Innovative Models to Reduce Cost and Improve Quality

Alternative Healthcare Delivery

Why Change?

1. Too costly on all fronts:

   -$3.6 trillion expected to grow 5.5%/year

   -amounts to around $11,172 per person, 17.7% of GDP. Highest in the developed world and 29% higher than next most expensive country Luxembourg (2018 CMS). 59% goes to hospitals, doctors and clinical services, rest to prescription drugs, insurance

2. Quality questionable:

   -WHO has US rated 27 among nations rated. France rated #1

   -To Error Is Human report-98,000 deaths/year/John Hopkins University update (2013)

3. Lack of Price and Quality Transparency

   -Hospitals don’t know what physicians charge and vice-versa, patients have little idea what final costs will be for care and can’t cost compare. Minimal meaningful quality data.

A Case Study-Shoulder Surgery (actual case)

▪ Hospital bill for surgery and 2 day stay (charges)	$120,072
▪ Discounts/reduction garnered by BCBS	$90,024
▪ Actual amount paid by BCBS	$30,048
▪ Patient Co-Insurance	10%

- Separately billed:

  -Orthopedic Surgeon

  -Anesthesiologist

  -Hospitalist

  -Physiatrist

  -Radiologist

  -Pathology

Then OP physical therapy

Heart Attack Victim

- 44 year old goes to St. David’s in Austin with a heart attack
- Is treated over a 4 day stay
- Hospital was out of network for patient but insurance paid St. David’s $56,000.
- St. David’s sends a bill for an additional $109,000 to patient
- Thanks to pressure from media coverage, bill to patient reduced to $332.29

What’s the Need to Change, continued

4) Lack of Transparency prevents competitive forces of capitalism from working

5) Poor coordination of care-communication among providers

5) Drug companies have received government pricing protection through artful lobbying

6) Our healthcare system poorly addresses mental health issues

7) End of life care & palliative care poorly addressed

8) Information technology is primitive compared to other industries (think banking)

Medicare Coverage and what it costs

- In 1966 employees paid 0.35% of annual wages towards Medicare and employers matched the 0.35%
- Today employees pay 1.45% of their annual wages for the first $200,000 in income (matched by employers) and then pay an additional 2.35% for amounts earned over $200,000

$250,000 annual wage= $2,900 + $1,175 or $4,075 towards Medicare

When you start taking Medicare, part A is covered from the above but you pay for part B and you pay for drug coverage. Part C or Medicare Advantage plans are becoming more popular. (Not administered by the government).

Evolution of Healthcare Models of Reimbursement

- 1965-Medicare and Medicaid enacted. Cost based reimbursement for hospitals and Usual/Customary rates for docs.
- 1972 Wage and Price Controls
- 1973 HMO Act passed
- 1974 National Health Planning & Resource Development Act (CON)
- 1982 Tax Equity and Fiscal Responsibility Act put in place leading to
- 1983 Prospective Payment System (DRGs)
- 2003 Medicare Prescription Drug Benefit effective 2006. HSAs introduced.
- 2010 Patient Protection & Affordable Care Act (ACA)
- 2015 Medicare Access and CHIP Reauthorization Act (MACRA) replaced SGR for docs

- Stimulate true competition which in turn will stimulate:

  -improved quality

  -greater efficiency

  - incent further personal responsibility for a healthier lifestyle

Models For Change-Movement to Value Based

- Incentives for achieving certain indicators under Value Based reimbursement. CMS measures for 2020:

1) Clinical Outcomes (25%)

2) Person and Community Engagement (25%)

3) Safety (25%)

4) Efficiency and Cost Reduction (25%)

Factors are weighted as noted and rolled into a Star Rating. **Check out Hospital Compare website**. Physicians under MACRA participate in Merit Based Incentive Payment Systems.

The Advocate Model in Chicago

- Independent physicians within Advocate Physician Partners (approximately 5,000 physicians) come together with Advocate Health Care (12 hospitals, 250 outpatient centers) to serve over 1 million Chicago patients through a PPO and capitated arrangements
- Includes an incentive plan focusing on improvement of indicators for

  -clinical outcomes

  -improvement in patient safety

  -clinical technology

  -patient satisfaction

Advocate Results

- Their Diabetic Care Outcomes has save millions and figures show additional 29,680 years of life saved, 47,489 years of eyesight preserved, and 35,167 years free from kidney disease by a focus on improving Hemoglobin A1c levels and other measures
- Generic drug prescribing rates 2 percentage points higher than other large Chicago insurers saving over $7 million annually.
- Advocate has imbedded a behavioral health specialist at some of its' outpatient primary care practices and utilizes telemedicine for outlying areas.
- **Google advocatehealth.com for reports**

Integrated Employment Models

Top 2 Ranked Hospitals by U.S. News & World Report:

-Mayo Clinic-Campuses in Rochester Minnesota, Florida and Arizona and clinical affiliations where Mayo is paid a fee and affiliated hospitals/practices get access to resources and co-brand. Mayo employs more than 4,500 physicians and scientists along with 58,400 allied health and administrative folks.

-Cleveland Clinic- As of 2019 it employed 3,953 physicians and scientists in 140 specialties, 11,800 nurses. Runs 170 acre campus in Cleveland and 11 regional hospitals and 19 family health centers in northeast Ohio.

Models from Other Countries- France Protection Universelle Maladie- PUMA

- All residents must register with French health insurer and with a doctor as primary doctor. Consultations to specialists through primary care doc.
- Wide range of services covered. Free medical exams performed every 2 years from age of 5.
- French hospitals and clinics reimbursed via DRG system with rates set by Ministry of Health
- Government sets fees and caps. Physicians tend to make 60% of what American physicians make.
- **Country has one of the highest tax rates in the world (50.2%)**

Medical Models from Other Countries- UK

- Universal Coverage under National Health System (NHS)
- General practitioners are first point of contact and gatekeeper
- Most physicians are employed and paid directly by primary care trusts through combination of salary, capitation and fee for service.
- Hospitals are organized as NHS trusts directly responsible to the Department of Health. Reimbursed via DRG based system and Payment by Results (PbR)
- **Tax rate much higher than US but less than France**

Medical Models from Other Countries- Australia

- Universal Health Care called Medicare
- Funded by 2% of person's taxable increase (up from 1.5% in 2013).
- Additional levy of 1% imposed on high-income earners without private insurance.

Consumer Driven Health Plan (CDHP) The Indiana Health Savings Account Plan (HSA)

- An HSA is a tax-favored savings account used in conjunction with a high-deductible HSA-compatible health insurance plan. Advantages include:

-HSA contributions can be deducted from taxable income (up to max levels).

-HSA accounts accrue interest and gains on a tax free basis.

-No penalties or taxes when funds used to pay qualified medical expenses.

-Compatible insurance plans typically have lower premiums than a plan with lower deductible.

HSA Study findings:

-In 2008, 8% of covered workers were in HSAs and 10% of firms offered them. In 2012 this jumped to 11% of covered workers and 31% of firms offered them.

-RAND Corporation study done in 2012 concluded that annual health care spending could be reduced by $57 billion if consumer directed health plans accounted for ½ of employer sponsored insurance.

-In Indiana the majority of state employees take the HSA Consumer Directed option. Savings accrue to the state and consumer satisfaction with the plan is high.

-Satisfaction studies show mixed results

The Case For Greater Public Health Involvement

- Back in 1965 42.4% of adults in the US smoked (CDC data)
- In 2014 the number of adults smoking had dropped to 16.8%
- This was no accident but a full blown public health initiative that included greater educational awareness through TV ads, significant taxes on cigarettes to discourage purchase. Each state started to ban smoking in public areas. More recently Medicare has begun to pay for annual lung cancer screening for longtime smokers use low dose CT.
- Think of the potentials for reducing obesity
- Is there a bigger role for dealing with mental health?

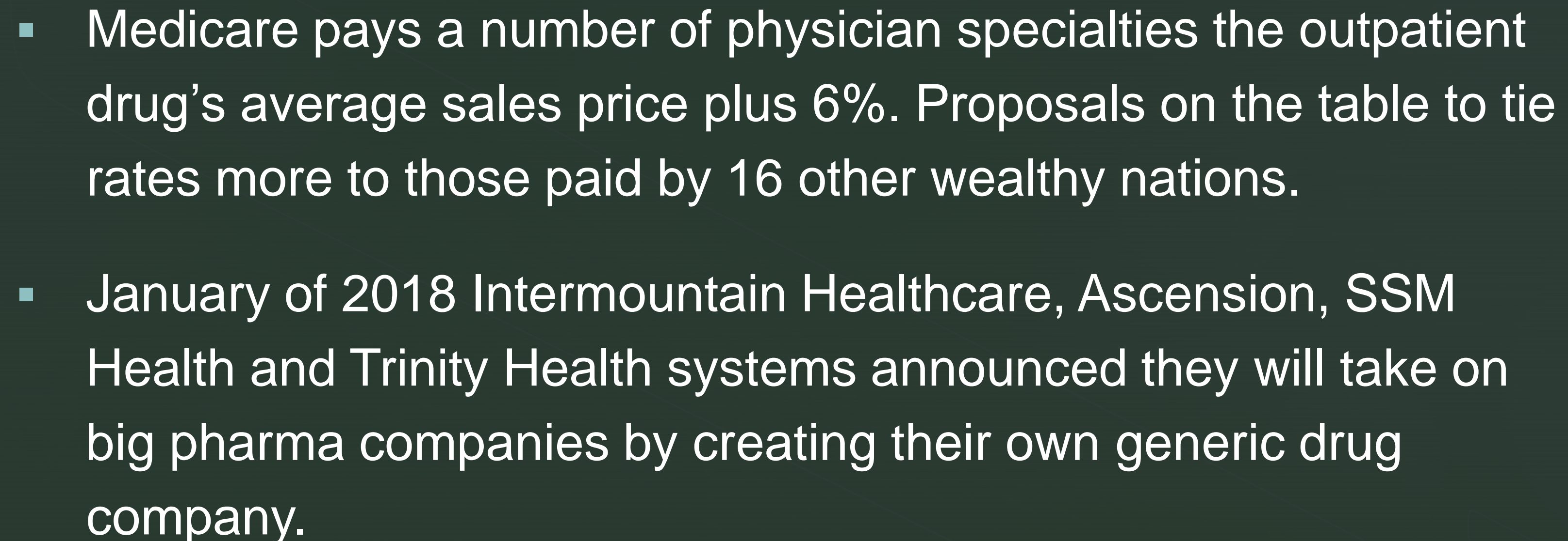
The Case for Greater Public Health Involvement

- Instead of expanding, public health has been subject to cuts
- CDC’s Public Health Emergency Preparedness Fund to fight infectious disease was cut from $940 million in 2002 to $651 in 2016

Drug Costs: What to do?

- Pharmaceutical industry convinced our legislators in 2003 to forbid Medicare from negotiating drug prices when Congress enacted Part D drug plans.
- Most of the drug and other medical breakthroughs during the last quarter of the 20th century can be traced to government funded research. Examples: Xtandi (generic enzalutamide)-prostate cancer, Sovaldi (for hepatitis C),
- Promotion of “off label” use
- Patent use (or misuse depending on how you look at it)

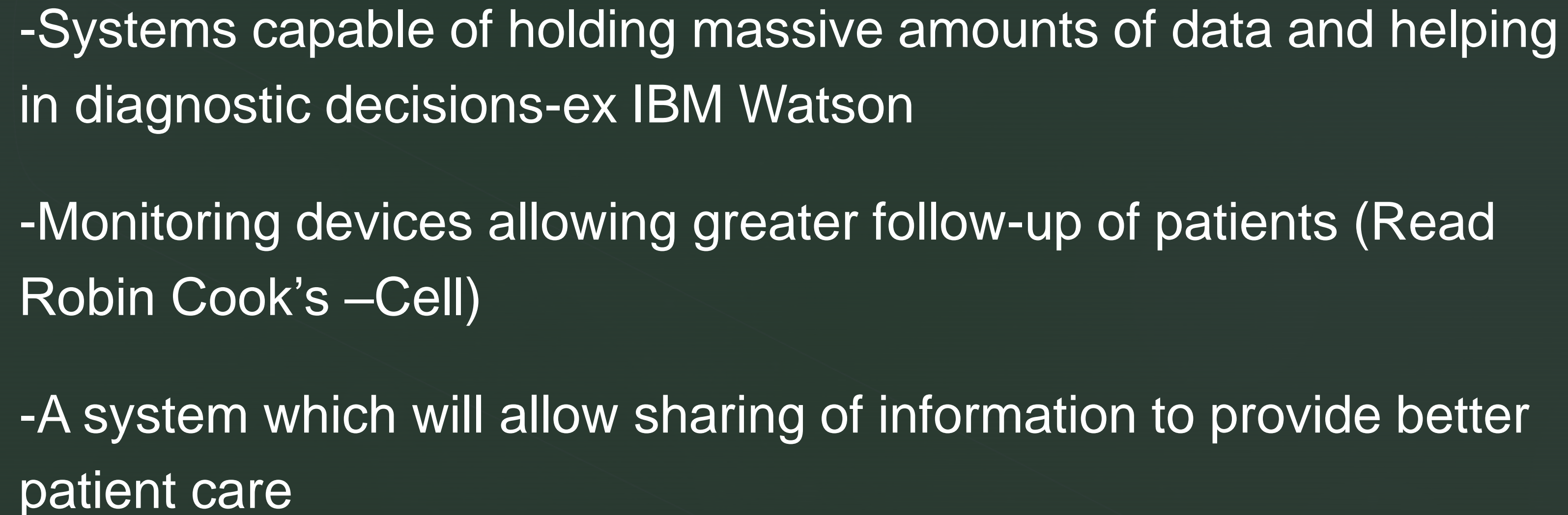
Drug Costs: What to do?


Medicare pays a number of physician specialties the outpatient drug’s average sales price plus 6%. Proposals on the table to tie rates more to those paid by 16 other wealthy nations.
January of 2018 Intermountain Healthcare, Ascension, SSM Health and Trinity Health systems announced they will take on big pharma companies by creating their own generic drug company.

Moving Towards Medicare Advantage Plans Part C

- Participation has continued to increase with 1/3 of all Medicare beneficiaries enrolled in Medicare Advantage Plans (CMS)- growing at 8%/year
- Medicare Advantage programs are administered by private insurance companies, not the federal government
- Most offer the same coverage as original Medicare with many adding drug prescription coverage, dental, vision.
- Plans are less costly than Medicare but these cost savings have not accrued to the government.

The Role of Technology


-Systems capable of holding massive amounts of data and helping in diagnostic decisions-ex IBM Watson
-Monitoring devices allowing greater follow-up of patients (Read Robin Cook's –Cell)
-A system which will allow sharing of information to provide better patient care

Final Thoughts and Recommended Reading

- In Sickness and In Wealth-American Hospital in the Twentieth Century by Rosemary Stevens
- The Innovator’s Prescription-A Disruptive Solution for Health Care by Clayton Christensen, Jerome H Grossman, MD & Jason Hwang, MD
- Why Hospitals Should Fly-The Ultimate Flight Plan to Patient Safety and Quality Care by John J. Nance
- Prescriptions To Cure American Healthcare by John Knox

Which path to follow?