



Advising the Congress on Medicare issues

Realizing the promise of value-based payment in Medicare: An agenda for change

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Value-based payment needs to be more effective to address Medicare's financing challenges

- Medicare spending growth is unsustainable
- Policymakers will need to reduce spending growth by developing new payment and delivery models that can produce substantial savings
- The use of value-based payment (VBP) should be a common element of these new models
- VBP has stronger incentives to control overall costs than traditional FFS while maintaining or improving quality

VBP will be an important priority in our future work

- Commissioners have expressed interest in a multiyear effort to strengthen and expand the use of VBP
- This work will be guided by the same principles that serve as the foundation for all our policy development
- The goal of this effort will be to identify specific policy changes that encourage providers to accept more accountability for the cost and overall health of a group of beneficiaries

Medicare Advantage and accountable care organizations can provide a foundation for VBP

- Nearly two-thirds of beneficiaries with Part A & B are either enrolled in MA plans or assigned to ACOs
- Both programs need to be improved before they can serve as vehicles to broaden the use of VBP
 - MA: Examine calculation of benchmarks and risk adjustment
 - ACOs: Examine beneficiary engagement, interaction with other VBP models, incentives to reduce outpatient drug spending
- We may also examine issues beyond MA and ACOs, such as the potential use of global budgets for hospitals

The development of effective alternate payment and delivery models needs to accelerate

- FFS payment has known weaknesses
 - Inherent incentive to provide more services
 - Significant variation in quality and outcomes
- However, administered prices help control spending
- Medicare has made significant changes over the years to reduce the incentive to provide more services
- Numerous efforts to develop new models are underway but their impact has been relatively limited

Future vision for the Medicare program

- To the degree feasible, Medicare should transition from paying providers using FFS to paying providers through “accountable entities” that have incentives to control costs and improve quality while providing appropriate care
- Both beneficiaries and providers should have incentives to receive/deliver care through these entities
- These entities should pay individual providers in ways that support VBP, such as upside and downside financial risk

Commissioner discussion

- Suggested revisions to the draft chapter
- Areas for future work that need to be highlighted in the chapter (beyond those already mentioned)