MEDPAC Medicare Payment Advisory Commission

NEWS RELEASE

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MEDICARE PAYMENT ADVISORY COMMISSION RELEASES REPORT ON MEDICARE PAYMENT POLICY

Report focuses on aligning incentives to promote quality, value, and efficiency

Washington, DC, June 15, 2010—Today the Medicare Payment Advisory Commission (MedPAC) releases its June 2010 *Report to the Congress: Aligning Incentives in Medicare.* MedPAC's report focuses on how incentives in the Medicare program can be leveraged to promote quality of care and efficient use of resources—key elements of a high-value health care delivery system.

In previous work, the Commission has proposed changing health care providers' incentives to drive improvements in Medicare, such as providing a payment bonus to physicians who practice primary care, reducing payments to hospitals with high preventable readmissions rates, and testing the feasibility of a bundled payment for an episode of care.

In *Aligning Incentives in Medicare*, the Commission continues that work by exploring policies that highlight the role of the Centers for Medicare and Medicare Services (CMS) and Medicare beneficiaries in achieving the goal of delivery system reform.

Also in this new report, the Commission makes a set of recommendations to the Congress on how to change Medicare's financing of graduate medical education to align it with the Commission's broader goal of delivery system reform. According to Commission chair Glenn Hackbarth, "These reforms will help to leverage Medicare funding to achieve urgently needed changes to its medical education system."

Notably, the Commission recommends making a significant portion of Medicare's graduate medical education payments contingent on residency programs meeting key educational criteria, such as teaching team-based care, training in ambulatory settings, and measuring quality.

The report explores the need for CMS to have greater flexibility to be an innovative purchaser of health care. The Commission finds that Medicare's ability to use policies such as reference pricing—under which a new item or service is paid at the same payment rate as clinically comparable items of services—has been limited due to lack of clear legal authority. In addition, the Commission finds that CMS lacks the resources to test and implement new methods of health care delivery.

The Commission's focus on beneficiaries and their role in delivery system reform is highlighted in its discussions of Medicare's benefit design and shared decision making. The report discusses reforms that could protect beneficiaries with the greatest need for services and who currently face very high cost

sharing. It also discusses changes to out-of-pocket spending that would create incentives for beneficiaries to access high-value health care services.

The report then explores how beneficiaries and providers in Medicare might use shared decision making —a tool for improving beneficiaries' ability to make informed choices about preference-sensitive health care services consistent with their values and the available medical evidence.

Other chapters of the report touch on recurring themes from the Commission's deliberations, including payment accuracy and the need to move away from volume incentives in fee-for-service Medicare, and systemic changes to better align provider incentives with a reformed delivery system. These include:

- *Medicare's role in supporting and motivating quality improvement*: a discussion of ways to motivate quality improvement among providers in Medicare through technical assistance and reforming Medicare's conditions of participation.

- *Coordinating the care of dual-eligible beneficiaries*: an examination of characteristics and utilization patterns of dual-eligible beneficiaries and an assessment of current approaches to offering integrated care for these beneficiaries, as a way to promote better care coordination and improve quality.

- *Inpatient psychiatric care in Medicare:* a survey of the current status of inpatient psychiatric facilities and Medicare's payments to these facilities.

- *Addressing the growth of ancillary services in physician offices*: a review of physician self-referral of ancillary services in Medicare, including the incentives to increase volume under Medicare's current fee-for-service payment system and approaches to reducing these incentives.

The report also includes an appendix, required by law, in which the Commission reviews CMS's preliminary estimate of the physician update for 2011.

The report can be downloaded from MedPAC's website:
http://medpac.gov/documents/Jun10_EntireReport.pdf

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The Medicare Payment Advisory Commission is a Congressional agency that provides independent, non-partisan policy and technical advice to the Congress on issues affecting the Medicare program. The Commission's goal is to achieve a Medicare program that assures beneficiary access to high-quality care, pays health care providers and health plans fairly, rewarding efficiency and quality, and spends tax dollars responsibly.