



HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

Improving Quality and Controlling Costs in the Next Decade

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NYS Health Foundation Conference
Paying for Health Reform: The Imperative of Cost Containment
November 2, 2010

The Lewin Group

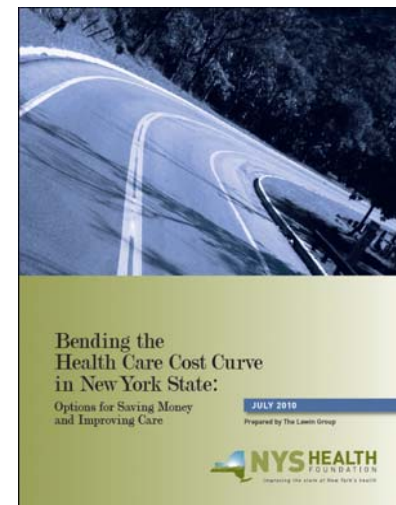
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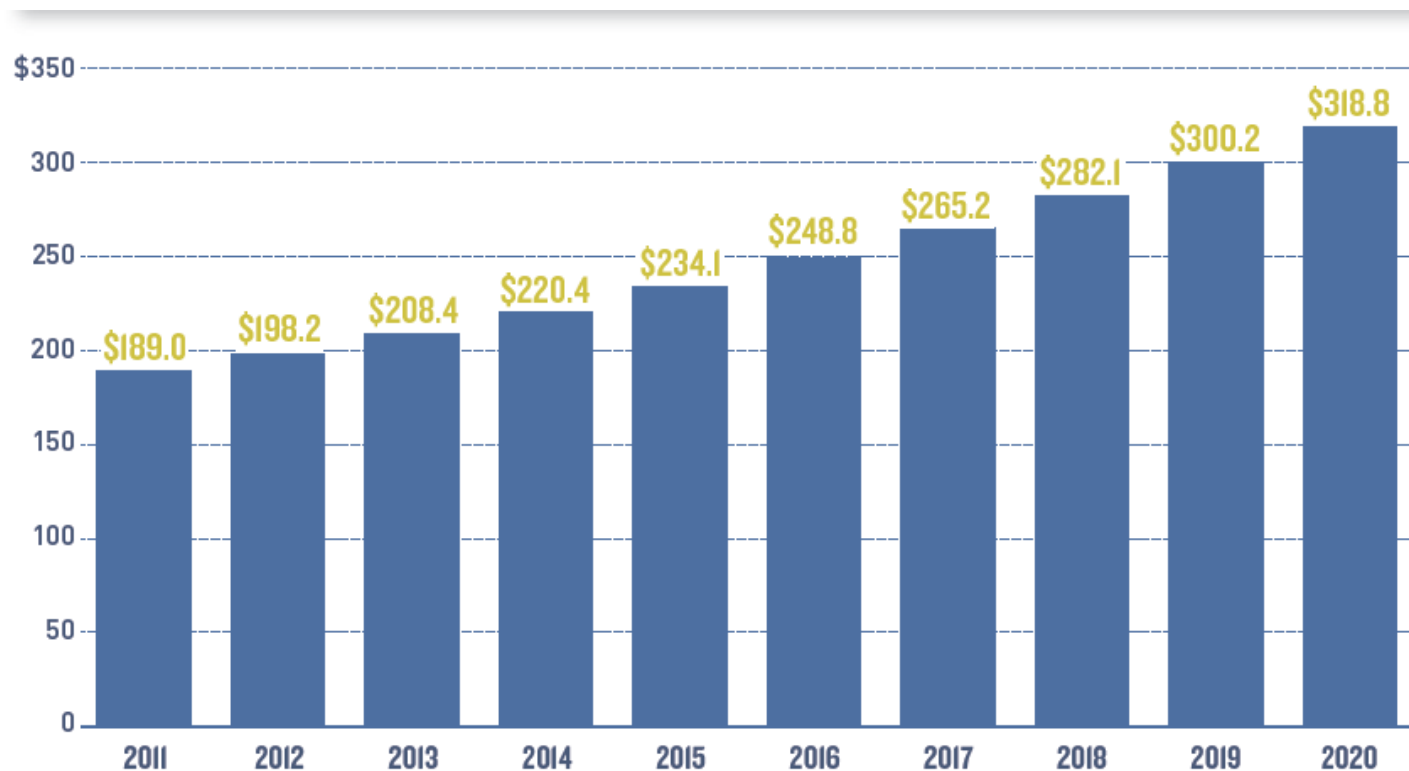
“Bending the Cost Curve” Efforts Are Best Achieved by Impacting the Entire System

- Project goal was to identify opportunities to make New York a “High Performing” health care system
- Medicaid cost containment efforts have helped, but system reform is required to “bend the curve”
 - Medicaid is the single largest payer, but still accounts for only about 28% of health care spending
- Cost containment and quality improvement can be achieved simultaneously



Projected Health Care Spending in New York (\$ in billions)

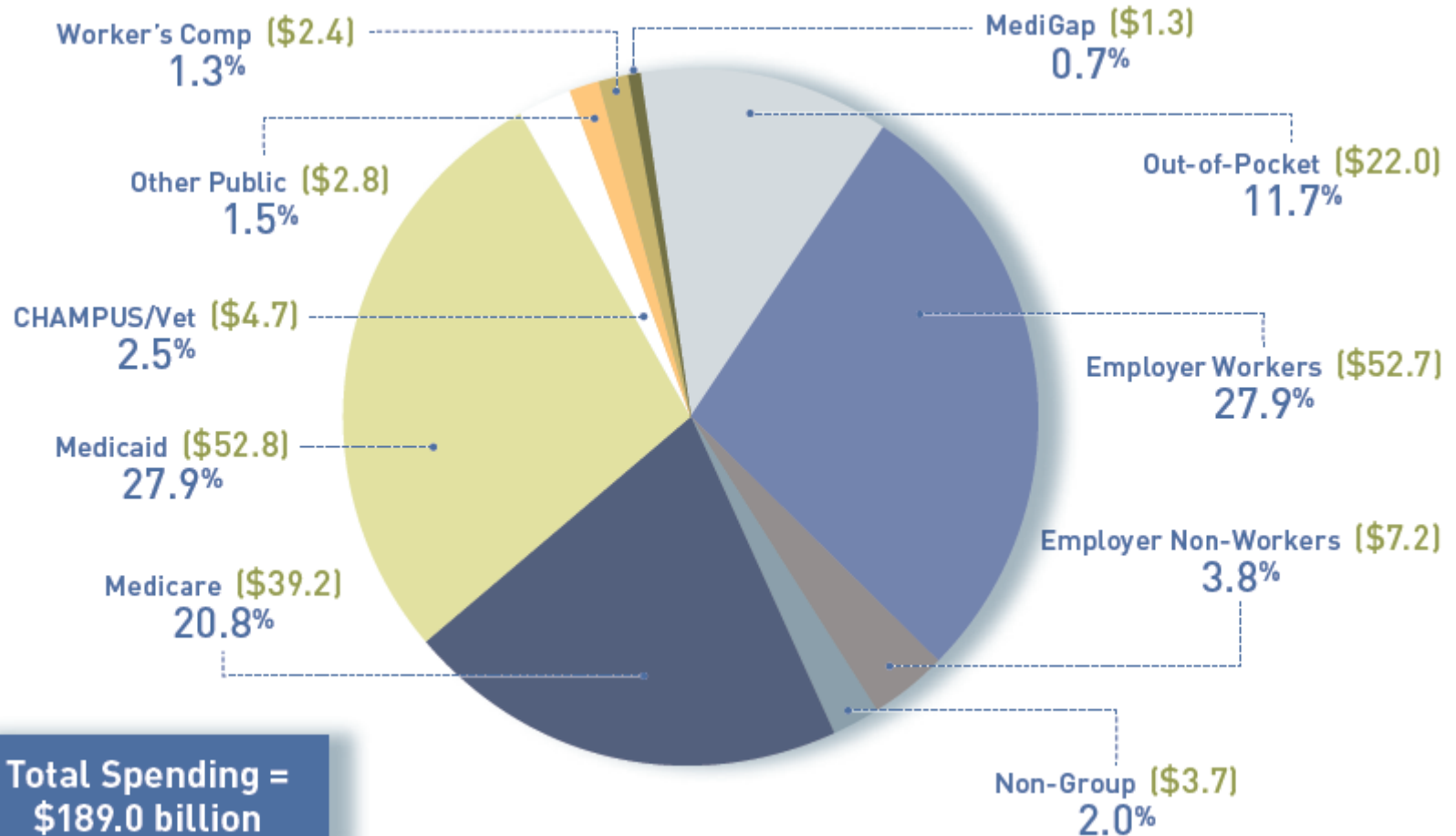
- NY health care spending expected to increase nearly 70% from 2011-2020



Source: The Lewin Group estimates using CMS spending growth estimates.

Projected NY Spending by Coverage, 2011

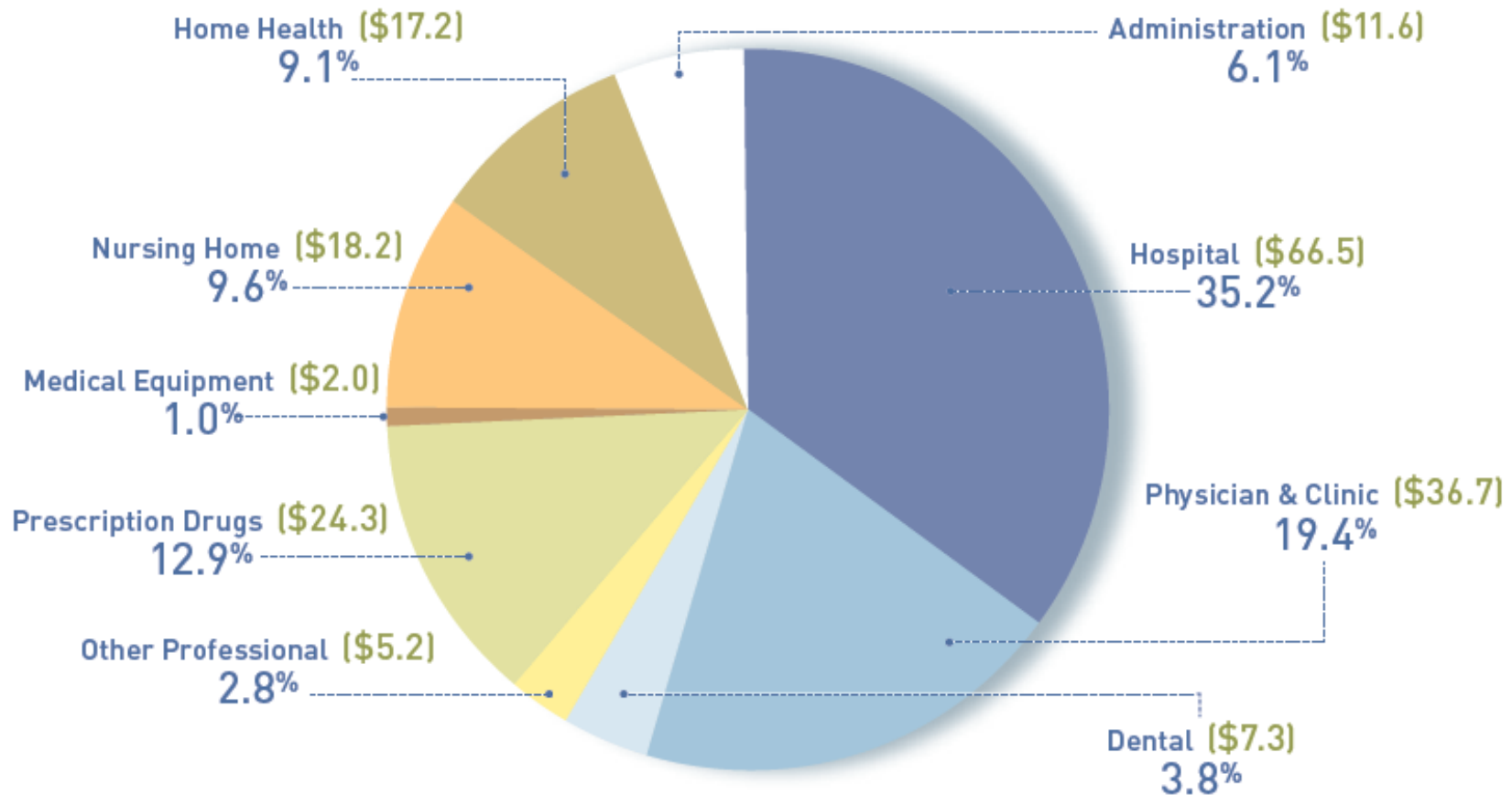
(\$ in billions)



Source: The Lewin Group estimates using data provided by the Office of the Actuary of the Centers for Medicare and Medicaid Services (CMS).
Numbers may not add to totals due to rounding.

Projected NY Spending by Service Type, 2011

(\$ in billions)



Source: The Lewin Group estimates using data provided by the Office of the Actuary of the Centers for Medicare and Medicaid Services (CMS).
Numbers may not add to totals due to rounding.

Scenarios Were Identified Recognizing the Characteristics of New York's Health System

- Began with Commonwealth Fund report on the U.S. health system
- Organized a Technical Advisory Panel with broad NYS-specific program knowledge and experience from government, private industry, foundations, and academic research
- Did not include scenarios in which NYS was already ahead of the curve (e.g., tobacco taxes)
- Focused on options that were implementable; which did not generally require other-than-State approvals

Summary of Projected Savings, 2011-2020

(\$ in billions)

	BASELINE SPENDING	CUMULATIVE POTENTIAL SAVINGS		CUMULATIVE ACTIONABLE SAVINGS	
		\$	%	\$	%
Promoting Accountable Care Organizations					
Mandatory	\$1,096.56	\$49.80	4.5%	\$14.59	1.3%
Voluntary	\$1,096.56	\$10.71	1.0%	\$3.11	0.3%
Modernizing Primary Care					
Mandatory Medical Home	\$1,620.97	\$33.66	2.1%	\$10.99	0.7%
Voluntary Medical Home	\$1,620.97	\$9.11	0.6%	\$2.25	0.1%
Advanced Disease Management	\$1,620.97	\$10.74	0.7%	\$3.30	0.2%
Pay for Performance	\$1,620.97	\$1.33	0.1%	\$0.46	0.0%
Expanding Palliative Care	\$235.38	\$11.93	5.1%	\$11.93	5.1%
Implementing Mandatory Mgd. Care for Dual Eligibles*	\$496.85	\$10.76	2.2%	—	—
Adopting Bundled Payment Methods	\$133.30	\$6.30	4.7%	\$1.56	1.2%
Imposing a Tax on Sugar-Sweetened Beverages	\$136.30	\$5.63	4.1%	\$5.63	4.1%
Expanding Hospital Pay for Performance	\$162.03	\$3.85	2.4%	\$1.31	0.8%
Realizing Administrative Simplification through HIT					
Standardized Quality Requests	\$1.57	\$0.65	41.5%	\$0.65	41.5%
Standardized Credentialing/Verification	\$6.18	\$0.92	14.9%	\$0.92	14.9%
Rebalancing Long-Term Care**	\$147.28	\$1.02	0.7%	\$1.02	0.7%
Using Alternative Delivery Systems	\$24.3	\$0.35	1.4%	\$0.35	1.4%

Source: The Lewin Group estimates.

* Savings estimate includes combined Medicaid and Medicare savings.

** Savings estimate includes Medicaid savings only.

“Actionable Savings” Shows that New York Can Lead the Way in Achieving Change

- Savings range widely depending on nature of action and current system activities
- Analyses looked at savings that could be realized if:
 - All payers participated (potential savings)
 - Only payers that NYS could influence participated (actionable savings)
- Promise is that implementing actionable savings will spur broader system-wide efforts, trimming health costs for all participants in NYS’ health care system

Additional Considerations to the Estimates

- Results are not additive due to overlap among scenarios
- Estimates were developed statewide
 - Variations between New York City and rest of state will likely need to be taken into consideration during implementation
- Results do not account for spending changes which may result from federal health reform
 - Scenarios complement many of the federal initiatives
- For consistency, results are estimated assuming phase-in begins in 2011
 - “Go Live” dates will vary among scenarios
- Estimates assume that savings will flow-through to payers

Opportunities Have Potential to Reduce Cost, Improve Quality, and Minimize Harm to System

- Savings are achieved through efficiencies, focus on patients, attention to outcomes and integration of care
- Opportunities were selected for their potential to simultaneously improve quality
- Strategies were selected in lieu of cuts to payments and benefits which often result in
 - decreased access
 - diminished quality
 - increased use of costly alternatives (e.g., emergency departments)

Taking the Next Step...Implementation Plans

- Four high-level implementation plans were developed with stakeholder input
 - Expanding Palliative Care
 - Integrating Care for Dual Eligibles
 - Adopting Bundled Payment Methods
 - Rebalancing Long Term Care
- While opportunities clearly require a significant amount of work, stakeholders generally agreed that:
 - They could be accomplished within a reasonable amount of time
 - Significant strides can be taken by New York State to effect change

Now is the Time to Get Started

Discussion and Questions

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