

A Roadmap to Value

Guy L. Clifton, M.D.

Professor, Department of Neurosurgery,
University of Texas Health Science Center,
Houston

We Have 5-7 Years to Prepare, Maybe

- Medicare Trust Fund will take in 20% less than it pays out in 2017.
- Medicare consumed 11.6% of income tax revenue in 2006; 21% in 2020, 34.3% in 2030.#
- Texas Medicaid grows at 8% per capita per year but the state budget does not.*
- ≈1.8 million new Texas Medicaid recipients in 2013.**

Rettenmaier and Saving, The Diagnosis and Treatment of Medicare, 2007

* Statehealthfacts.org

**Center for Budget and Policy Priorities

Three Options to Decrease Cost and Only One Improves Quality

- Price Cutting
- Rationing
- Efficiency

Three Categories of Unnecessary (and Frequently Harmful) Spending

- 1. Inefficient hospitals.**
- 2. Poor management of chronic diseases-30% of health care spending***
- 3. Unnecessary or unevaluated procedures- $\geq 6\%$ of hospital spending****

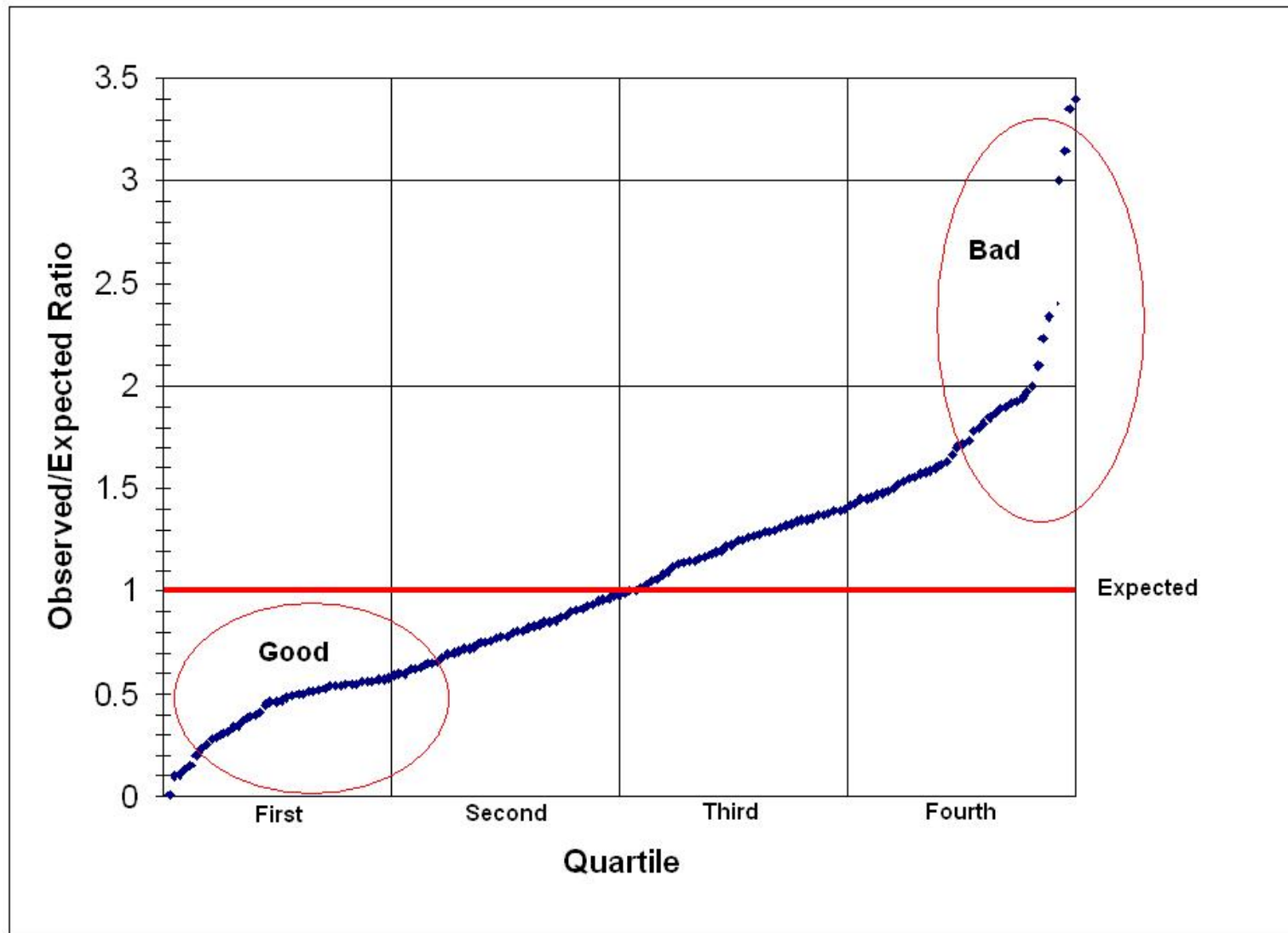
*Wennberg, Geography and the Debate Over Medicare Reform, Health Affairs, 2002.

**Clifton, Flatlined: Resuscitating American Medicine, 2009

Inefficient Hospitals

Made Possible by a Perverse
Payment System and Lack of
Measures of Outcome

Observed/Expected Post-Operative Pneumonia Rates- American College of Surgeons Benchmarks of Quality



First Principle of Improving Value

- **We must develop and report measures of outcome.**

(The process measures required of hospitals by CMS barely affect outcomes and do not affect cost.*)

*Fonarow et al, JAMA, January 3, 2007—Vol. 297, No. 1
Bradley et al, JAMA, July 5, 2006, Vol. 296
Jha, et al, Health Affairs, July/August, 2007

The Second Principle of Improving Value

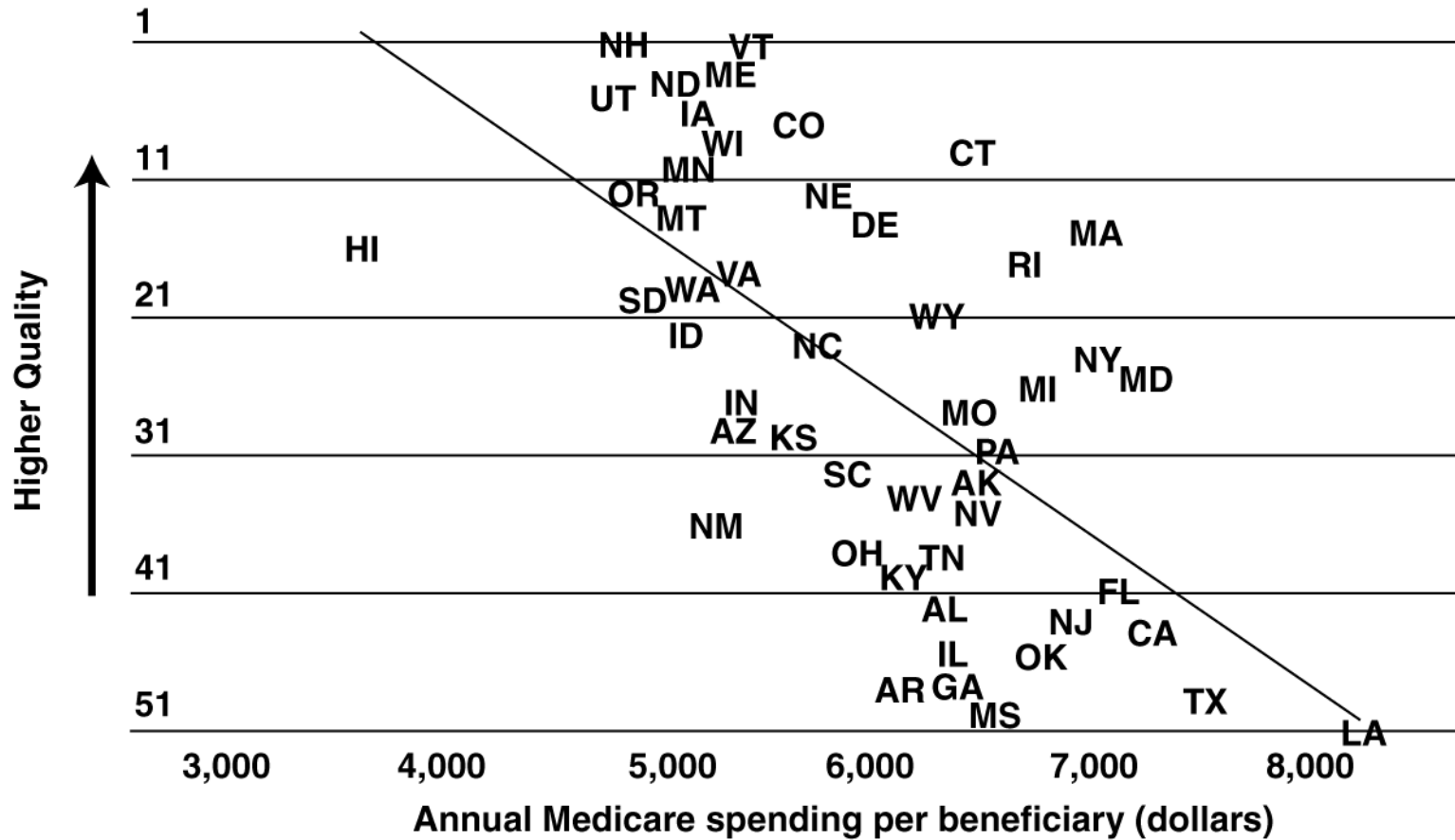
- **Change payment from fee-for-service to fee-for-quality.**

(Geisinger Clinic, PA, is offering Coronary Artery Bypass for a bundled price at superior quality).

Poor Management of Chronic Diseases

Exacerbated by a Primary Care
Physician shortage and >30%
Underpayment for Primary Care

Relationship Between Quality and Medicare Spending By State, 2000-2001



Source: Baicker K and Chandra A. Medicare Spending, The Physician Workforce, And Beneficiaries' Quality of Care, Health Affairs Web Exclusive, April 7, 2004

Third Principle of Improving Value

- **Chronically ill patients anchor themselves to the primary care doctor of their choice who shares the savings from efficient care.**

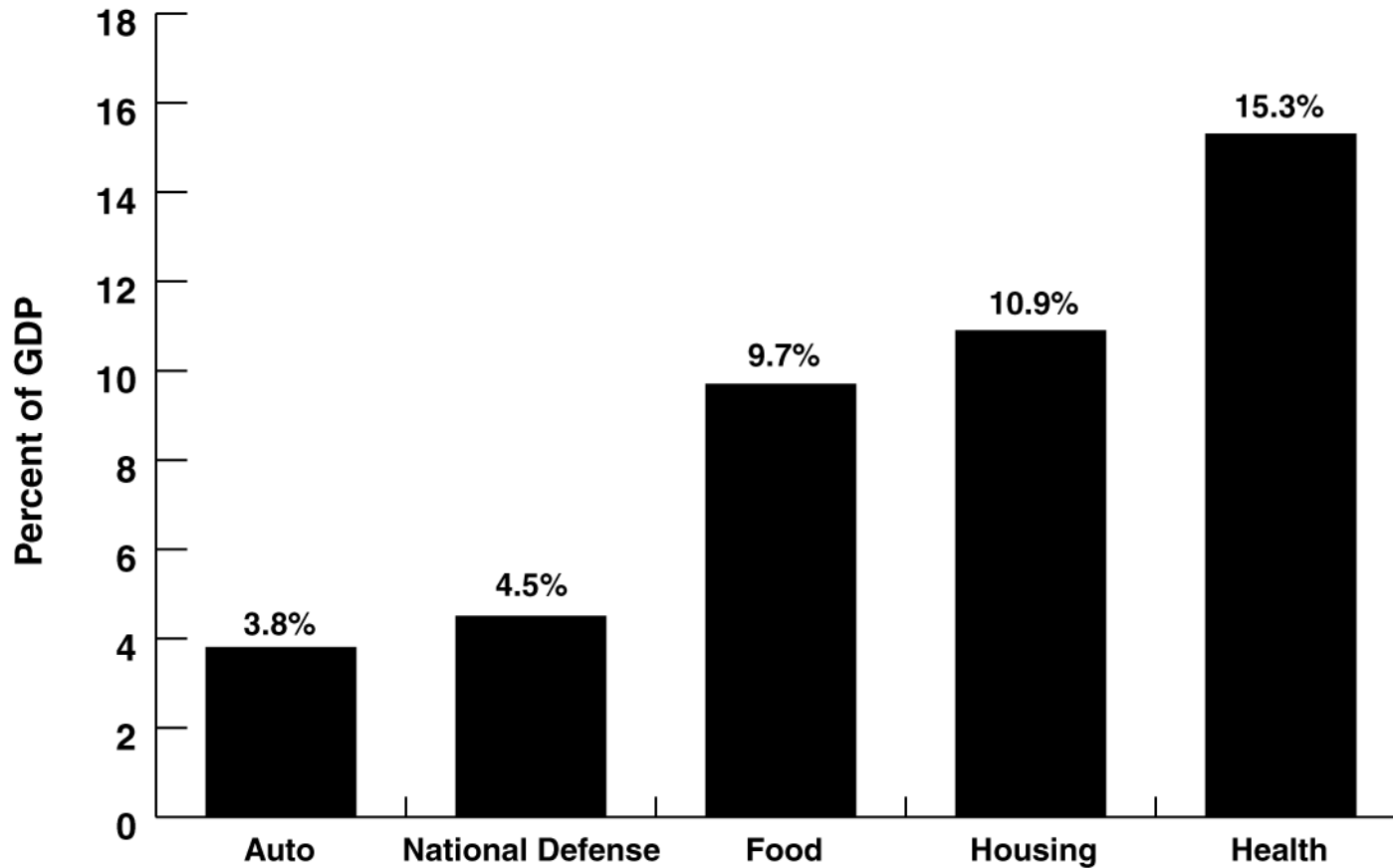
(One third of Medicare patient see 7 different doctors who likely don't communicate.*)

*Fisher, Bending the Cost Curve, Presentation at the Health Care Summit, Killington, VT, 2005

How do We Transform the Largest
Single Component of the Economy?

It will Take A Plan with Scope
and a Bottom Up not a Top Down
Approach

Components of US Gross Domestic Product, 2003 (Total = \$10.98 Trillion)



*Source: Bureau of Economic Analysis, Centers for Medicare and Medicaid Services, 2004a
In: Medical Cost Reference Guide, Blue Cross Blue Shield Association*

Providers Participate Voluntarily

- Participating hospitals and clinics must literally start a new business.
- A number of beta sites are needed for learning and to demonstrate methods to others.
- Therefore, provider participation must be voluntary.

All Dominant Payers including the State must Participate

- Providers can't transform half their businesses.
- So most of a participating provider's payers have to pay the same way, not the same amounts.
- Public and Private Insurers must have State sponsorship in order to collaborate without anti-trust violations.

Big Transitions are not Free

- There must be transition funding for early adopters (beta sites).
- There must be financing to develop outcome measures.
- And to develop a playbook of best processes.
- And financing to educate the public.

Positioning

- Not a regulatory entity--it should not set payment rates and methods just provide information, models and advice on timing.
- The learning, development, and teaching of new methods requires something nimble and insulated from politics.
- Consider a public/private partnership, not an existing or new state agency.

End Game

- When there is a playbook
- When enough is known...
- When the public is informed
- And when there are sufficient examples of success...
- State programs change the payment system for all or most providers.