The ACA Offers Plenty for Cost Containment

Stephen Zuckerman

Urban Institute

Prepared for "Addressing Rising Health Care Costs: A working meeting for consumer advocates"

Sponsored by the Consumers Union and RWJF

New Orleans, LA

November 11, 2013

“You can always count on Americans to do the right thing - after they've tried everything else.”

Sir Winston Churchill, Noted Observer of US Health Policy

(Full disclosure: more likely a variant of a 1967 quote by Israeli diplomat Abba Eban:
“nations do behave wisely once they have exhausted all other alternatives.”)

Average Annual Growth Rate of Health Consumption Expenditures, 2000-2011

Total   Per Capita

10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%

	Total	Per Capita
2000-2005	8.1%	7.1%
2006-2011	4.6%	3.7%

SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary. Last updated June 2012.

Average Annual Growth Rate in Medicare Health Spending and Enrollment, 2000-2011

	Health Spending	Enrollment	Per Capita Health Spending
2000-2005	8.6%	1.4%	7.2%
2006-2011	6.5%	2.4%	4.1%

SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary. Last updated June 2012.

Average Annual Growth Rate of Health Consumption Expenditures, Historical and Projected

	Total	Per Capita
2000-2005	8.1%	7.1%
2006-2011	4.6%	3.7%
2012-2021	6.1%	5.2%

SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary. Last updated June 2012.

ACA Didn't Forget Costs

- Health plan competition in the marketplaces
- Excise tax on high-cost employer plans
- Medicare payment controls
- Readmission incentives for hospitals
- Center for Medicare and Medicaid Innovation
  - Accountable Care Organizations
  - Primary care demonstrations
  - Bundled payment demonstrations
  - Dual eligible demonstrations
  - State Innovation Models
- Independent Payment Advisory Board

Innovation Center Portfolio

ACO Suite:

- Shared Savings Program
- Pioneer ACO Model
- Advance Payment ACO Model
- Accelerated and Learning Development Sessions

Primary Care Suite

- Comprehensive Primary Care Initiative (CPCI)
- Federally Qualified Health Center Advanced Primary Care Practice Demonstration
- Multi-Payer Advanced Primary Care Practice (MAPCP) Demonstration
- Independence at Home
- Medicaid Health Home State Plan Option

Bundled Payment Suite

- Bundled Payment for Care Improvement

Dual Eligible Suite:

- State Demonstration to Integrate care for Dual Eligible Individuals
- Financial Alignment to Support State Efforts to Integrate Care
- Demonstration to Reduce Avoidable Hospitalizations of Nursing Facility Residents
- Medicaid Health Home State Plan Option

Diffusion and Scale Suite:

- Partnership for Patients
- Million Hearts Campaign
- Innovation Advisors Program
- Care Innovations Summit

Healthcare Innovation Challenge

Rapid Cycle Evaluation and Research

Learning and Diffusion

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Early Evidence: Readmissions

- Targets for 30-day readmission rates for AMI, Heart Failure and Pneumonia
- Penalties are widespread
  - 2/3 of eligible hospitals hit, on average, with a 0.38 percent payment penalty for FY14 (0.42 percent in FY13)
  - Only 18 received the full 2 percent penalty
- 30-day readmission rates are declining
  - 2007 to 2011, 19 percent were readmitted
  - 2012, 18.4 percent were readmitted
    - 4th Quarter 2012, 17.8 percent

Early Evidence: 32 Pioneer ACOs

- Spending for 669,000 beneficiaries grew by 0.3% in 2012 vs. 0.8% for comparable beneficiaries
  - >1/3 ACOs reduced costs; 2 ACOs shared losses
  - $88 mil in gross savings; Trust fund saved $33 mil
- All 32 met the quality performance metrics
  - 25 of 32 beat readmission targets
- 9 ACOs leaving the program
- ACOs still early, but where are they going?

CMMI Extensions of the ACA

- Transitional Care Management defined and added as a physician service (2013)
- Care Coordination being seriously considered as a new service for 2015 (MAPCP demo)
- Allow state "innovation waivers" (in 2017) to pursue ACA objectives through other means
  - Vermont's single payer idea leads the way
  - An opportunity to examine the "public option"?
  - Time to see ideas to "repeal and replace" the ACA?
  - Could even include state-level IPABs?

Coverage Distribution for All Ages in 2012

14.8%

15.1%

7.5%

62.6%

- Private
- Medicare
- Medicaid/CHIP or other public
- Uninsured

SOURCE: 2012 National Health Interview Survey

NOTE: These coverage categories are mutually exclusive. The hierarchy is private>Medicare>Medicaid/CHIP and other public>uninsured.

Private sector is also experimenting

- So far, private insurers have not done as well controlling spending as the public sector
- Private insurers do not seem to have the leverage to drive provider prices down
  - Recent IOM geographic report show private prices are more variable than public prices across areas
  - MedPAC "cost shifting" analysis makes the point also
- But, new ideas are being explored
  - ACOs, PCMHs, bundled payments, capitation
  - (AHIP MAP) Results, of course, are uncertain

70 Percent of Total Commercial Spending Variation Due to Price Markups

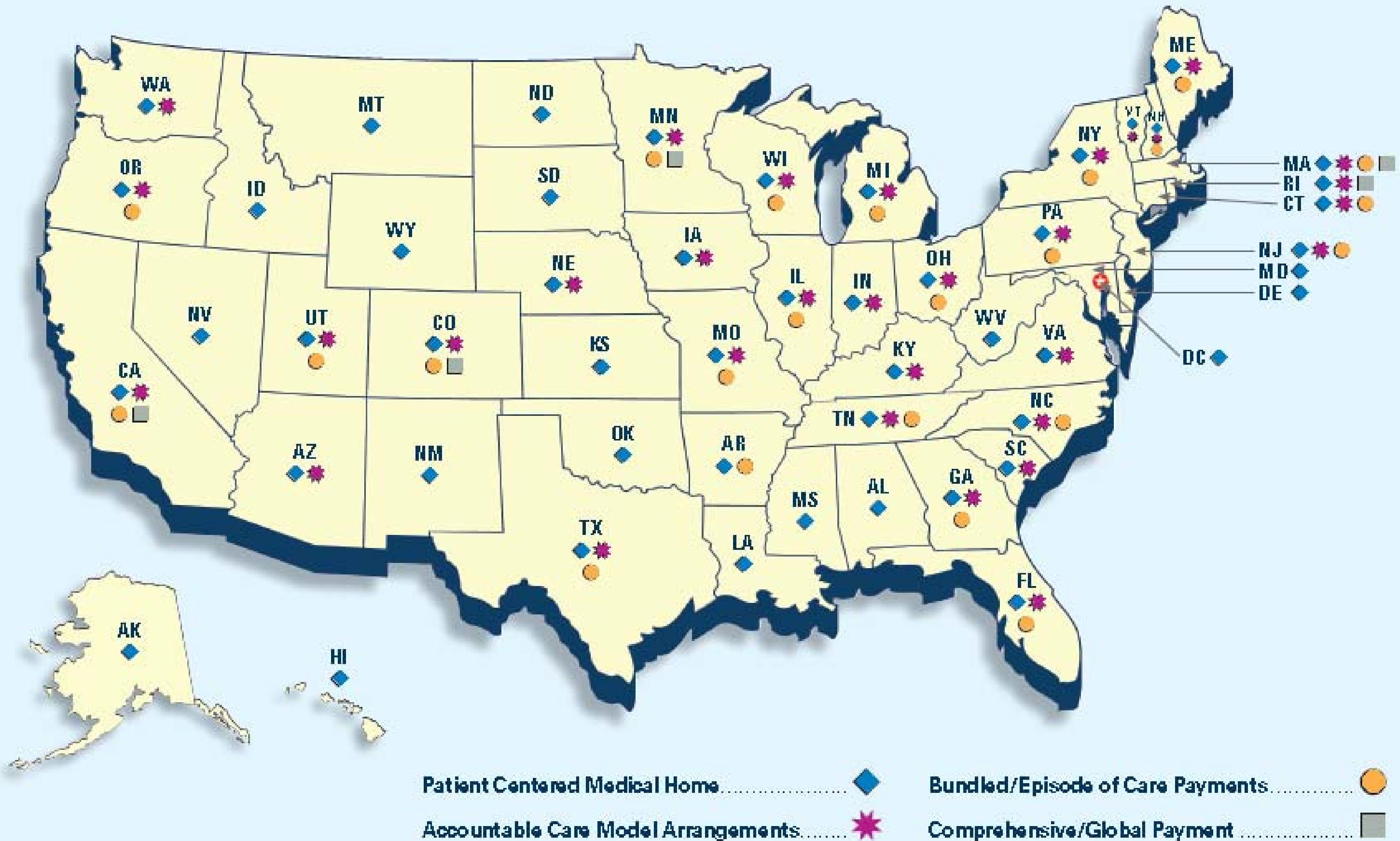
Total Commercial Spending Variation

Category	Share
Quantity	16%
Input Prices	14%
Markup	70%

Harvard University (2012)
For Institute of Medicine (2013)

AHIP America's Health Insurance Plans

Alternative Delivery and Payment Models—Private Sector Initiatives



NOTE: Icons may represent multiple partnerships within the state

*The map is current as of February 2013. As new programs are identified the map will be updated accordingly.

Content and Design AHIP—All Rights Reserved: © AHIP 2013

If the policies contained in the ACA and being extended through private payers are effective "never will so much be owed by so many to so few."