MedPAC Backs Bundled Pay for Hospitalization

BY ALICIA AULT
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WASHINGTON — The Medicare Payment Advisory Commission has given its backing to bundling payment for hospitalization, which would essentially give hospitals and physicians an incentive to control costs and avoid readmissions.

At its April meeting, the commission (MedPAC) unanimously voted to include a bundling recommendation in its June report to Congress. As a first step, physicians and hospitals should be required to report to the Centers for Medicare and Medicaid Services (CMS) on resource use and readmissions during an “episode of care,” which is proposed to include the first 30 days post hospitalization. The data would be confidential initially, but should be made public by the third year, MedPAC commissioners recommended.

Once the robustness of the demonstration data are in hand, CMS should start adjusting payment to hospitals, according to the recommendation. There would be the possibility for garnishing among hospitals and physicians.

The commissioners also voted to direct CMS to study the feasibility of “virtual” bundling. With virtual bundling, the payment would be adjusted based on aggregate use of services over an entire episode of care.

Finally, MedPAC voted to recommend that CMS create a voluntary pilot to test actual bundled payment in selected disease conditions. The pilot could throw some light on how the hospital or accountable care organization receiving the payment decided to share funds, and how Medicare might share in any savings, according to MedPAC staff.

The pilot represents Medicare’s ultimate goal—making bundled payments, said MedPAC Chairman Glenn Hackbart, a health care consultant in Bend, Ore.

The data on pricing and adjusting payment based on readmission are interim steps aimed at getting providers to collaborate to improve care and cut costs, said Mr. Hackbart.

Commissioner Ronald Castellanos, a urologist in private practice in Fort Myers, Fla., said he thought it would take 5 or 10 years to make collaboration work, but that he agreed that it was the ultimate goal.

U.S. Health Care Spending to Hit $4.3 Trillion in 10 Years

BY MARY ELLEN SCHNEIDER
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Health care spending in the United States is projected to consume nearly 20% of the gross domestic product by 2017, according to estimates from economists at the Centers for Medicare and Medicaid Services.

Health care spending growth is expected to remain steady at about 6.7% a year through 2017, spending estimated to nearly double to $4.3 trillion by 2017, the CMS analysts said in a report published online in the journal Health Affairs.

The 10-year projections come from the National Health Statistics Group, part of the CMS Office of the Actuary, and are based on historical trends, projected economic conditions, and provisions of current law.

The analysts project that spending for private sector health care will slow toward the end of the projection period, while spending in the public sector, including Medicare and Medicaid, will increase. Much of the increase will be fueled by the first wave of baby boomers entering Medicare in 2011. The increase in the number of Medicare enrollees is projected to add 2.9% to growth in Medicare spending by 2017, according to the report.

The CMS economists projected that growth in spending on physician services would average about 4.9% per year through 2017, compared with 6.6% from 1995 to 2006. These projections are based on current law, which calls for steep cuts to physician payments under Medicare over the next several years. If Congress were to provide a 0% update over the next decade, the average annual growth from 2007 to 2017 would rise to 6.2%, according to the report.

On the hospital side, spending is projected to accelerate at the beginning of the projection period because of higher Medicare payments but to slow toward the end as a result of projected lower growth in income.

Home health care will likely be one of the fastest growing sectors in health care from 2007 through 2017, with an average annual spending growth rate of 7.7%, according to the report.

Growth in prescription drug spending is expected to accelerate overall through 2017, because of increased utilization, new drugs entering the market, and a leveling off of the growth in generics. The analysts reported that Medicare Part D would have “little impact on overall health spending growth” through 2017.