

The Challenge of Bending the Cost Curve

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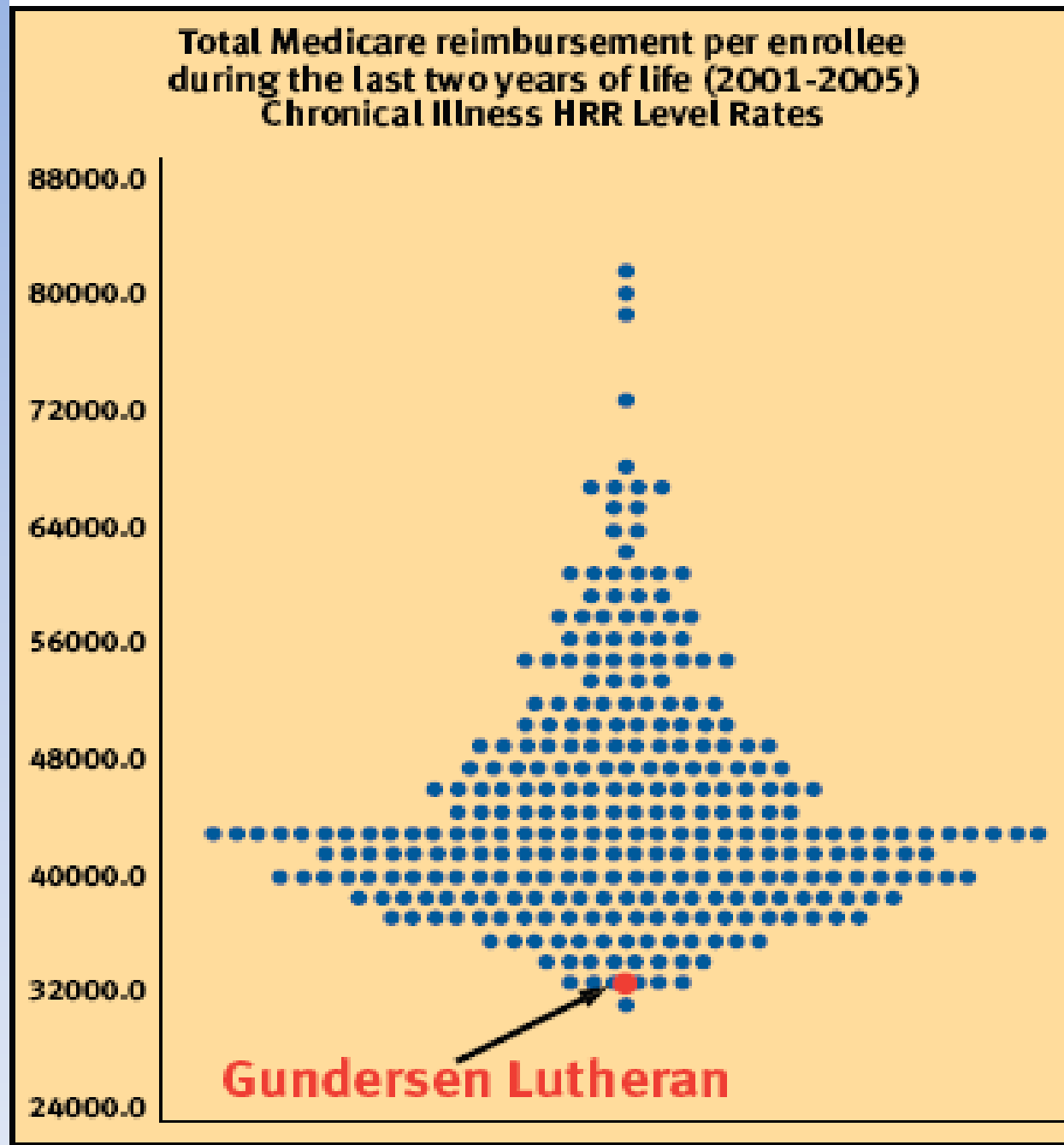
- Integrated Delivery System
 - Approximately 6,500 Total Employees
 - 776 providers employed / 474 medical staff
 - 41 clinic locations
 - 325-bed Tertiary Medical Center and 2 smaller hospitals
- Physician-led organization
 - All providers are employees



National Recognition

- Top 100 Hospitals Five Year Performance Improvement Leader – Thomson Reuters
- HealthGrades Distinguished Hospital Award for Clinical Excellence
- Top 100 Hospital – Thomson Reuters
- Top 100 Integrated Healthcare Network – Verispan
- 2009 Dartmouth/IHI – Best value of 309 Medicare regions
- 2009 Commonwealth Fund Top Integrated Systems
- 2010 Delta Group – Ranked # 1 in 3 clinical categories (overall hospital care, overall surgical care, and major cardiac surgery) of 118 academic centers

Very Low
Medicare
Cost



Gundersen Lutheran Health System

- Low utilization and low Medicare expenditures
- We believe high quality and low cost due to our structure as an integrated health care system, and our ability to manage population health
- We already look and act much like an ACO but have serious reservations about MSSP

We Deliver Coordinated Care Today Despite the FFS Reimbursement

- High degree of coordination of care
 - High ratio of PCP to specialists
- Electronic Medical Record
 - E-Consults
- Care Coordination Program
- Free 24 Hour Telephone Nurse Line
- End of Life Care

The Challenges Undertaken by Proposed Regulation



Lower current
costs



Restructure
fragmented health
care system

Bend the cost curve



The Cost Problem

High Cost of
Today's U.S.
Healthcare

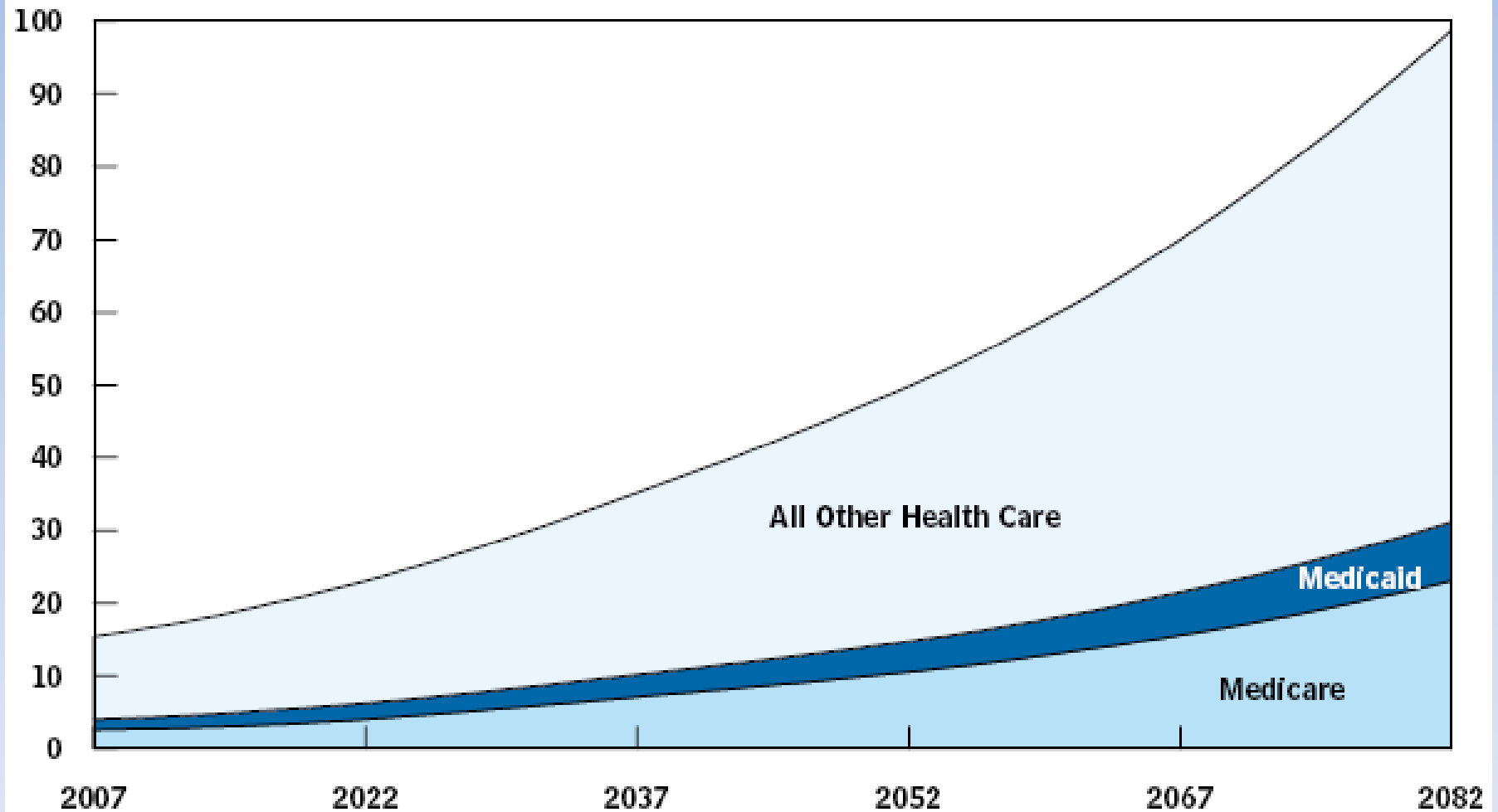
The Rising
Cost of U.S.
Healthcare

The
Cost
Issue

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graph TD; A((The Cost Issue)) --> B[High Cost of Today's U.S. Healthcare]; A --> C[The Rising Cost of U.S. Healthcare];
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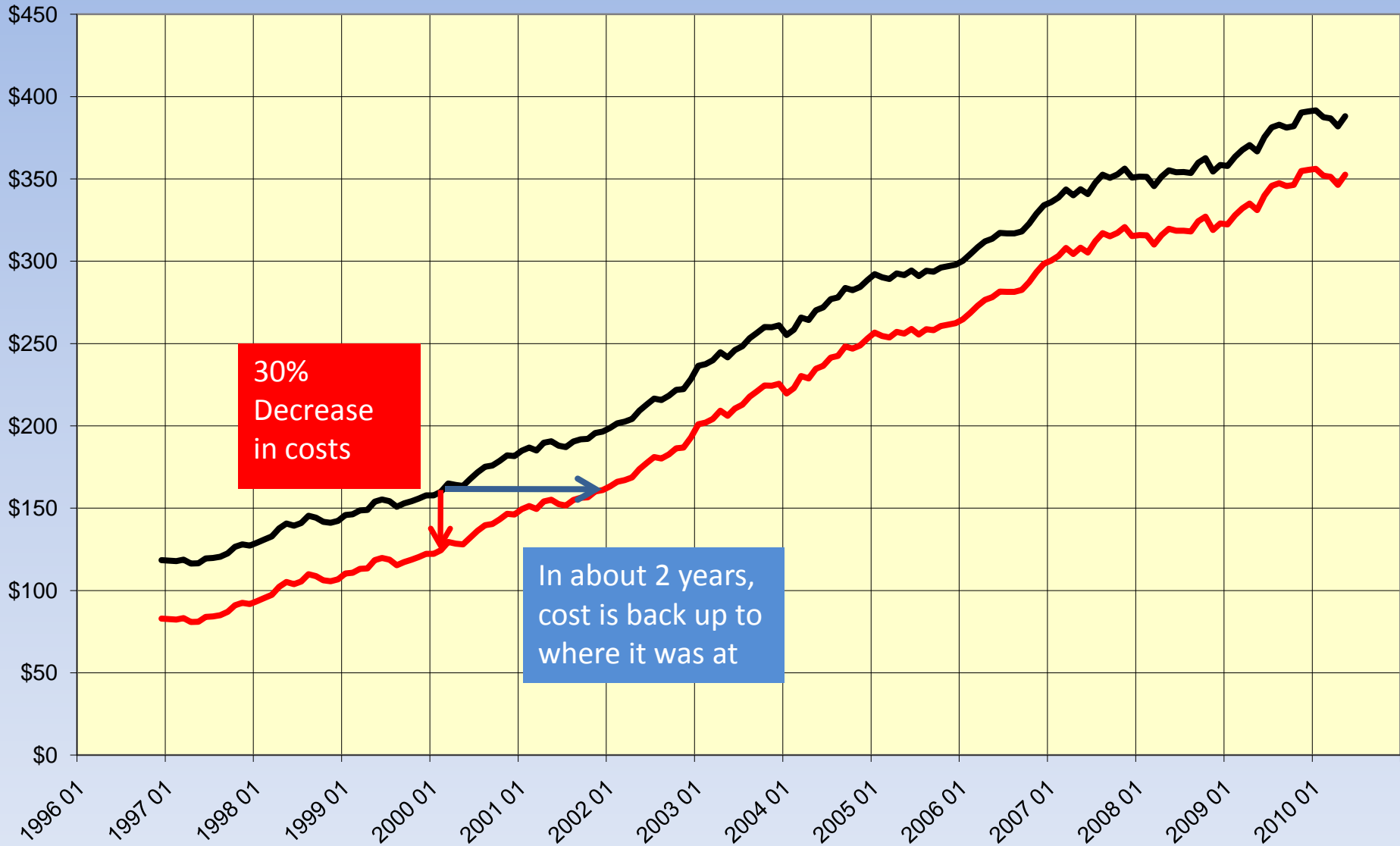

Projected Spending on Health Care Under an Assumption That Excess Cost Growth Continues at Historical Averages

(Percentage of gross domestic product)



Statement of Peter Orzag ,CBO Before Senate Committee on the Budget Jan 31, 2008

The Effect of One-Time Price Reduction



1. Focus on controlling the rate of growth not outright cost reductions

Single Largest Factor Driving the Rate of Increase?

- Widespread use of expensive tests and treatments, some of marginal value
 - 40-60% of total*
- Any fix will require **more than change to care delivery system**

*“Technological Change and the Growth of Health Care Spending” CBO, Jan. 2008

2. Incent patients to work with providers for lower cost care

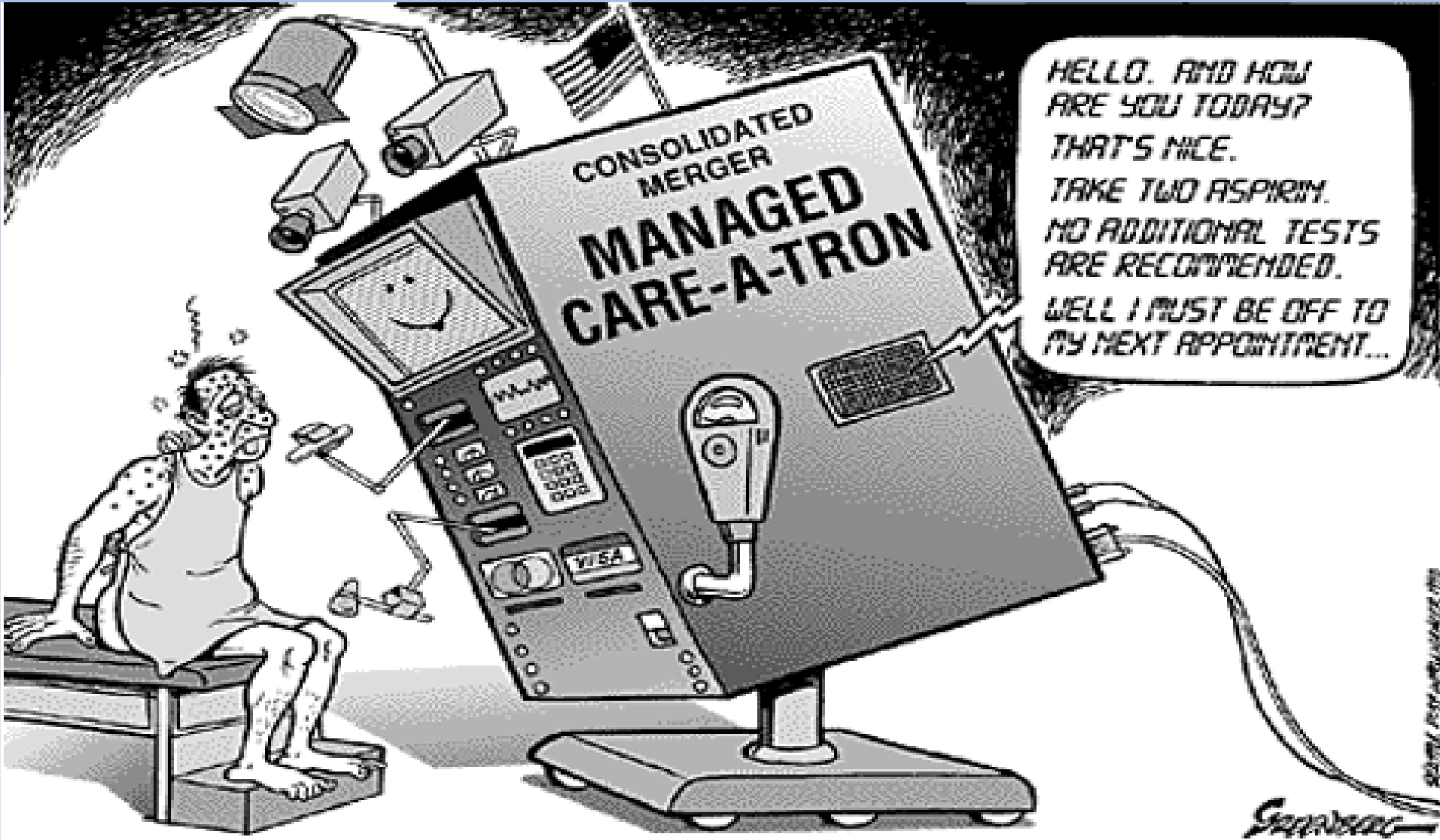


Assign patients prospectively based on their selection of Medical Home

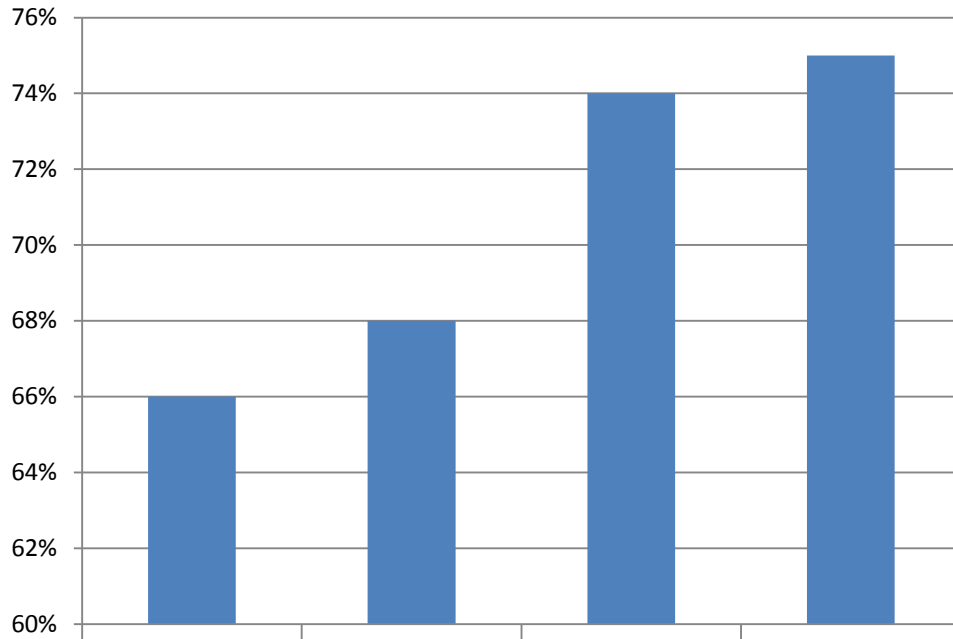
Lower cost-sharing or additional benefit for in-ACO care

To avoid re-visiting the days of Managed Care, both patients and providers will need to be accountable

The Not So Great Memories of Managed Care



Attainment

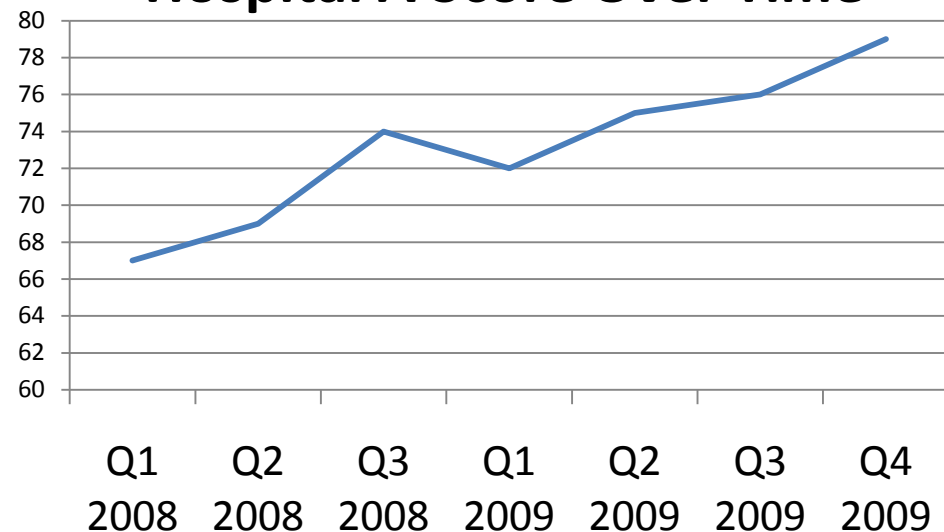


Hospital A Hospital B Hospital C Hospital D

Deciding What to Incent

Improvement

Hospital A Score Over Time



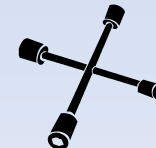
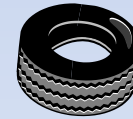
Incent High or Improved Performance

- MSSP Quality is rewarded on 'attainment'
- MSSP cost is rewarded on 'improvement'
- Hospital Value-based Purchasing - both
- e.g. High quality/low cost retain more savings

*3. Reward Improvement
and Attainment for Cost*



Seeking cost reductions at time of significant investment



*4. Drive Delivery System
Change First by Gaining
Broad Provider Participation*

Make it easier to keep savings and
do not penalize during periods of
significant investment

SUMMARY

- 1. Focus on controlling the rate of growth*
- 2. Incent patients for lower cost care*
- 3. Reward Improvement and Attainment*
- 4. Drive Delivery System Change First*

Different payment system for
integrated systems that can take risk

Proposal 1 to CMMI

For Highly Integrated HI - ACO

- **Global payment** - to cover Part A & B care
- **P4P** - up to 10% Quality 'bonus' for meeting goals
- **Baseline payment** - regional / national benchmark
- **Annual update** - on blended regional/national rate
- **Prospective Assignment** - on Medical Home
- **Within ACO cost incentive** - reduced cost sharing

Proposal 2 to CMMI

For Highly Integrated HI - ACO

- **Global payment** - to cover Part A & B care
- **Baseline payment** – based on value
 - Quality / Cost index
- **Annual update**- payment re-based annually
- **Prospective Assignment** - on Medical Home
- **Within ACO cost incentive** - reduced cost sharing

Pioneer ACO



Putting It All Together

