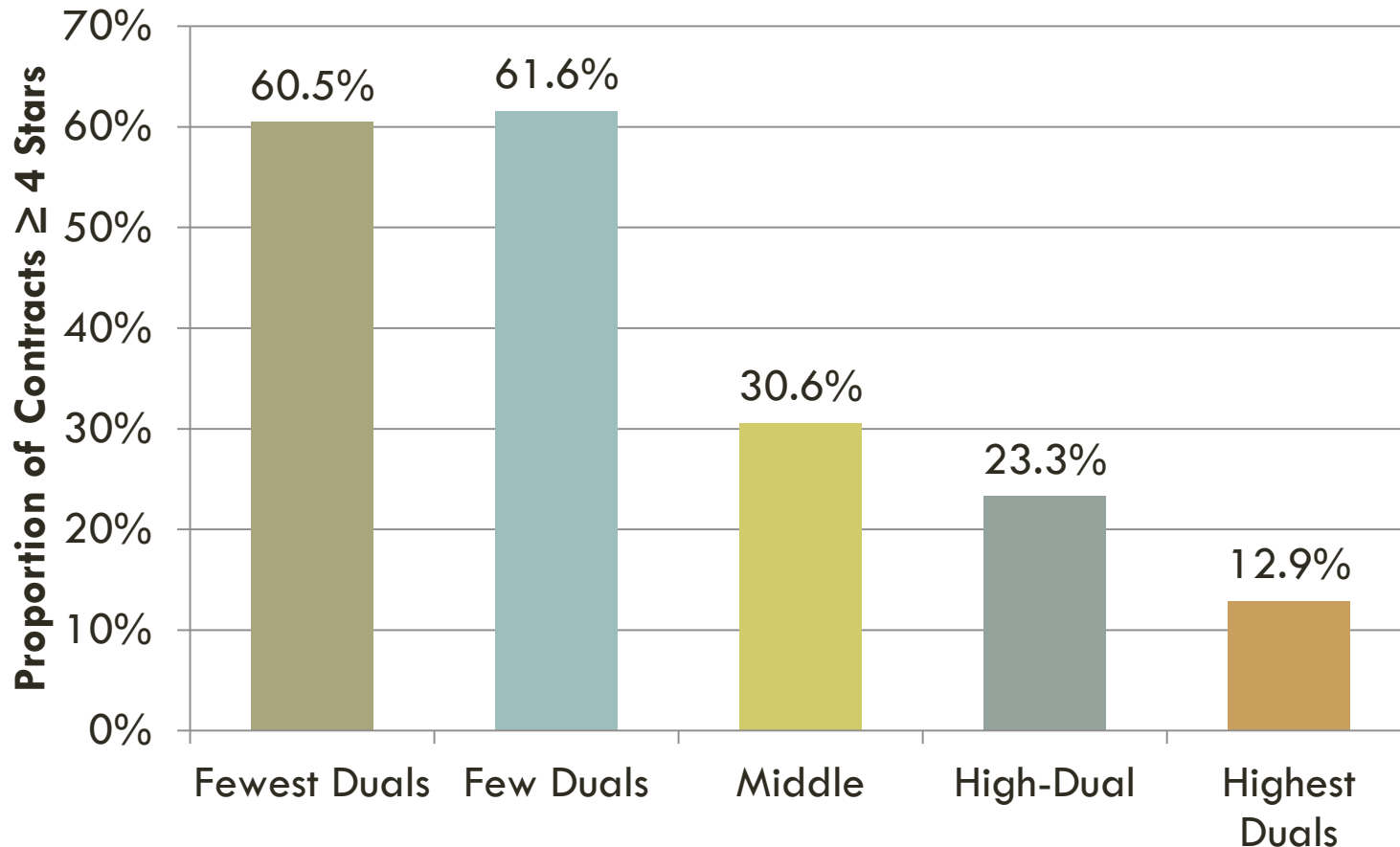
# HOSPITAL-BASED PAYMENT REFORM: IMPACT ON THE SAFETY NET



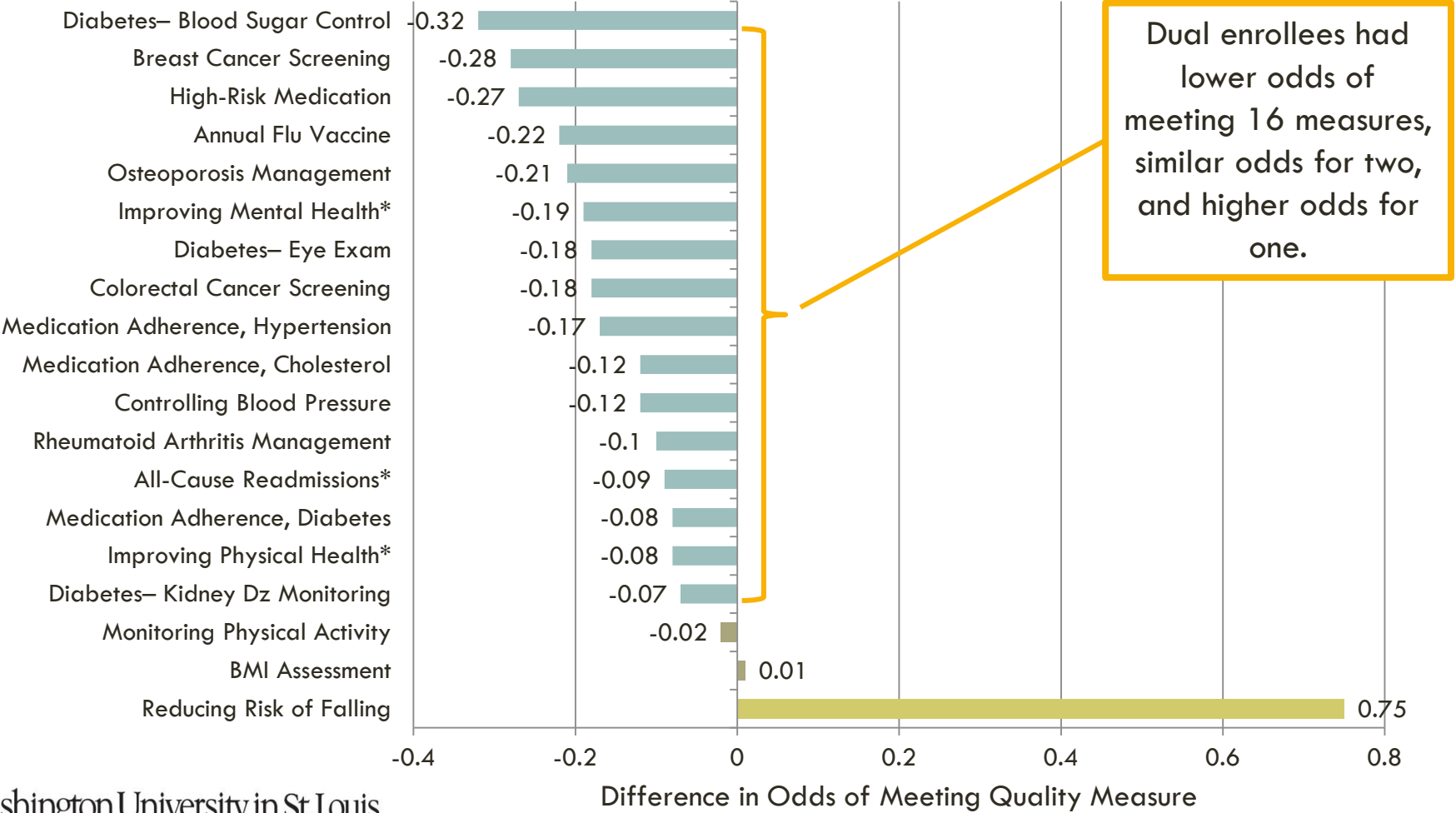
# SOCIAL RISK AND READMISSIONS

	Dual Enrollment Alone	Dual Enrollment, Adjusting for Comorbidities
Acute MI	1.45	1.14
Heart Failure	1.24	1.13
Pneumonia	1.26	1.10
Hip/knee replacement	1.67	1.31
Chronic obstructive pulmonary disease	1.44	1.15

# MEDICARE ADVANTAGE PAYMENT REFORM: IMPACT ON THE SAFETY NET

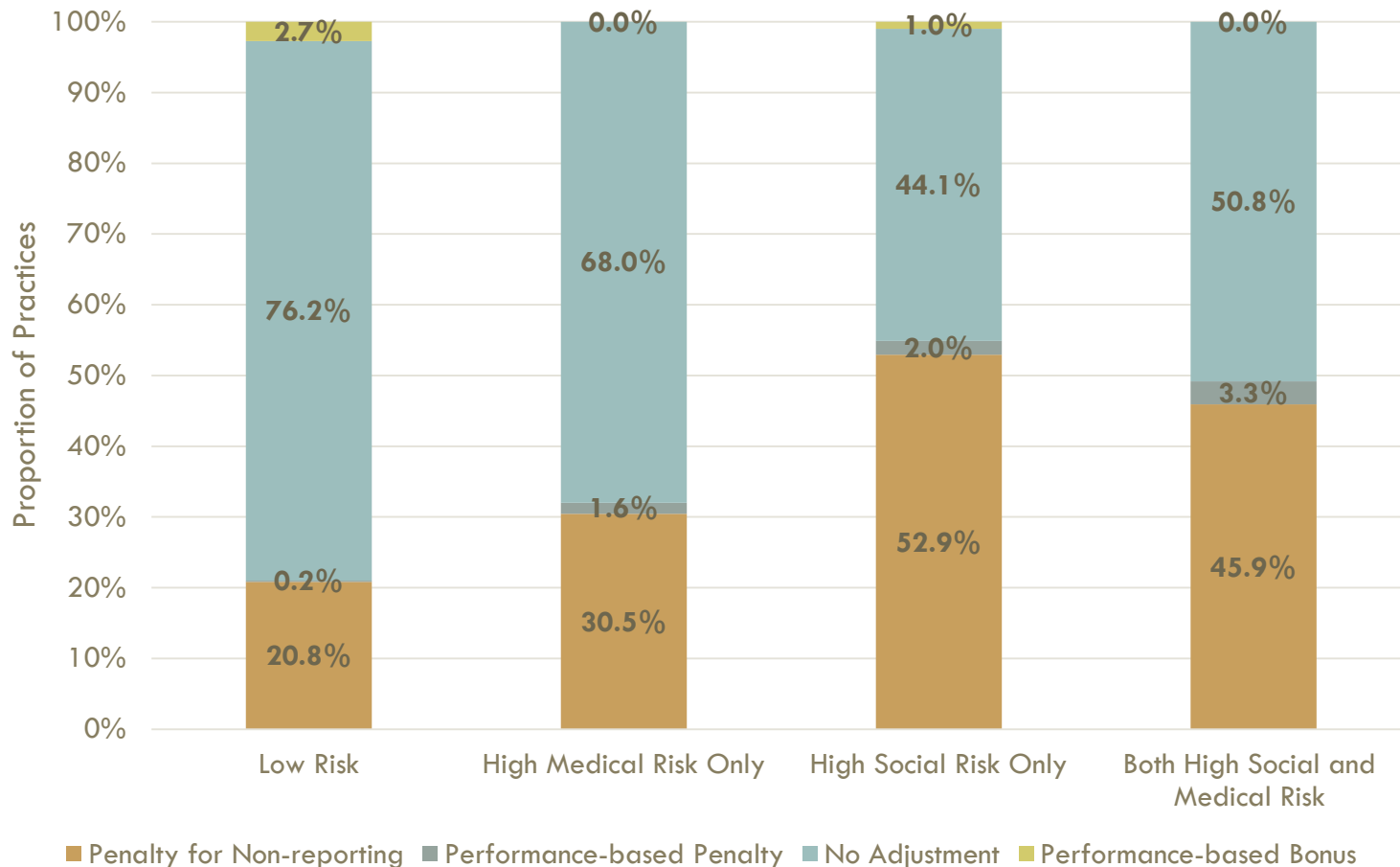


# SOCIAL RISK AND QUALITY METRICS



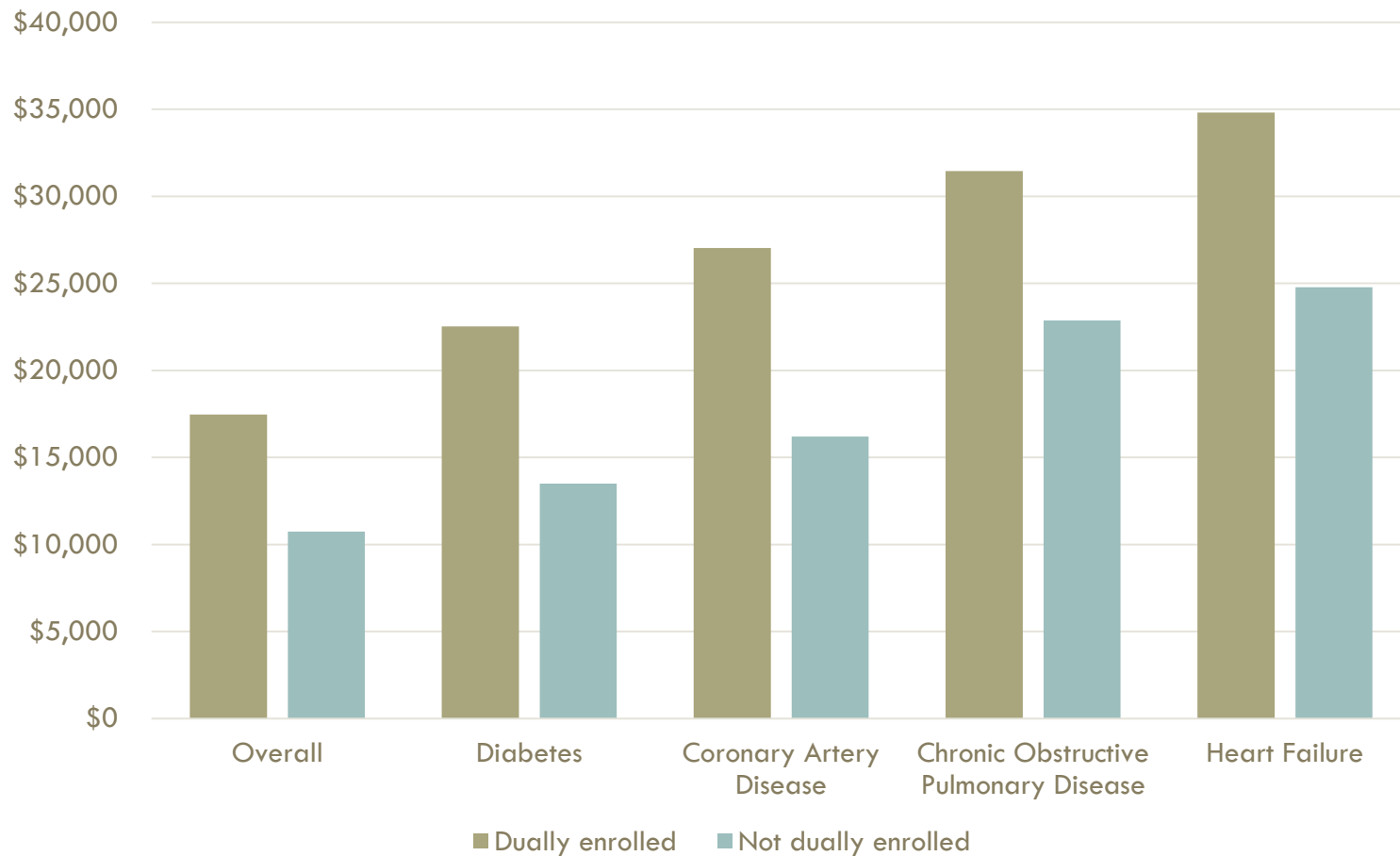
Dual enrollees had lower odds of meeting 16 measures, similar odds for two, and higher odds for one.

# PHYSICIAN-FOCUSED PAYMENT REFORM: IMPACT ON THE SAFETY NET





# SOCIAL RISK AND COSTS OF CARE



# SO WHERE ARE WE WITH FEDERAL PAYMENT REFORM?

- ❖ Suboptimal efficacy
- ❖ High likelihood of unintended consequences
- ❖ What can we learn?

# STRATEGIES TO IMPROVE EFFICACY

## ❖ Match program design to goals

- Narrow or broad focus?
  - Readmissions program more efficacious than value-based purchasing
  - Data from the UK suggests erosion of gains over time, so rotation might be needed
- Penalties or bonuses?
  - Standard of care might respond to penalties
  - Innovation might better be driven by bonuses
    - Harness clinicians' drive to do good and do well

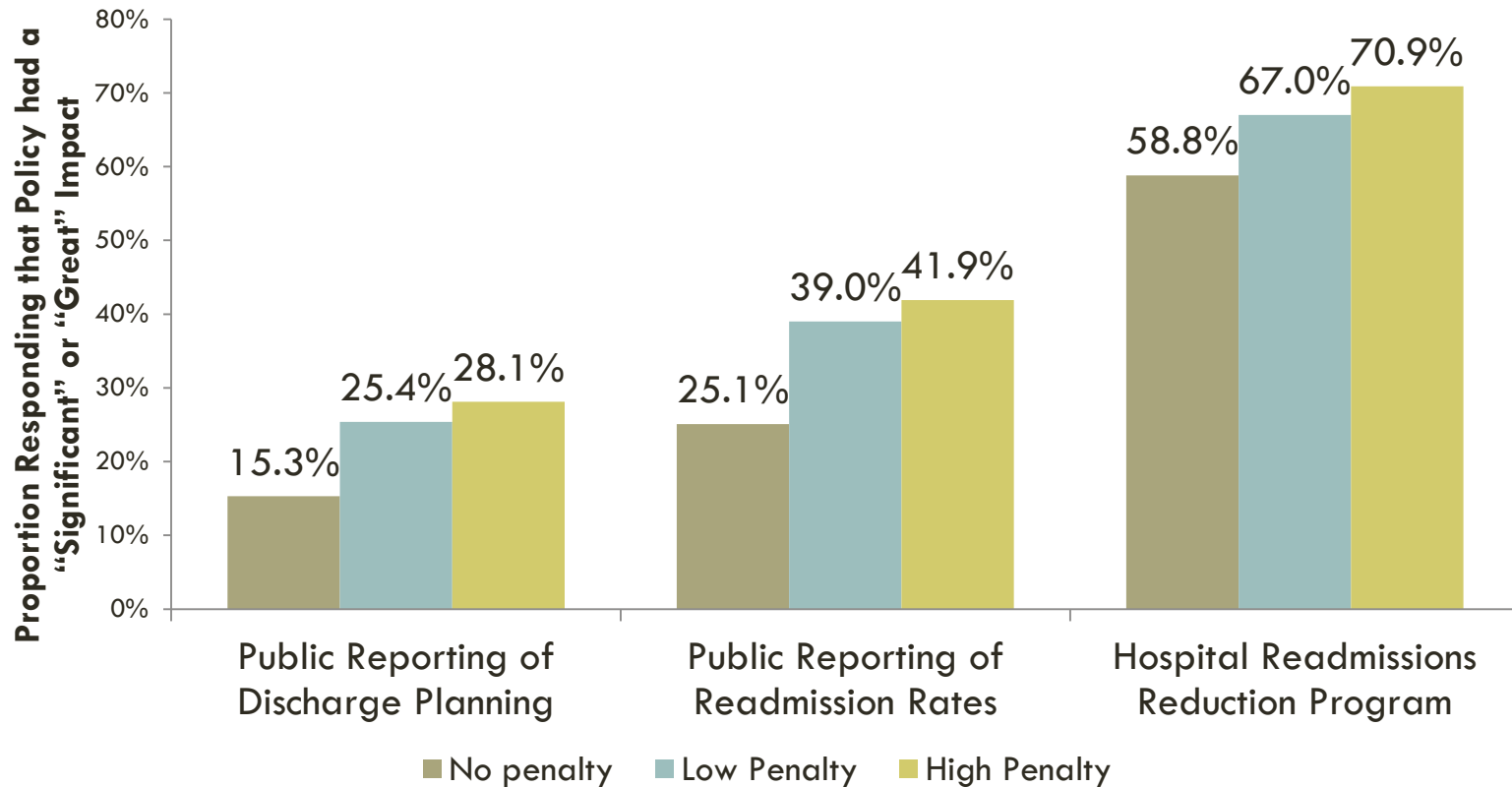
## ❖ Ensure adequate incentives

- Unclear what this is for hospitals, clinics, etc.

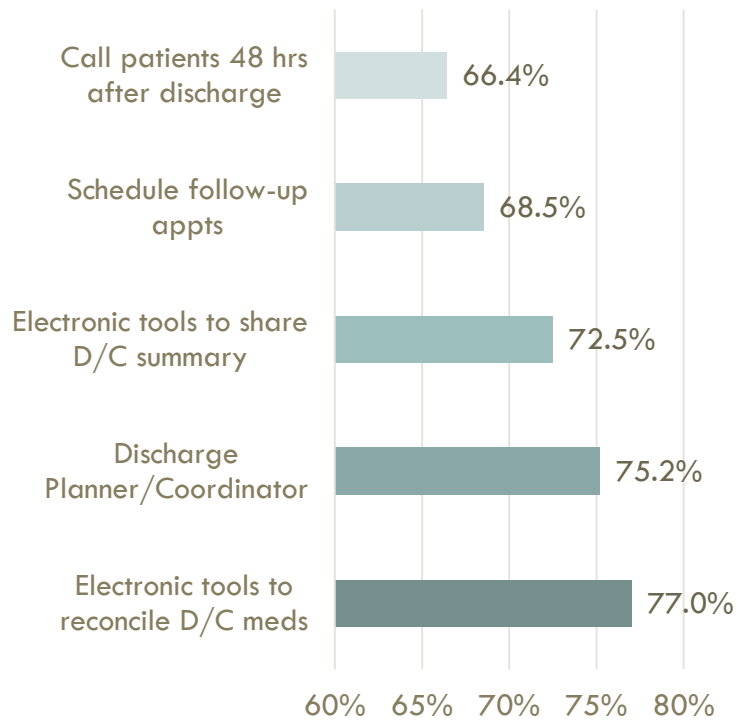
## ❖ Focus on addressing the actual problems...

# EVIDENCE FOR FINANCIAL INCENTIVES

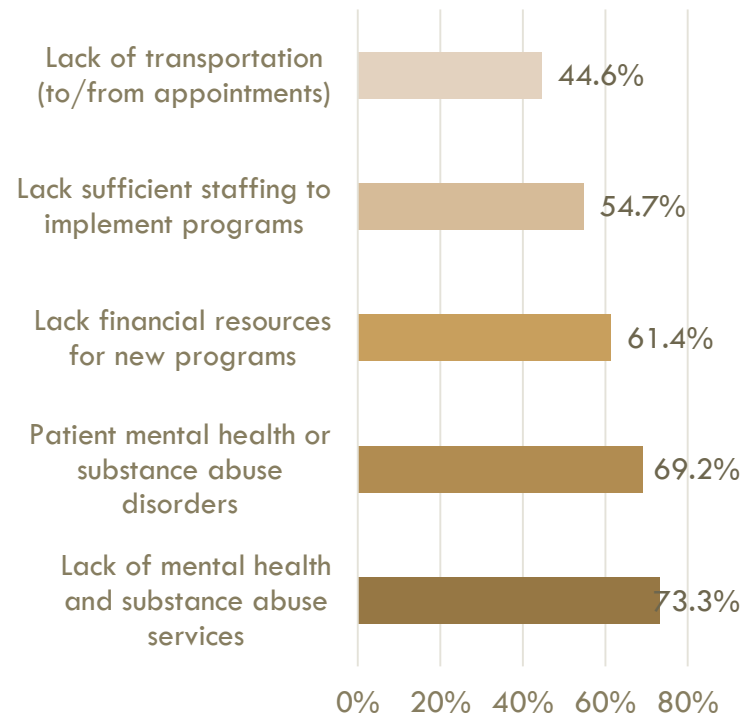
Did the policy have a large impact on your institution's efforts to reduce readmissions?



# EVIDENCE FOR FOCUSING ON SOCIAL RISK



Proportion Reporting they "Always" or "Usually" employ the strategy



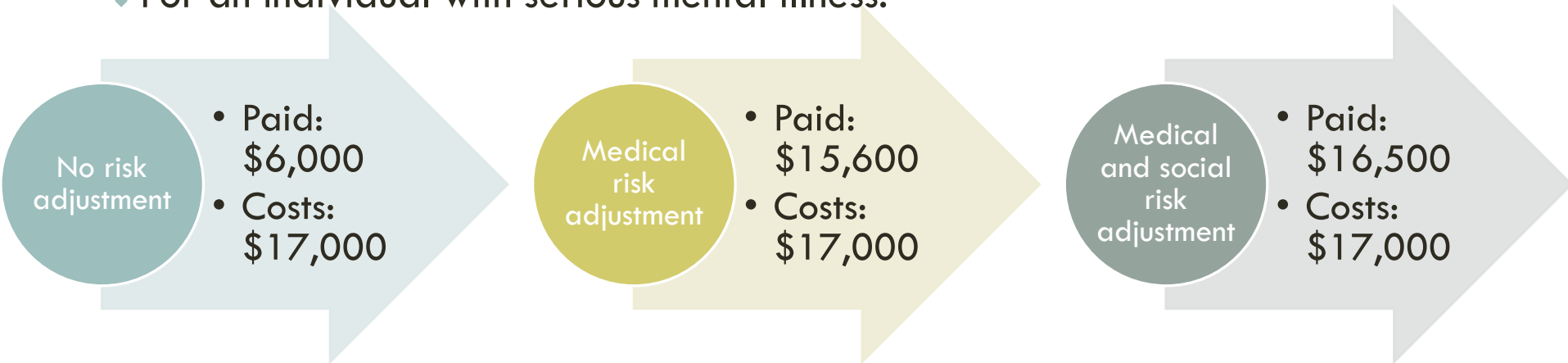
Proportion Reporting Item as a "Great" Challenge

# STRATEGIES TO REDUCE UNINTENDED CONSEQUENCES

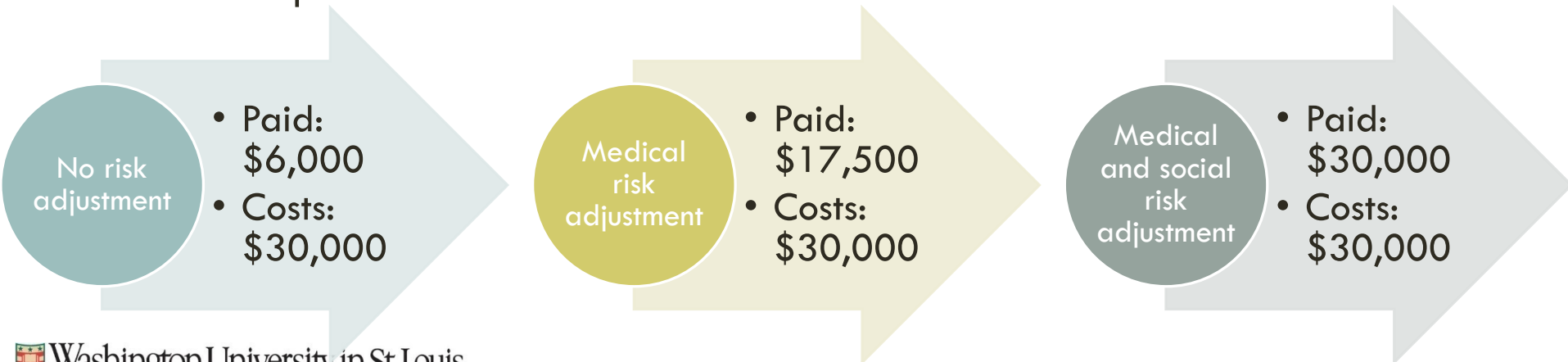
- ❖ Account for social and medical risk in performance evaluation, where appropriate
  - ❖ Risk adjustment – including functional status
- ❖ Reward improvement
  - ❖ Helps baseline poor performers enter and succeed
- ❖ Consider targeted bonuses
  - ❖ Rewards only available to clinicians serving vulnerable populations

# IMPACT OF MEDICAL AND SOCIAL RISK ADJUSTMENT

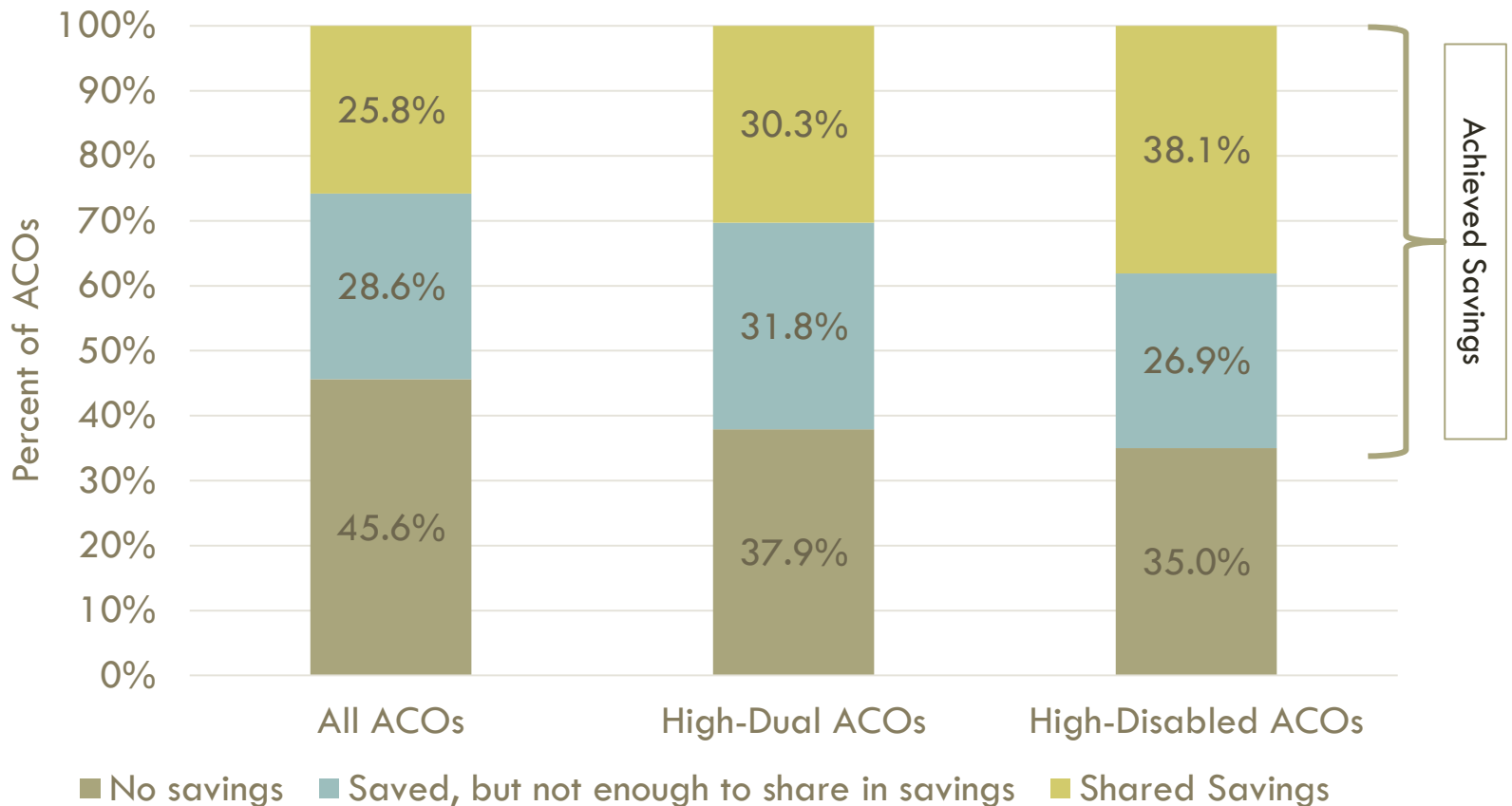
❖ For an individual with serious mental illness:



❖ For a Department of Mental Health client:



# ACCOUNTABLE CARE COST TARGETS ARE AN IMPROVEMENT MEASURE





# TARGETED BONUSES

- ❖ Pros: address both access and performance
- ❖ Cons: if patient factors are powerful enough, few may qualify

0% performance-based bonus



# SUMMARY AND CONCLUSIONS

- ❖ Healthcare spending is high, rising, and concentrated in complex, vulnerable patients
- ❖ Payment reform has potential, but efficacy thus far has been modest
- ❖ Must be done with caution, or could hurt the most vulnerable

# QUESTIONS / DISCUSSION