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Analysis of Medicare Data Indicates that Post-Acute Care Reform Could Extend the Medicare Trust Fund by Two and a Half Years, Potentially Save \$100 Billion

Research identifies new path for improving care coordination and increasing the efficiency of the Medicare program

WASHINGTON, DC – A comprehensive analysis of Medicare claims data finds that the Medicare program could save as much as \$100 billion over the next 10 years and the life of the Medicare Part A Trust Fund could be extended by 2.5 years if post-discharge patients were served in more clinically appropriate, cost effective settings and care delivery was restructured. The Clinically Appropriate and Cost-Effective Placement (CACEP) project, released today by The Alliance for Home Health Quality and Innovation, details opportunities for reducing post-acute care spending by improving the process of transitioning patients following hospital discharge.

The final CACEP report builds upon a series of working papers assessing the volume, payments, patient pathways, and readmissions of various types of post-acute care episodes. The analysis also presents analytic models indicating Medicare savings. Modeling suggests the utilization of a clinically appropriate and cost-effective care model, which shifts patient care settings under the current delivery structure with payment incentives for clinically-appropriate placement, could reduce Medicare spending by \$34.7 billion over a 10 year period (2014-23).

The report further examines the financial impact that more aggressive payment reforms would have on the Medicare program. Models indicate that moving Medicare away from a siloed fee-for-service payment system to one that better aligns incentives by adding an explicit policy to reduce Medicare fee-for-service post-discharge spending by 7.5 percent would yield Medicare savings of \$100 billion over 10 years. The report finds that more innovative payment models are necessary to achieve optimal savings, where there is strong financial pressure on post-acute care providers collectively to reduce Medicare expenditures, increase efficiency and reduce episode complexity and length.

“The current Medicare program is not sustainable, so it is critical that we begin to adopt policies that reduce spending, while protecting Medicare and overall quality of care for current and future generations. The CACEP project presents compelling data for restructuring post acute care with innovative payment models that have the potential to significantly reduce spending, increase efficiencies and facilitate improved patient care,” said Allen Dobson, Ph.D., CACEP lead researcher and President of Dobson | DaVanzo & Associates, LLC.

Researchers completed a comprehensive review of the research literature including studies of existing Medicare reform demonstrations. The review examined how shifting patients to the most clinically appropriate and cost-effective post-acute care setting can improve quality and efficiency, streamline care transitions and strengthen care coordination across care settings. The report also examines models for care coordination that demonstrate how provider incentives and increased access to lower-cost settings can lead to significant cost savings through improved chronic care management and reduced avoidable hospital admissions.

Other key findings of the final report include:

- Patient overlap across first settings in post-acute care is considerable. Given that formal first settings have very different expenditure levels, reductions in Medicare spending can be achieved by shifting patients to more cost-effective settings, including home health.
- Medicare episode payments more than double when the beneficiary's care includes a hospital readmission.
- While the CACEP models are primarily based on post-acute care episodes, the implications of these findings can be applied across our nation's healthcare delivery system.

“With this research, we are identifying areas for strengthening the Medicare program, which we hope the health policy community will find useful for future policy-making decisions to ensure patients receive care in the setting that offers the most clinically-appropriate level of care at the lowest cost,” stated Teresa Lee, Executive Director of the Alliance for Home Health Quality and Innovation. “In releasing this report, we look forward to being part of further discussions on how post-acute care can be reformed to ensure that patients receive quality care in the least expensive setting.”

Dobson | DaVanzo & Associates, LLC conducted the Clinically Appropriate and Cost-Effective Placement (CACEP) study. The purpose of CACEP was to determine how the Medicare home health benefit can better meet beneficiary needs and improve the quality and efficiency of care provided within the U.S. health care system. The CACEP project examines claims for a five percent sample of Medicare fee-for-service beneficiaries from 2007 to 2009 and analyzes opportunities for improving quality and efficiency of care and reducing Medicare spending.

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The Alliance for Home Health Quality and Innovation (the Alliance) is comprised of leaders in the home health care community – including several of the largest home health care providers in the United States and the largest national trade association representing home health care providers. The mission of the Alliance is to foster research and education on the value of home health care to patients and the overall U.S. health care system. The Alliance is dedicated to improving the nation's health care system through development of high quality and innovative solutions aimed at achieving optimal clinical outcomes. To learn more, visit www.ahhqj.org.