Payment Reform

Michael Chernew
Spend too much
Top MIPS performers could out-earn APM participants for years

Physician fee rates as a percentage of 2015 levels

- MIPS "Exceptional" Performer
- MIPS Top Performer
- Advanced APM
- MIPS Base
- MIPS Bottom Performer

Payment Year


Source: Data compiled based on fee update and performance-based bonuses and penalties under the two incentive programs outlined in the Medicare Access and CHIP Reauthorization Act of 2015.

Note: Advanced APM line excludes contract performance and MIPS excludes the use of a conversion factor that can magnify a MIPS bonus or penalty by as much as three times to ensure budget neutrality.
Why Do We Call It “Value Based Payment”

JUST A SPOONFUL OF SUGAR HELPS THE MEDICINE GO DOWN
Efficiency Requires Flexibility
### MSSP Savings Net of Bonuses

<table>
<thead>
<tr>
<th>ACO cohort</th>
<th>2013 Aggregate spending change</th>
<th>Bonuses</th>
<th>Net</th>
<th>2014 Aggregate spending change</th>
<th>Bonuses</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 cohort</td>
<td>-$243M</td>
<td>$244M</td>
<td>$1M</td>
<td>-$437M</td>
<td>$179M</td>
<td>-$258M</td>
</tr>
<tr>
<td>2013 cohort</td>
<td>$4M</td>
<td>$68M</td>
<td>$73M</td>
<td>-$133M</td>
<td>$95M</td>
<td>-$39M</td>
</tr>
<tr>
<td>2014 cohort</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-$58M</td>
<td>$68M</td>
<td>$10M</td>
</tr>
<tr>
<td>Total</td>
<td>-$238M</td>
<td>$312</td>
<td>$74M</td>
<td>-$628M</td>
<td>$341M</td>
<td>-$287M</td>
</tr>
</tbody>
</table>

- Net savings = 0.7% of spending for ACO patients ($67/bene)
- Does not account for costs to Medicare or ACO costs of participation, lowering spending/improving quality
- But underestimate because of spillovers: Total net savings = $685M (1.6% of spending for ACO patients)

Episode Payments

Some evidence of savings

- Some lower spending in episodes with post-acute care\textsuperscript{2,3}
  - PAC spending decreased \(\sim\) 20\% (incl. SNFs, IRFs, Home Health)\textsuperscript{3}
- BPCI saved \(\sim\) 4\% on orthopedic episodes\textsuperscript{3}
- Ark save 5\% on perinatal episodes

Savings may be offset by increased episode volume (Fisher, 2016)

No consistent quality impact BPCI\textsuperscript{1,2}

\textsuperscript{1} Econometrica, Inc. “Evaluation and Monitoring of the Bundled Payments for Care Improvement Model 1 Initiative.” July 2015.
\textsuperscript{3} Dummit et al. “Association Between Hospital Participation in a Medicare Bundled Payment Initiative and Payments and Quality Outcomes for Lower Extremity Joint Replacement Episodes.” JAMA. 2016;316(12)
Everything is Relative

• We want

• We have

• We can build
END
Narrative

- We spend too much
- FFS often culprit
  - FFS can work, it does in other countries.
  - We implement poorly (high prices etc)
  - FFS trajectory low
- More excitement about APMs
  - Value a misnomer, these are really about risk transfer
  - Flexibility to substitute inputs key to efficiency
- ACOs save (a little bit of $)
  - A few points on eval and interpretation of lit
- Episode base payment saves a little bit
  - Less comprehensive than ACOs
- Choosing payment involves comparing imperfect options. Relative merits is key: