Coordinated Care Could Save Medicare $10 Billion a Year

BY JOYCE FRIEDEN

More coordinated care can reduce the rate of hospital readmissions among Medicare beneficiaries by more than 25%, a study has found.

"Policymakers should take notice of this and other studies that demonstrate what’s already working in some health care plans," Len Nichols, Ph.D., director of the health policy program at the New America Foun- dation, a Washington think tank, said in a statement. "It’s time to move away from the current fee-for-service payment system toward one that emphasizes value rather than volume, enhances the value of primary care, and holds providers accountable for quality and efficiency." The study involved 13 plans in the Medicare Advan- tage program, under which private health plans con- tract with Medicare to care for beneficiaries. The study was sponsored by the Alliance of Community Health Plans (AChP), an organization of nonprofit, commu- nity-based, and regional health plans. All of the plans in the study were members of AChP.

Gerard Anderson, Ph.D., of Johns Hopkins Univer- sity, and colleagues focused their research on two areas: hospital readmissions and preventable hospital admis- sions/emergency department (ED) visits.

"These measures were chosen for several reasons," they wrote in a report released by AChP. "First, read- missions and preventable hospitalizations are expensive for the Medicare program. Second, there is an established literature on how to measure readmissions and preventable hospitalizations. Third, they can be used to evaluate if health plans can improve outcomes for Medicare beneficiaries and save money for the Medicare Trust Funds." The researchers compared the rates of readmissions and preventable admissions/ED visits in the fee-for- service Medicare program with those of the 13 health plans studied. The study spanned the first 6 months of 2007 and used the third quarter of that year to monitor any readmissions or follow-up care.

The investigators found that the national Medicare fee-for-service readmission rate was 18.6%, while the AChP plans in the study had an average rate of 13.6%—a rate that was 27% lower. Based on previous readmission cost data, the Medicare fee-for-service plan could have saved nearly $5 billion if it had had the same readmission rate as the AChP plans in the study, Dr. Anderson and his associates said.

On average, AChP member plans had preventable in- patient hospitalization rates in 2007 that were 13% of the national average, the researchers noted. Based on an average payment per discharge of nearly $8,400 in 2007, bringing Medicare’s fee-for-service preventable hospitalizations down to the same level as the AChP plans would have saved the program $4.5 billion, according to the study. As for preventable ED visits, the rate among the Medicare fee-for-service patients was 15.5 visits per 100 beneficiary months, compared with an average of 2.2 visits for the AChP plans studied (range, 0.5-7.8). The average AChP plan had 86% fewer preventable ED visits than the Medicare fee-for-service program.

The results suggest that “the approaches adopted by these plans—which include greater focus on primary care, care coordination, transitional planning post-discharge, prevention measures, and active case management—are improving care for their beneficiaries, keeping people out of the hospital, and lowering costs,” the authors wrote in the AChP report. “If the Medicare fee- for-service program had similar rates of readmissions and preventable hospitalizations, then the Medicare pro- gram would have saved approximately $10 billion in the year of the study.”