

Health Headlines

January 23, 2012

CBO Study Concludes Medicare Demonstration Projects Do Not Result in Savings

On January 18, the Congressional Budget Office (CBO) issued its report entitled “Lessons from Medicare’s Demonstration Projects on Disease Management, Care Coordination, and Value-Based Payment.” The CBO report, which looked at ten Medicare demonstration projects from the past 20 years, concluded that most programs did not reduce overall Medicare spending, and in some cases, even increased spending relative to spending without the project.

The CBO reviewed evaluations of six demonstration projects focused on disease management and care coordination and four projects dealing with value-based payment. It found that nearly all projects in the first category had no effect on reducing Medicare spending, and only one project from the value-based payment category, involving bundled payments for all hospital and physician services related to heart bypass surgeries, resulted in savings to Medicare—about 10 percent. The CBO concluded that the changes resulting from the demonstration projects were insufficient to overcome the incentives generated by Medicare’s fee-for-service payment system, and that “substantial changes to payment and delivery systems will probably be necessary” for future demonstration projects to produce significant improvements in Medicare spending and quality of care.

In spite of these findings, the CBO also concluded that the design of a demonstration project could affect whether the program ultimately resulted in a decrease in spending or quality improvements. Specifically, for disease management and care coordination programs, substantial interaction between care managers, physicians, and patients were positive factors leading to greater reduction in hospital admissions and spending. However, many such programs were unable to reduce spending enough to compensate Medicare for the fee paid to case managers under the demonstration project. For value-based payment projects, bundled payment systems were more effective in generating savings than those programs that paid bonuses for quality achievement. The CBO also identified other lessons from its study, including the need to focus on improved data collection, targeting interventions to high-risk enrollees, transitions in care settings, and limiting fees for care managers.

The CBO’s study is available at the CBO’s web site.

Reporter, *Adam Laughton*, Houston, + 1 713 276 7400, alaughton@kslaw.com.

Health Headlines – Editor:

Dennis M. Barry
dbarry@kslaw.com
+1 202 626 2959

The content of this publication and any attachments are not intended to be and should not be relied upon as legal advice.