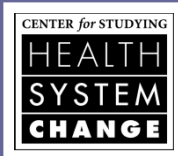




Workforce and Payment Reform

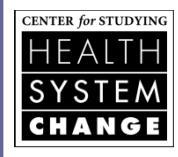
■ Paul B. Ginsburg

■ **AAMC Physician Workforce
Research Conference, May 1,
2009**



Two Aspects of Payment Reform

- Address shortcomings in implementation of current methods
- Pay providers on basis of broader units of service



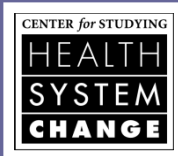
Implementation Failures in Current Methods

- Relative payments not aligned well with relative costs
 - Problems particularly severe for physician services
 - Important reform of inpatient payment structure
 - Most severe for facility components of physician services
 - Formation of physician organizations to pursue facility payments for services



Sources of Failure

- Shortcomings in update process for relative value scale
 - Services with increasing productivity need reduction in relative values over time
 - RUC process does not work here
 - No incentive to get data to support reductions in work values
 - Inadequate resources at CMS to collect data to calibrate practice expense relative values
 - Safe but inaccurate assumptions used in absence of data
 - Reflects an entitlement mentality



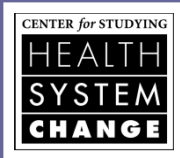
Implications of Shortcomings

- Incentives to provide more of the highly profitable services
 - Penalties for some reengineering efforts to improve quality and efficiency of care
 - Fragmentation in the delivery system
 - Specialists join single specialty groups rather than multispecialty groups
 - Physicians set up facilities to provide most profitable services
 - Sever links with hospitals
 - Self referral incentives for higher proportion of spending



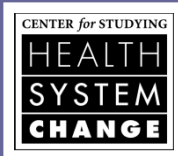
Implications of Shortcomings (2)

- Sharper differences in incomes by specialty
 - Getting expected supply response
 - Few entering primary care
 - Problems for other specialties
 - Any specialty without office-based testing and minor procedures
 - General surgery
 - Neuro-ophthalmology



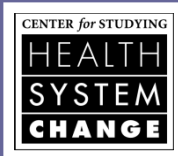
Paying for Broader Units of Service

- Medical home
- Lower payment for hospital readmissions
- Multi-provider per episode payment
- Population-based payment
- All are dependent on fixes to current system
 - Potential for “softer” versions



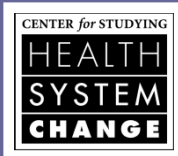
Workforce Implications of Broader Units of Service

- Many increase role of primary care
 - More coordination and patient self-management
 - Arrange follow-up care upon hospital discharge
 - Potential of chronic disease management to reduce hospitalization
 - Dartmouth results associating primary care workforce with lower per capita costs



Where Will Primary Care Supply Come From?

- Higher compensation of primary care physicians
 - More accurate FFS payment structures
 - Greater demand from responses to broader payment units
- Increased use of physician extenders
 - Nurses, educators, social workers
 - Key is broader units of payment
 - Funds payments for practitioners not billable today
- Increasing overall physician supply?
 - Very long lead time
 - Risk of freezing in current inefficient patterns of delivery



Conclusions

- Provider payment policy is key driver of workforce imbalances
 - Especially shortage of primary care providers
- It is the most powerful tool to address these imbalances
 - Restore attractiveness of primary care
 - Facilitate delegation of coordination and educational functions to others with less training