In Brief

Putting People First by Strengthening Medicare for the Future: Promising Payment and Delivery System Innovations in Medicare

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In recent years, Medicare has been developing and testing a variety of new ways to pay for and provide health care aimed at controlling costs and improving quality of care. These innovations give hospitals, doctors, and other health care providers financial incentives and new flexibility to change how they deliver care.

This *In Brief* highlights seven innovations in traditional Medicare (also called original Medicare) that show potential for strengthening Medicare. Such innovations could also serve the broader health care system.

The COVID-19 pandemic will have substantial impacts on the Medicare population and the program. Although its full effects are not yet known, the public health crisis has driven home the essential nature of access to life-saving health services and the critical value of Medicare in providing access to care for millions of older Americans and younger individuals with disabilities.

Identifying the Innovations

In selecting promising innovations to highlight, we examined the evidence of their effects on cost and quality-of-care measures. We also considered other implications for the Medicare population,

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including effects on individuals' access to care, and on patients' and family caregivers' experiences.

Other factors also played a role in our selection of innovations. We chose innovations for which evaluations or other studies are currently available, that have some evidence of success, and that we consider to have the potential to broadly benefit the Medicare population and strengthen the program. We also sought to include innovations representing a variety of approaches and spanning a wide range of Medicare services, excluding prescription drugs.

We categorized the innovations into three groups, based on the evidence available to date. Table 1 summarizes the groupings, innovations, and evidence.

TABLE 1
Summary of Seven Promising Innovations in Medicare

Innovation	Extent of Evidence	Results So Far		Comments
		Quality	Medicare Spending	
GROUP 1: Innovations With Evidence of Success				
These innovations have demonstrated significant success in improving quality of care, yielding savings for Medicare, or both. If expanded, we expect they would yield broad benefits to consumers and the Medicare program.				
Independence at Home Participating medical practices provide comprehensive primary care at home for Medicare patients with very high health care needs.	Evaluation of first five years and a few studies	Improved	Lower	Expansion would benefit high-needs individuals and their family caregivers through improved person- and family-centered care.
Community-Based Care Transitions Program With the goal of reducing readmissions, hospitals partnered with community-based organizations that offer support services for high-risk Medicare beneficiaries leaving the hospital.	One evaluation	Improved	Lower	Program completed. Results indicate that targeting high-risk patients with transitional care services can reduce hospital readmissions and improve outcomes.
Competitive Bidding for Durable Medical Equipment (DME) Medicare paid DME suppliers based on competitive bids rather than average industry charges.	Several reports	Unchanged	Lower	Program currently suspended. Re-implementing it could yield substantial savings for Medicare beneficiaries who use DME.
Accountable Care Organizations (ACOs) Groups of providers who are collectively responsible for meeting cost and quality targets share in any Medicare savings they generate. The model uses two basic designs: the ACO realizes some of the savings but is shielded from any losses (one-sided risk) or the ACO shares in any losses as well (two-sided risk).	Several evaluations and studies	Unchanged or improved depending on model design	Lower for two-sided risk models; usually higher for one-sided risk models	Medicare ACOs have the potential to deliver better-coordinated and more cost-effective care to millions of Medicare beneficiaries.
GROUP 2: Innovations With Early Evidence of Success				
These innovations have shown benefits for consumers and, in some cases, savings for Medicare. Given the limited amount of evidence so far, further experience and evaluation will be valuable, but we are optimistic that with expansion these innovations could benefit both consumers and the Medicare program.				
New Payment Codes for Transitional Care Management, Chronic Care Management, and Other Services that Support Coordinated Care Doctors and other clinicians can bill Medicare for a variety of services, supporting more coordinated and consistent care.	Evaluations of two services: transitional care management and chronic care management	Improved	Lower	New payment codes encourage clinicians to provide various types of care management that benefit patients and family caregivers. Additional studies are needed to assess the effects of the full range of new services.
Comprehensive Primary Care Medicare partners with other payers to financially support primary care practices in transforming care (e.g., 24-hour access to a medical professional, hiring staff to arrange services such as transportation).	Evaluations of first two years of current initiative and of earlier initiative	Improved	Higher or unchanged	Program has the potential to improve primary care quality for people with Medicare and other consumers. Because care transformation takes time, full effects on quality and potential savings will likely take time to develop.

Innovation	Extent of Evidence	Results So Far		Comments
		Quality	Medicare Spending	
GROUP 3: Innovation for Which We Are Cautiously Optimistic				
This innovation has some evidence of success but we do not yet understand its full effects on consumers and quality. It will require more thorough evaluation to examine concerns about its implications for consumers and may also need further development to achieve its potential.				
“Bundled” Payment Medicare sets a single, comprehensive payment or benchmark amount that covers multiple services a patient may receive during an episode of care.	Several evaluations and studies	Unchanged	Lower for hip and knee surgeries; unchanged for medical conditions and other surgeries	Programs need further evaluation of the effects on patients and family caregivers, and further study to determine the types of episodes for which bundled payment may yield benefits for consumers and the Medicare program.

Building on Medicare's Promising Innovations

The innovations that we highlight here illustrate the wide range of ways in which Medicare continues to evolve to enhance care efficiency while improving outcomes for people with Medicare and their families. While the innovations described here have shown positive results, the evidence suggests that the Medicare savings and gains in quality associated with them have been relatively small so far. This may not be surprising, given that these innovations have been in place for a relatively short time and that most of them remain limited in scope.

Transformation in health care takes time. Over time—and with careful evaluation, development, and expansion of successful models—Medicare innovations, such as those considered here, have the

potential to help control Medicare spending while improving the coordination and quality of care. Further, applying lessons learned from Medicare's initiatives can also drive greater efficiency and improvements in the broader health care system. A top priority will be an ongoing focus on delivering care that meets the needs and goals most important to individuals and their family caregivers.

The promising innovations highlighted here suggest that the Medicare program is moving in the right direction. Looking ahead, policy makers should continue to focus on incremental changes that benefit both consumers and the Medicare program, and are implemented with adequate assessment and evidence of effectiveness.

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