

Expanding the use of value-based payment in Medicare

ISSUE: We discuss the use of value-based payment (VBP), an approach to paying for health care services that provide stronger incentives to control overall costs than the existing fee-for-service (FFS) program while maintaining or improving quality.

KEY POINTS: The traditional FFS program has a number of benefits but provides few incentives to control overall spending. The Medicare Advantage program and accountable care organizations have stronger incentives to control overall spending, and thus there would be potential programmatic benefits to having as large a share of beneficiaries as possible receiving their Medicare benefits through such organizations. However, these organizations will need to be improved before they can realize this potential. The Commission is interested in examining how VBP could be used more widely in the Medicare program.

ACTION: Commissioners will discuss the material and implications for future analytic work.