

# Can Massachusetts and The U.S. *Moderate Growth In Healthcare Spending?*

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**The Issue Is Not Whether It Is  
Possible To Control The  
Growth In Healthcare  
Spending**

*The Issue Is Whether Massachusetts  
or the U.S. Has The Political Will to  
Control Healthcare Spending*

**Up To Now The Answer Has  
Been---NO!**

**Massachusetts and the U.S. Has  
Tried To Control Health Spending  
In The Past ---**

*BUT----With Limited Success and For  
a Limited Time Period*

**WHY?**

# Those Who Stand To Lose Convince Enough of Us That ---

- *It Will Lead to Lower Quality Care?*
- *It Will Reduce Access to Care*
- *It Will Reduce The Number of Jobs  
Healthcare in Our Community?*
- *It Won't Work*

**Will The Future Be More of  
The Same?**

**I DON'T THINK SO!**

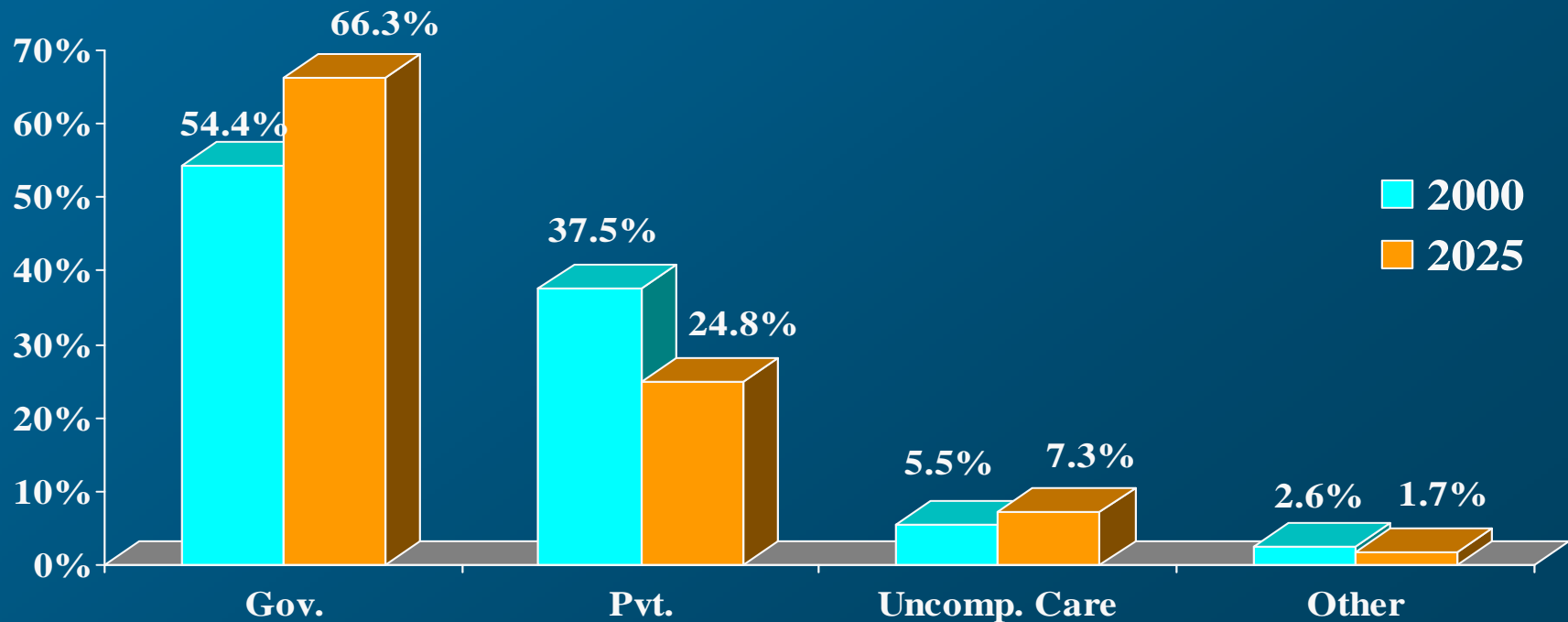
**The ‘Boogey Man’ Is  
Demographics (Medicare) and  
Growing Numbers of Medicaid  
Patients**

*If We Don't Find a Way To Change The  
Economics of Health Care Most Providers  
Will Face Declining Prices For Their  
Services*



# Even Without Health Reform --- Government Patients Will Dominate Institutional Expenses

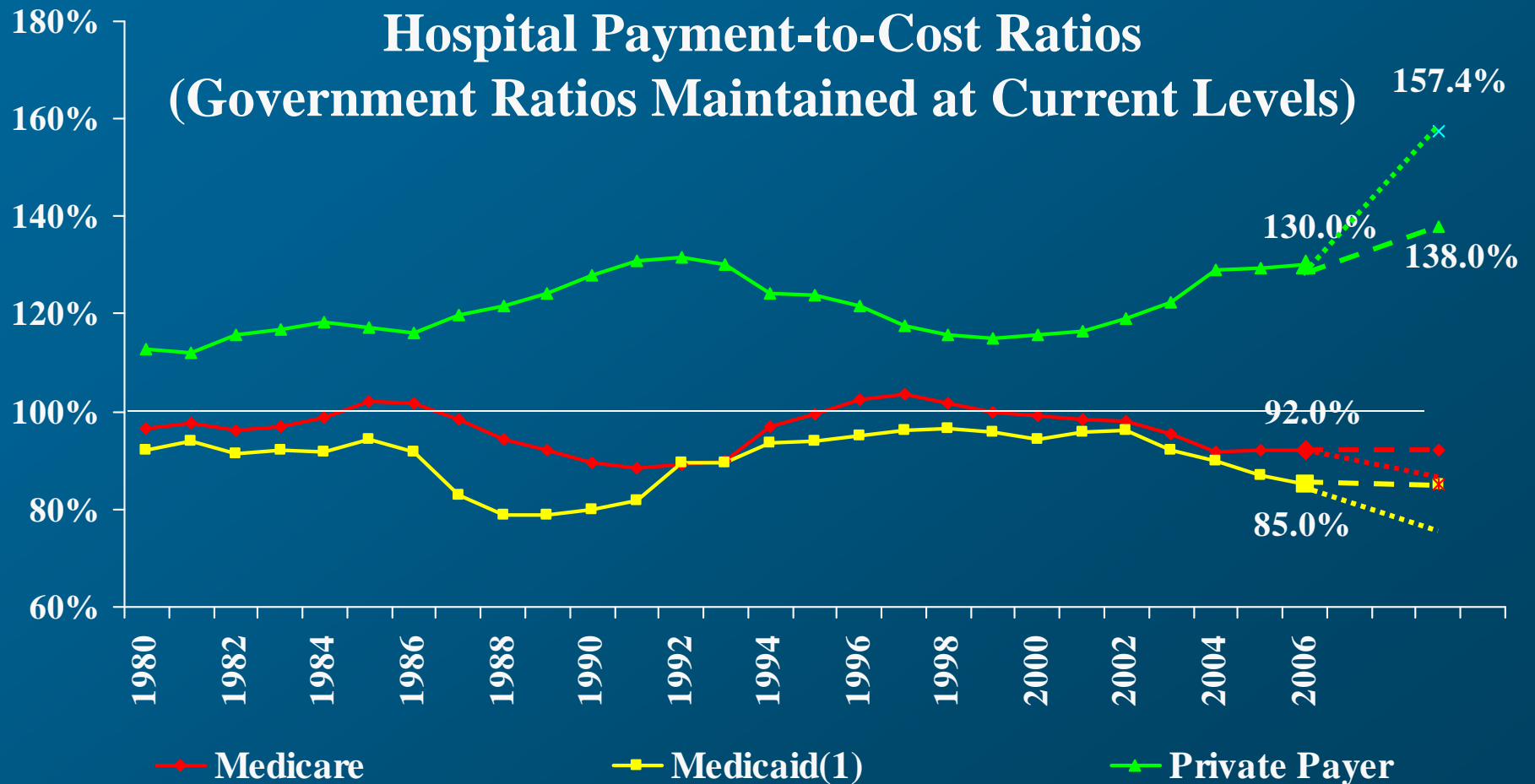
Proportion Of Hospital Expenses Attributed To  
Patients By Payer Source



**Will Hospitals and Physicians Be  
Able to Rely On Charging Private  
Patients More To Make Up For  
Lower Government Payments?**

**Unlikely!**

# Can Private Insurance Payments Continue To Pay For The Shortfall In Government Payments



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2005, for community hospitals.  
(1) Includes Medicaid Disproportionate Share payments.

*Is There An Alternative To a*

**HEALTH CARE  
BROWN-OUT**

**What Is Needed Is A Redesigned  
Health Care Delivery System That  
*Rewards Higher Quality and  
Lowers Costs!***

*The Alternative Is Lower Service  
Payments Which Will Occur as  
Greater Proportion of Patients Paid  
by Medicaid and Medicare*

**Is The Federal Health Care  
Reform Defined---**  
**“Accountable Care  
Organizations (ACO’s)” The  
Answer?**

*Sounds Nice But What  
Are They Anyway?*

**Many Alternative Approaches  
To Redesigning Payment and  
Delivery System**

## **Federal ACO's are Designed To Avoid Main Problems of HMOs of The 1990's**

- **Providers Will Not Be Required To Assume Risk**
  - **ACO's is a "Shared Savings System". Each Groups Starts From Their Current Spending Levels**
- **Patients Will Not Be Locked Into a Delivery System They Don't Trust**
  - **Patients Need to Sign Up With PCP But Can Change PCP or Network With No Penalty**



# Different Possible Models of ACO,s

- Primary Care Physician Groups as Major Sponsor
  - Contract With Specialists and Hospitals
- Multispecialty Physician Groups
- Community Hospitals as Sponsor
- Major Teaching Hospitals
- Health Plans

# **A Possible Alternative**

Massachusetts Blue Cross/Blue Shield  
AQC is One Option

# Key Issues

- Against What Benchmark is a Provider Group Judged
- Do Provider Groups Take Some Risk
- Are Patients Required To Join a Provider Group
- Can Patients Seek Care Outside Group and If So Are There Penalties

**Some Economists Concerned That  
a Limited Number of Integrated  
Delivery Systems Could Lead to  
Higher Costs!!!**

**Could Create Mini-Monopolies That  
Will Control Prices.**

***Are There Penalties for Exceeding The  
Budgeted Benchmark?***

# Many Provider Organizations Are Considering Creating a ACO Type System

*But Some Are Concerned About The Need for Upfront Expense:---Could Innovation Center Funding Help?*

**We Will Hear About  
Several This Morning!**