



## HEALTH INSURANCE REFORM AT A GLANCE

# INNOVATIVE DELIVERY SYSTEM REFORM

Reining in rising health costs and improving quality hinges on doctors, hospitals, and other providers working together to ensure that they provide the right care to the right patient at the right time. Rather than rewarding the *quantity* of care, payment systems must be modernized to reward high *quality* care. Realigning payment incentives will reduce waste, slow the growth of health care costs and improve Americans' health. The Senate-passed bill as improved by reconciliation contains multiple provisions to reform the health care delivery system.

### PROMOTING ACCOUNTABLE CARE ORGANIZATIONS

An “accountable care organization” (ACO) is an organized group of physicians who are rewarded for providing high quality care at low cost over a sustained period of time. The legislation directs the Secretary to establish a comprehensive ACO program and authorizes the continued expansion of the program where it proves successful in improving quality and keeping costs under control.

### PROMOTING PAYMENT BUNDLING

Hospital and physician incentives can be restructured by paying a lump sum for an episode of care (“bundling” payments), rather than paying separately for each service provided. The final bill directs the Secretary to establish programs to test the effectiveness of payment bundling across the nation in a wide array of settings so we can learn the best way to bundle payments to encourage efficiency and ensure quality. Successful arrangements could be expanded nationwide without further legislation.

### REDUCING HOSPITAL READMISSIONS

The health reform bill uses new financial incentives to encourage hospitals to undertake reforms needed to reduce *preventable* readmissions, which will improve care for beneficiaries and rein in unnecessary health care spending.

### REWARDING HIGH-QUALITY AND EFFICIENT CARE

The legislation establishes value-based purchasing to provide incentive payments to hospitals that meet certain quality standards. The final bill also provides for increased bonus payments of 5 to 10 percent for Medicare Advantage plans that demonstrate high quality of care.

### PROMOTING PRIMARY CARE

Primary care providers can provide lower cost and higher quality care for many ailments. The bill increases Medicare payment rates for primary care physicians by 10 percent. The bill also provides \$1.5 billion in mandatory spending for the National Health Service Corps to get more primary care providers to health shortage areas, one of the most effective ways to reduce the current deficit in these professionals. The legislation redistributes unused residency slots to programs that agree to train more primary care physicians and general surgeons, and promotes the training of practitioners in the outpatient setting, where most primary care is delivered.

## **DISCLOSING FINANCIAL RELATIONSHIPS**

The final health reform bill reflects MedPAC recommendations that all manufacturers of drugs and devices should report their financial relationships with physicians and teaching hospitals. MedPAC has concluded that such relationships can create a conflict of interest, which can lead to increased spending and suboptimal patient care.

## **UPDATED PAYMENT RATES**

MedPAC has identified areas of overpayment to skilled nursing facilities, inpatient rehabilitation facilities, and home health care providers. The legislation adopts several of these payment changes to ensure appropriate and adequate programs and embraces the President's recommendation to adjust payments to reflect increased productivity in the health sector.

## **HOSPITAL ACQUIRED CONDITIONS**

The legislation creates a new payment incentive to encourage hospitals to lower the rate of hospital-acquired conditions, which will improve the quality of care for hospitalized patients. It expands to Medicaid the current Medicare policy of denying payment for certain hospital-acquired conditions.

## **MORE AND BETTER HEALTH CARE DATA**

The transition to a more efficient, higher-quality health care system begins with getting more data about the clinical effectiveness of medical procedures, and the final bill invests billions in patient-centered outcomes research. The legislation expands physician and hospital reporting of quality measures and directs the Secretary to develop improved measures of health care quality.

## **DEVELOPING NEW INNOVATIVE PRACTICES TO IMPROVE CARE**

The health reform bill establishes a new Center for Medicare and Medicaid Innovation that will test approaches for improving quality and reducing costs while expanding those that work. The final bill also creates the Center for Quality Improvement at the Agency for Healthcare Quality and Research in order to identify existing best practices, develop new best practices, and disseminate successful models around the country.