Transforming the Delivery of Care

Jonathan Blum, Principal Deputy Administrator
Centers for Medicare & Medicaid Services

April 2014
Agenda

- A fundamentally transformed Medicare program
- Why we are continuing to press harder
Medicare Per Capita Spending Growth at Historic Lows

*Medicare Part D prescription drug benefit implementation, Jan 2006

Source: CMS Office of the Actuary
The Economy is Not Driving Lower Medicare Spending

Medicare Per Capita Spending Growing, by Part

Source: CMS Office of the Actuary, Midsession Review – FY 2013 Budget
Hospital Readmissions Continue to Decline Steeply

Medicare 30-Day, All-Condition Hospital Readmission Rates
January 2007 - May 2013

Monthly Rate
Trendline
Readmissions Declines Point to True Changes in Care

Annual Change in Hospital Services Furnished Within 30 Days of Inpatient Discharge

- Inpatient Readmission
- Outpatient Observation
- Outpatient Emergency Department

2008 2009 2010 2011 2012

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ACO Participation is Growing Rapidly

ACO-Assigned Beneficiaries by County

- 360+ ACOs have been established, including 123 new Shared Savings ACOs for 2014
- 5.3 million assigned beneficiaries in 47 states, plus DC and PR
Medicare Advantage Average Star Rating has Dramatically Increased

Medicare Advantage Enrollment Rating Distribution

<table>
<thead>
<tr>
<th>Year</th>
<th>2-Star</th>
<th>3-Star</th>
<th>4-Star</th>
<th>5-Star</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>14%</td>
<td>70%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>2012</td>
<td>9%</td>
<td>59%</td>
<td>19%</td>
<td>19%</td>
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<tr>
<td>2013</td>
<td>5%</td>
<td>56%</td>
<td>28%</td>
<td>6%</td>
</tr>
<tr>
<td>2014</td>
<td>1%</td>
<td>43%</td>
<td>43%</td>
<td>9%</td>
</tr>
</tbody>
</table>

2 or 3 Stars:
- 2009: 84%
- 2012: 71%
- 2013: 63%
- 2014: 45%

4 or 5 Stars:
- 2009: 16%
- 2012: 29%
- 2013: 37%
- 2014: 55%
Why We Need to Push Harder
Variation in Total Episode Costs

Geographic Variation in Spending, MS-DRG 291
(Heart Failure and Shock with Major Complications)

<table>
<thead>
<tr>
<th>City</th>
<th>Ratio to U.S. Average</th>
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<tbody>
<tr>
<td>Ridgewood, NJ</td>
<td>1.49</td>
</tr>
<tr>
<td>Hudson, FL</td>
<td>1.15</td>
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<tr>
<td>Lancaster, PA</td>
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<tr>
<td>Raleigh, NC</td>
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<tr>
<td>Owensboro, KY</td>
<td>0.71</td>
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Variation in Total Episode Costs, Post-Acute Care

Geographic Variation in PAC Spending, MS-DRG 291
(Heart Failure and Shock with Major Complications)

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<tr>
<td>Ridgewood, NJ</td>
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<tr>
<td>Hudson, FL</td>
<td>1.37</td>
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<tr>
<td>Lancaster, PA</td>
<td>1.21</td>
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<tr>
<td>Raleigh, NC</td>
<td>0.60</td>
</tr>
<tr>
<td>Owensboro, KY</td>
<td>0.59</td>
</tr>
</tbody>
</table>
Wide Variation Within Geographic Areas

CT Scans Per Capita Spending* (2011)

National Average = $76

Honolulu, HI
$49 per capita

Fort Myers, FL
$117 per capita

*includes institutional and professional spending

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Little Apparent Relationship Between Cost and Quality

ACO Assigned Beneficiary Per Capita Total Expenditures Against 30-Day All Cause Readmission Rate, 2011, Risk-Adjusted

The Institute of Medicine Agrees…