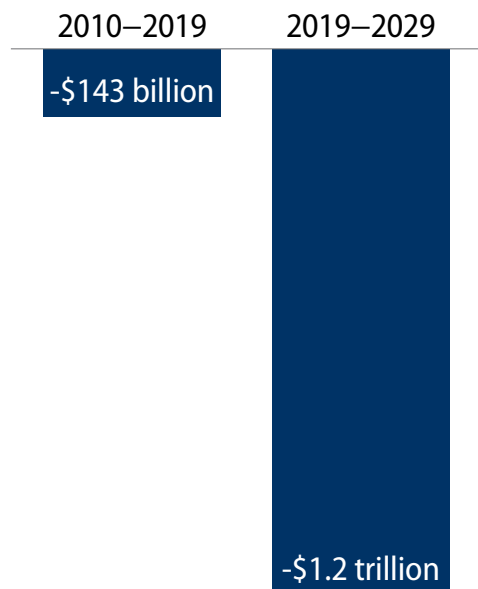
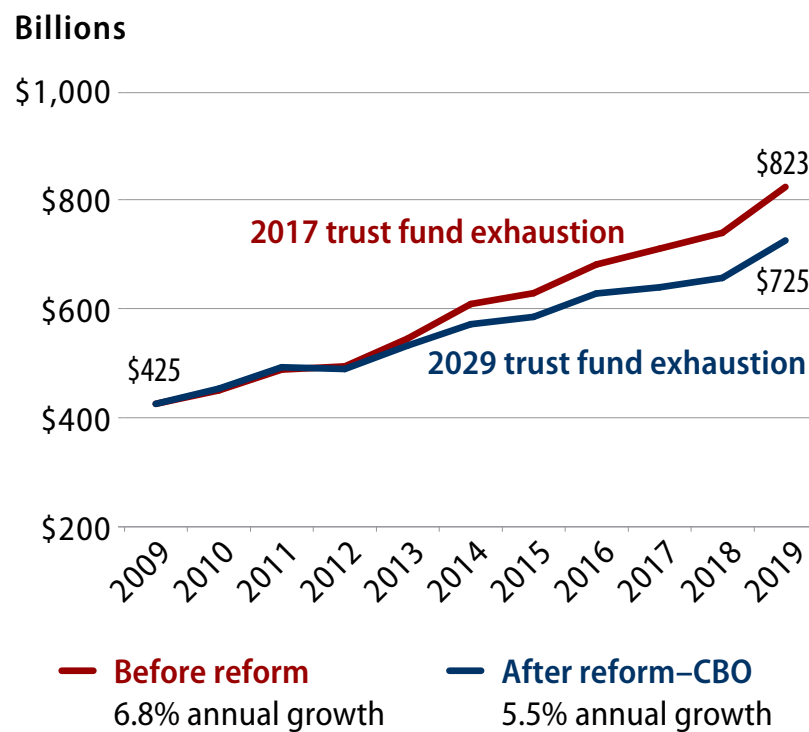


CBO finds that health reform cuts the deficit over the next two decades



Source: Congressional Budget Office.

Health reform slows growth in Medicare spending, 2010–2019

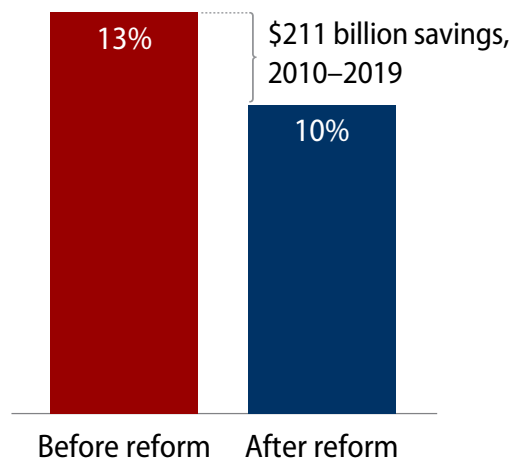


Notes: Payment and system reform savings net of CLASS and non-Medicare spending and savings provisions

Source: The Congressional Budget Office, "Analysis of H.R. 4872, Reconciliation Act of 2010" (2010), available at <http://www.cbo.gov/doc.cfm?index=11379&type=1>.

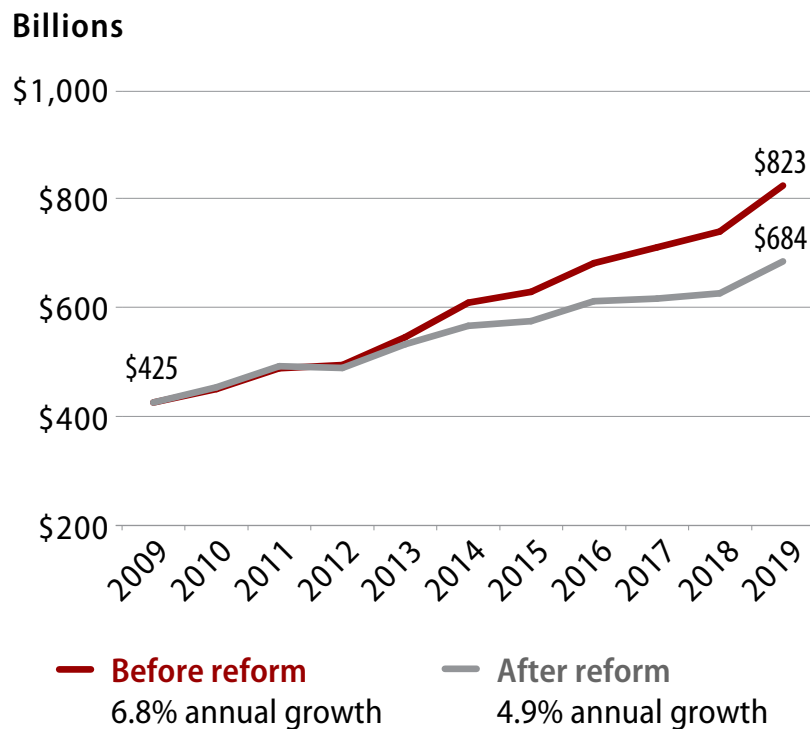
Health reform reduces administrative costs

Administrative costs as a percent of premiums



Source: David Cutler, Karen Davis, and Kristof Stremikis, "The Impact of Health Reform on Health System Spending" (2010).

System modernization means even greater slowdown in Medicare spending, 2010–2019

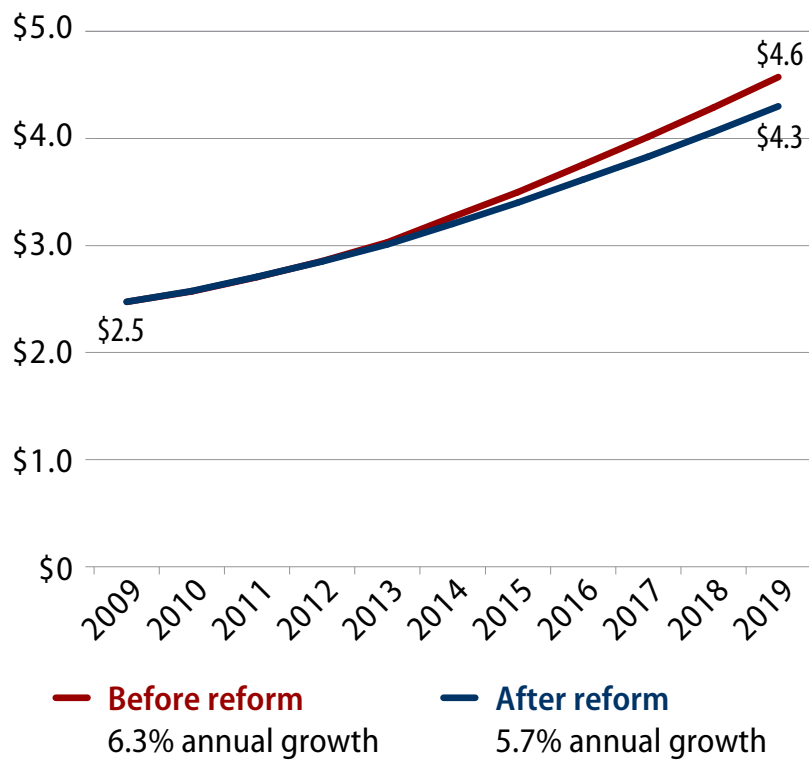


Notes: Payment and system reform savings net of CLASS and non-Medicare spending and savings provisions, difference between CBO and Cutler/Davis reflects alternative estimate of modernization.

Source: The Congressional Budget Office, “Analysis of H.R.4872, Reconciliation Act of 2010” (2010), available at <http://www.cbo.gov/doc.cfm?index=11379&type=1>; David Cutler, Karen Davis, and Kristof Stremikis, “The Impact of Health Reform on Health System Spending” (The Commonwealth Fund & Center for American Progress: 2010).

Health reform with system modernization slows growth in national health care spending, 2009–2019

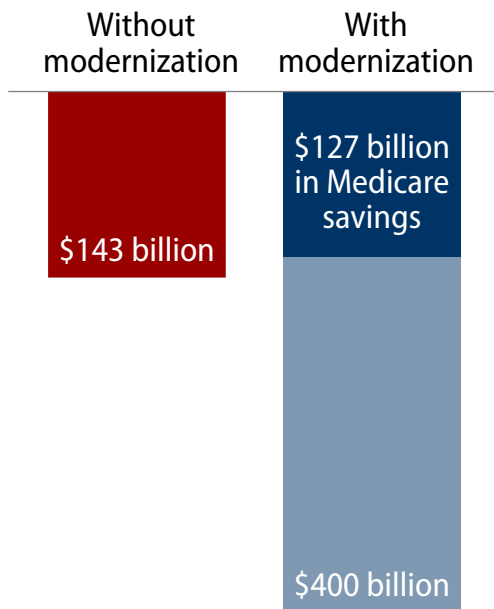
Health care spending in trillions



Notes: * Estimate of pre-reform national health spending when corrected to reflect underutilization of services by previously uninsured.

Source: David Cutler, Karen Davis, and Kristof Stremikis, "The Impact of Health Reform on Health System Spending" (The Commonwealth Fund & Center for American Progress: 2010).

Health reform with modernization substantially reduces the deficit, 2010-2019



Source: The Congressional Budget Office, "Analysis of H.R. 4872, Reconciliation Act of 2010" (2010), available at <http://www.cbo.gov/doc.cfm?index=11379&type=1>; David Cutler, Karen Davis, and Kristof Stremikis, "The Impact of Health Reform on Health System Spending" (2010).

Health reform's path to lower cost, higher quality health care

Modernization strategy	Key provisions
<p>Revise current Medicare payment methods to hold providers accountable for appropriate care by:</p> <ul style="list-style-type: none"> • Getting the prices right. • Penalizing harmful performance. • Rewarding good performance. 	<ul style="list-style-type: none"> • Section 3134 authorizes the secretary of the Department of Health and Human Services to review and adjust “misvalued” physician services to prevent over- or under-service. • Section 3025 requires the Centers for Medicare and Medicaid Services, or CMS, to reduce payments for inappropriate hospital readmissions. • Section 3008 requires CMS to reduce payments to hospitals in the highest quartile for health conditions acquired in the hospital. • Section 3001 requires health care acquired conditions to be publicly reported under hospital payment. • Section 3001 provides “value-based” incentive payments, or rewards, to hospitals that achieve certain performance standards. • Section 3002 rewards quality by extending physician quality reporting incentive payments. • Section 3007 modifies physicians payments based on quality of care compared to cost.
<p>Develop new Medicare payment methods to promote coordinated care such as:</p> <ul style="list-style-type: none"> • “Bundling” today’s separate fees into a single payment for services associated with a hospitalization. • Providing extra payments for primary care by creating new arrangements called “medical homes” that reward providers for coordinating the care of patients with chronic illnesses. • Rewarding collaboratives of inpatient and outpatient providers, called accountable care organizations, which deliver quality care for a defined set of patients at lower-than-projected costs. 	<ul style="list-style-type: none"> • Sections 3023 and 2704 establish “bundling” pilots of inpatient, outpatient, and post-acute payments to providers who assume joint responsibility for an episode of care. • Sections 3021, 2703, and 5404 establish medical home pilots projects. • Sections 2706 and 3022 establish accountable care organizations. • Section 3027 extends the ongoing gain-sharing demonstration. • Medicaid global capitation demonstration (Section 2705). • Section 3021 establishes a new Center for Medicare and Medicaid Payment Innovation to initiate and evaluate innovative payment mechanisms. • Section 3021 gives the secretary the authority to extend what works.
<p>Align private insurer and Medicare payment innovations—enhancing their effectiveness and preventing cost-shifts from one payer to another by:</p> <ul style="list-style-type: none"> • Giving priority to innovations that accompany new Medicare payment arrangements with similar private-payer arrangements. • Extending access to Medicare provider performance data to guide private payers’ payment reform efforts. • Requiring private health plans to regularly report on their efforts. 	<ul style="list-style-type: none"> • Section 3022 requires the CMS Innovation Center to give preference to accountable care organizations in Medicare if they make similar arrangements with private payers. • Section 3012 establishes the Interagency Working Group on Health Care Quality that will assess alignment of quality efforts in the public sector with private sector initiatives. • Section 3403 requires the Independent Payment Advisory Board, or IPAB, to report Medicare and private-sector care cost and quality information annually. • The IPAB will also make advisory recommendations to the private sector to reduce cost growth and promote quality. • Section 3015 requires private health plans to report on payment structures used to promote quality, coordination, and efficiency. • Section 2717 requires health plans in the exchange to report to what extent they’ve implemented payment structures that provide incentives to keep patients healthier.
<p>Assure achievement of payment reform through an independent payment advisory board.</p>	<ul style="list-style-type: none"> • Section 3403 establishes the IPAB to develop proposals on how to reduce per capita growth rate in Medicare spending if it exceeds target growth rates. Proposals become law unless Congress acts to reject them.