

Study Highlights, October 10, 2012

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## Synopsis of Key Findings

A study analyzing Medicare fee-for-service claims data used descriptive statistics and micro-simulation models to evaluate the effects of shifting Medicare post-acute care patients across settings in a clinically appropriate and cost-effective manner. A literature review and descriptive statistical analyses provided evidence to support modeling assumptions. The researchers find that:

- There is considerable overlap of patients across post-acute care settings. Patients with similar clinical and demographic characteristics are receiving care in settings with different relative Medicare payments. Evidence suggests that Medicare could achieve savings by understanding the patterns with which patients receive care (patient pathways), identifying ways to avoid unplanned readmissions, and placing patients in the most clinically appropriate and cost-effective setting.
- Shifting of patient care settings alone, without restructuring or re-engineering the way care is provided, would yield savings of \$34.7 billion over ten years. Adding an explicit policy to reduce Medicare fee-for-service post-discharge spending by 5.3% would yield Medicare savings of \$70 billion over ten years. In the alternative, adding a policy to reduce post-discharge spending by 7.5% would yield Medicare savings of \$100 billion over ten years. A \$100 billion overall Medicare savings would extend the Medicare Part A trust fund by about 2.5 years.
- The researchers also find that reducing ambulatory care sensitive hospital admissions by improving care management for patients would yield \$37.7 billion over ten years.

The findings suggest that, under reasonable assumptions, post-acute care reforms and improved care management has significant potential to reduce overall Medicare spending.

## The Issue

Budget experts estimate that the Medicare Trust Fund will become insolvent by 2024 (under intermediate assumptions). Reforms to the health care system are needed to “bend the cost curve” and extend the life of the trust fund. The Affordable Care Act authorized various demonstrations and programs aimed at reforming the health care delivery system, including the Medicare Innovation Center’s Bundled Payments for Care Improvement (BPCI) Initiative. BPCI is testing various approaches that alter payment for health care

services, including post-acute care services. This study, sponsored by the Alliance for Home Health Quality and Innovation, researchers examined how changes to the way post-acute care is delivered to Medicare beneficiaries could improve both efficiency and quality of care. The researchers also examined the potential impact of preventing avoidable hospitalizations and rehospitalizations.

## Addressing the Problem

Clinically appropriate and cost-effective placement of patients within the current health care delivery system has potential to reduce overall Medicare spending. However, in order to achieve greater cost control, broader system-wide changes will be needed to address how care is delivered and reimbursed. Payment and health care delivery system reform must be carefully designed and implemented to balance provider risk and opportunities with beneficiary protections and safeguards. There is evidence in literature suggesting that we currently have the tools needed to test full implementation of various payment and delivery reform methodologies. Innovative approaches to the use of post-acute care that pursue clinically appropriate and cost-effective placement could be key to improving patient care at a lower cost to the Medicare program.

## About the Study

Using a 5% sample of Medicare beneficiaries, the researchers analyzed all Medicare Parts A, B and D claims data (across all care settings) from 2007 to 2009 in terms of episodes that capture post-acute care, pre-acute care, and non-post-acute (or community-based) care for beneficiaries enrolled in fee-for-service Medicare. Patient clinical information for all settings and functional status information was analyzed for patients receiving care in home health, skilled nursing facilities, and inpatient rehabilitation facilities to determine the clinical appropriateness for other post-acute care settings.

## Bottom Line

Innovative approaches to the use of post-acute care could be key to improving patient care at a lower cost to the Medicare program.

## Citation

A. Dobson et al., “Clinically Appropriate and Cost-Effective Placement: Improving Health Care Quality and Efficiency,” [www.ahhqj.org](http://www.ahhqj.org), October 2012.