

Opinion

## Mixed Signals on Medicare Pilot Savings Projects

By MERRILL GOOZNER, The Fiscal Times on Oct 25, 2010

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Geisinger Health System in Pennsylvania. The Marshfield Clinic in Wisconsin. The Billings Clinic in Montana. They are among the leading group physician practices in the nation, each staffed with 200 or more salaried physicians. They are universally hailed for their high quality and overall patient satisfaction.

But do they save money on health care? Over the past decade, Medicare ran a pay-for-performance, shared savings demonstration project with ten group physician practices on the cutting edge of raising health care quality in the U.S. It was a major test of two of the cardinal tenets of health care reform: that raising quality lowers costs, and that group practices offer the best vehicle for weaning physicians from fee-for-service medicine.

The groups in the program measured their adherence to 32 procedures that have been clinically proven to generate better outcomes and are thought to lower costs. They included interventions like routine eye and foot exams for diabetics, administering beta blockers during congestive heart failure hospitalizations, and ensuring patient compliance with medication schedules for blood pressure and cholesterol control.

The Center for Medicare and Medicaid Services also provided funds to defray some of the start-up costs, such as paying for nurse practitioners to monitor patients and encourage them to take their meds. The payoff? If the group practices improved their performance on those measures from one year to the next, and their costs rose less than other Medicare providers in their regions, they would receive 80 percent of Medicare's savings.

The project was launched in 2005 after five years of planning. By the end of the third year, all ten groups had achieved fairly high levels of performance — not surprising given the historic emphasis on quality within those organizations. All ten achieved pre-specified benchmarks on 28 of the quality measures, and two of them, Geisinger and Park Nicollet Health Services of St. Louis Park, Minnesota, had surpassed their goals on all 32. But only five groups generated any savings, according to CMS, sharing about \$25 million of Medicare's \$32 million in lower costs.

Some experts say Medicare's experience with the physician group practice demonstration project raises a warning flag over reformers' high hopes for the dozens of demonstration projects aimed at lowering costs that were authorized in the Affordable Care Act. "These were organizations that were the most sensitive to making the change, but only half could make the (financial) hurdle," said Gail Wilensky, head of CMS (then called the Health Care Finance Administration) in the George H.W. Bush administration, who is now a senior fellow at Project Hope.

CMS under Donald Berwick's leadership is moving quickly to jump start the demonstrations authorized by the law. Since President Obama made his recess appointment in July, the former head of the Institute for Healthcare Improvement has launched programs at over 100 sites.

He also brought on board Richard Gilfillan, the former head of Geisinger's health maintenance organization, to run the Center for Medicare and Medicaid Innovation. The ACA gave that new center \$10 billion to run demonstration projects

over the next nine years to look for new ways of providing better care at a lower cost.

But skeptics abound, starting with the Congressional Budget Office. It projected a scant \$1.3 billion in savings from all the demonstration projects recommended in the bill, although it admitted it had no real way of scoring the legislation since many of the programs either hadn't been designed or had no track record.

The Government Accountability Office, which reviewed the physician group practice demo after its first two years, found the programs "show promise." But its analysts wondered whether CMS would be able to translate the positive examples from that hot-house demonstration project to the broader medical community. "Physician groups with fewer than 200 physicians — the vast majority of practices in the United States — may have more difficulty than larger practices, such as the participants in this demonstration, absorbing the start-up and annual-operating costs of the care coordination programs," the report concluded.

At a forum last week on demonstration projects held at the conservative American Enterprise Institute, in-house fellow Joseph Antos expressed the conventional wisdom on demonstration projects. "Unfortunately, the track record for pilot projects hasn't been that great," he said. "Why is this time different?"

Urban Institute physician-scholar Robert Berenson flatly rejected the forum sponsor's premise. "The idea that there have been no successes in 35 years of demonstration projects is just not right." He pointed to bundled payments for acute care episodes and a pilot pay-for-performance program for improving hospital quality (which didn't make payments dependent on lowering costs) as positive examples of successful demonstration projects.

Mark McClellan of the Brookings Institution's Engelberg Center for Health Care Reform, who ran CMS during the George W. Bush administration and kicked off the physician group practice project, also took issue with the skeptics. "We saw mixed results," he said. "It's already having an impact on Medicare."

The overall goal of the demonstrations is to move Medicare away from fee-for-service medicine, he said. Citing the 10 years it took to get positive results from the physician group practice project, McClellan said such programs need faster design, implementation and validation if they're going to have an impact on Medicare spending. "We need to be a lot faster," he said.

One of the unique features of the law authorizing new demonstration projects is that those that succeed in lowering costs do not need Congressional approval to be made part of the broader Medicare program. However, they will require the agency to go through a public process for amending its regulations, which gives provider groups like physicians and hospitals and opponents on Capitol Hill a vehicle for opposing the changes.

"At that point, we'll see how much authority Congress grants the agency," Wilensky said. "It certainly isn't unknown for Congress to go in and block regulations."

Things may not even get that far. Former Senator Tom Daschle, who had been slated to run the Health and Human Services department until a tax scandal scuttled his appointment, warned last week that Republicans who campaigned against "cuts" in Medicare might resuscitate "death panel" rhetoric to remove funding for demonstration projects, even ones that hold the greatest promise of generating cost savings.

"With more budget hawks coming to town, don't count on that \$10 billion being there two years from now," said Michael O'Grady of the National Opinion Research Center, the last speaker at the forum.

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