

Lessons from Medicare's Demonstration Projects on Disease Management, Care Coordination, and Value-Based Payment

January 18, 2012

Economic and Budget Issue Brief

Summary

In the past two decades, Medicare has conducted two broad categories of demonstrations aimed at enhancing the quality of health care and improving the efficiency of health care delivery in its fee-for-service program:

- Disease management and care coordination demonstrations have sought to improve the quality of care of beneficiaries with chronic illnesses and those whose health care is expected to be particularly costly.
- Value-based payment demonstrations have given health care providers financial incentives to improve the quality and efficiency of care rather than payments based strictly on the volume and intensity of services delivered.

CBO reviewed the outcomes of 10 major demonstrations that have been evaluated by independent researchers. The evaluations show that most programs have not reduced Medicare spending. Programs in which care managers had substantial direct interaction with physicians and significant in-person interaction with patients were more likely to reduce Medicare spending than other programs, but on average even those programs did not achieve enough savings to offset their fees. Results from demonstrations of value-based payment systems were mixed. In one of the four demonstrations examined, Medicare made bundled payments that covered all hospital and physician services for heart bypass surgeries; Medicare's spending for those services was reduced by about 10 percent under the demonstration. Other demonstrations of value-based payment appear to have produced little or no savings for Medicare.

Demonstrations aimed at reducing spending and increasing quality of care face significant challenges in overcoming the incentives inherent in Medicare's fee-for-service payment

system, which rewards providers for delivering more care but does not pay them for coordinating with other providers, and in the nation's decentralized health care delivery system, which does not facilitate communication or coordination among providers. The results of those Medicare demonstrations suggest that substantial changes to payment and delivery systems will probably be necessary for programs involving disease management and care coordination or value-based payment to significantly reduce spending and either maintain or improve the quality of care provided to patients.