

# **Irresistible VBC**

**Do I really need to get on VBC?**

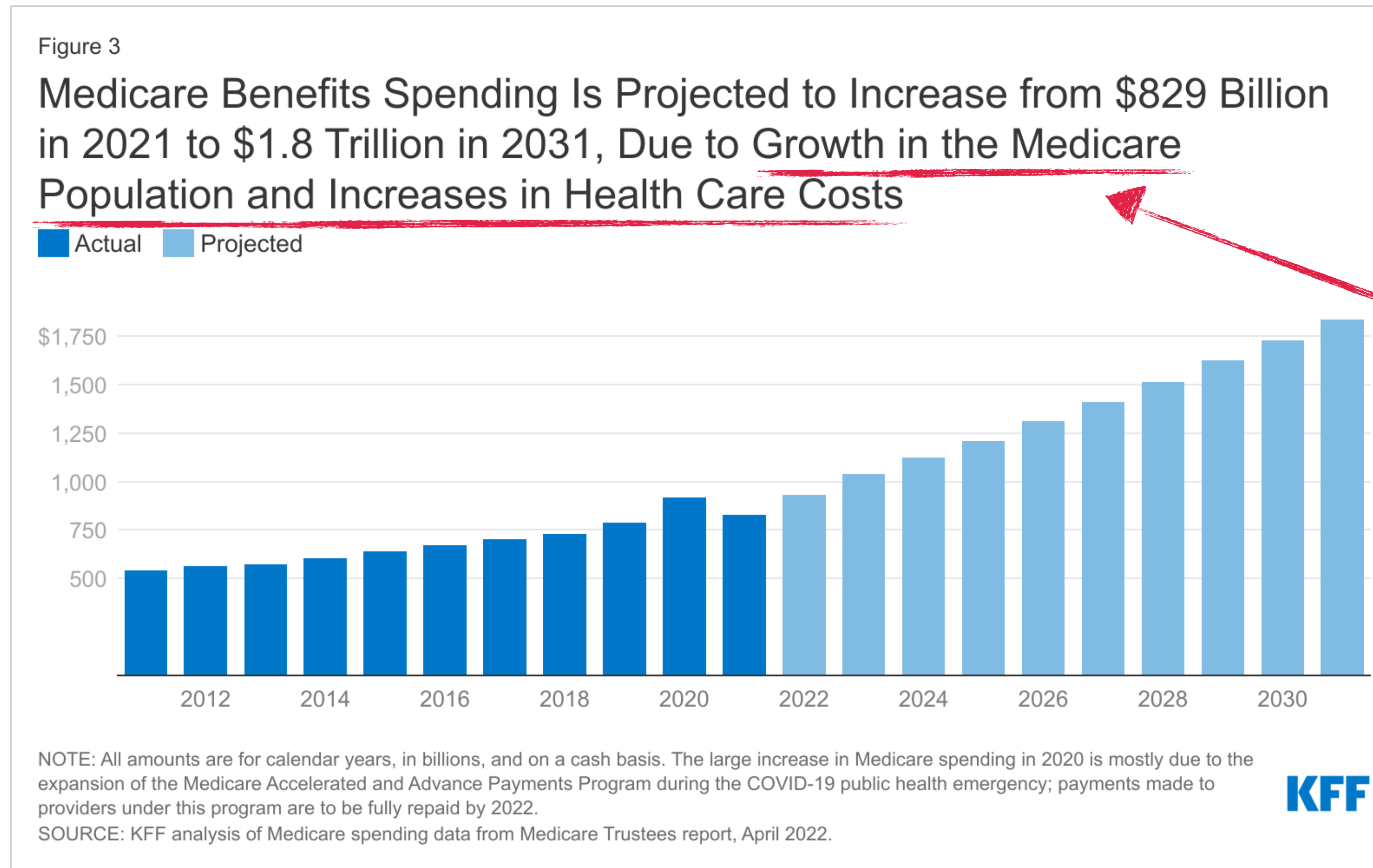
Yubin Park, PhD

We are deep in the irresistible current of moving to Value-based Care (VBC).

Let's have a moment to look around some trends in the US healthcare industry and understand how the transition to VBC became irresistible.

# Medicare Spending Growing Fast

Do we know why?



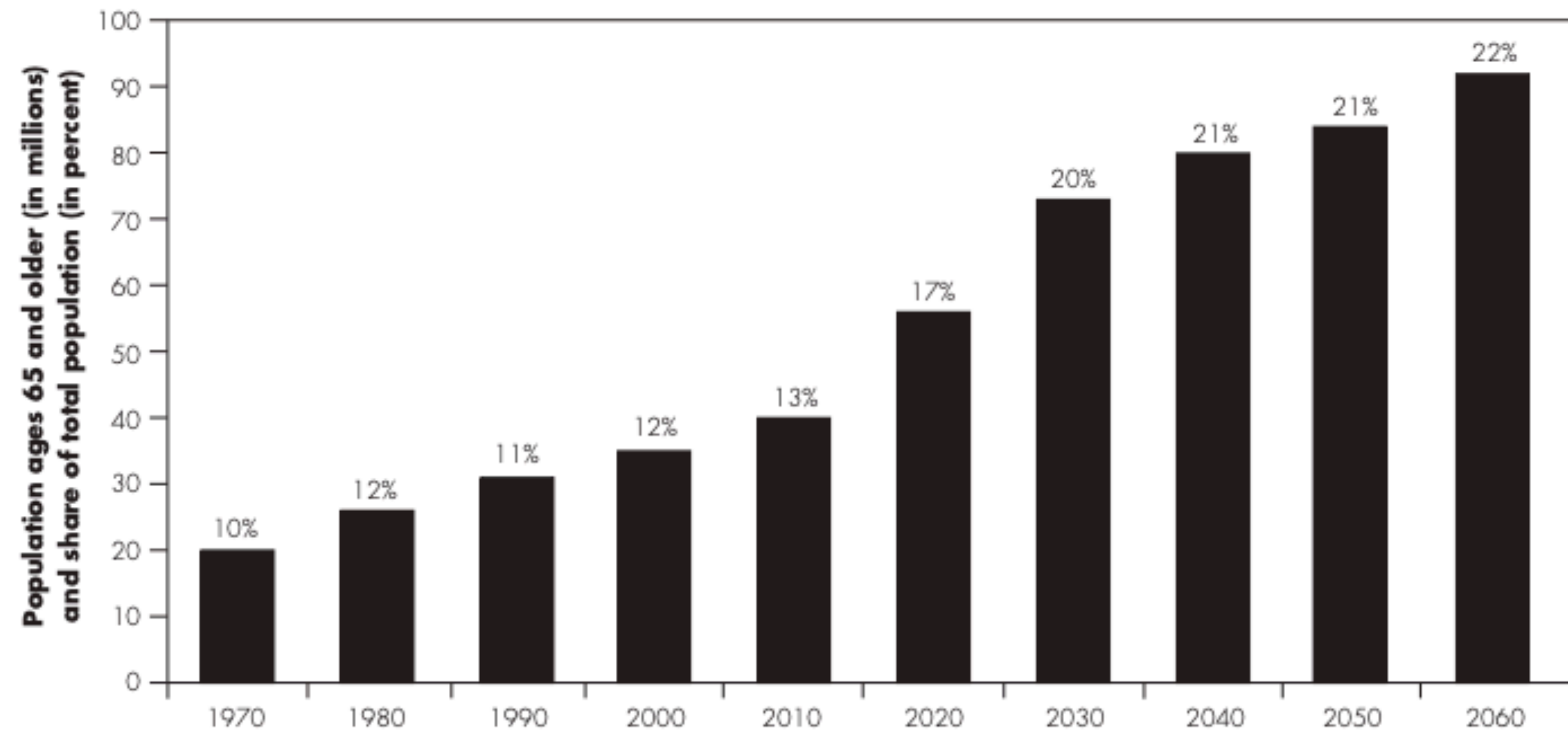
Is this true?

# More Members to Cover

## The Next-Generation of Medicare Beneficiaries

**FIGURE  
2-2**

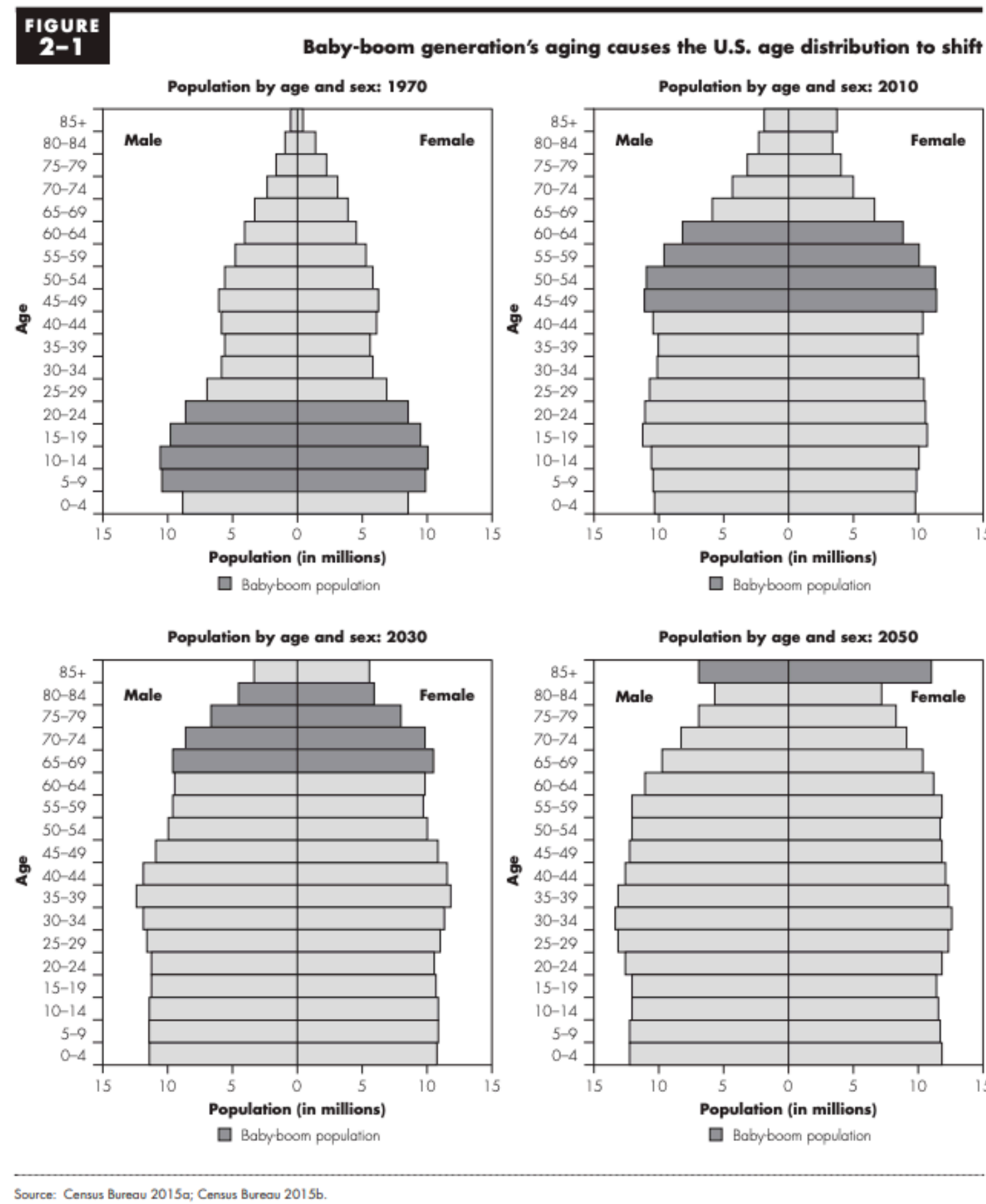
The sheer numbers of older people will be much higher than in prior years,  
as will the older population's share of the total population



Source: Census Bureau 2015a; Census Bureau 2015b.

# US Getting Older

## More Older Members in Medicare



[https://www.medpac.gov/wp-content/uploads/import\\_data/scrape\\_files/docs/default-source/reports/chapter-2-the-next-generation-of-medicare-beneficiaries-june-2015-report-.pdf](https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/chapter-2-the-next-generation-of-medicare-beneficiaries-june-2015-report-.pdf)

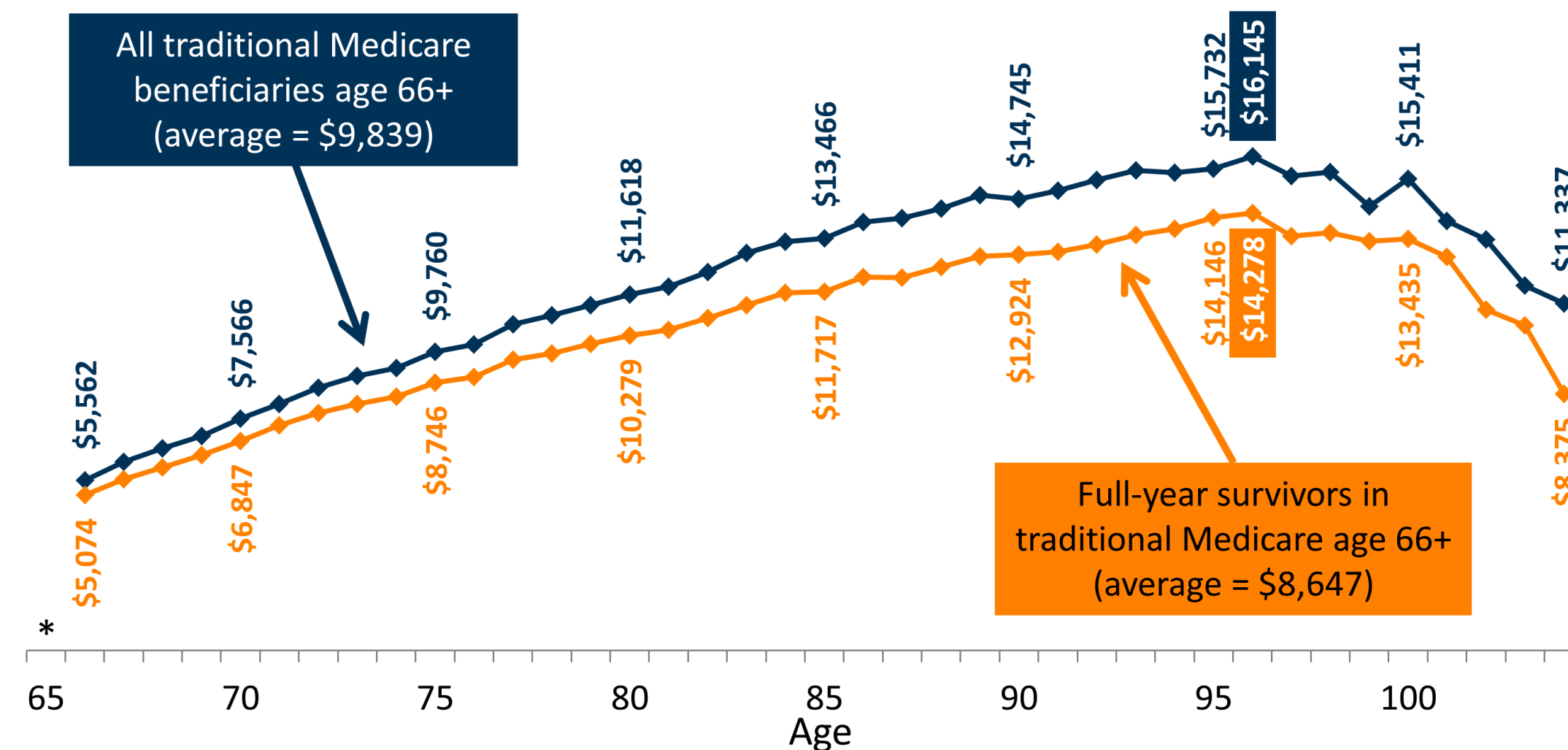
# The Cost of Living Longer

## Obviously, Older Members Cost More

Exhibit I.2

**Traditional Medicare per capita spending increased with age in 2011 and peaked at age 96 before declining; the pattern is similar when decedents are excluded**

*Medicare per capita spending for traditional Medicare beneficiaries over age 65, including and excluding decedents, by age, 2011*



NOTE: Analysis excludes beneficiaries with Medicare Advantage. \*Analysis excludes people age 65 because some of these beneficiaries are enrolled for less than a full year; therefore, a full year of Medicare spending data is not available for all people at this year of age.  
SOURCE: Kaiser Family Foundation analysis of a 5 percent sample of Medicare claims from the Chronic Conditions Data Warehouse, 2011.



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2. Increasing Per-Member Costs  
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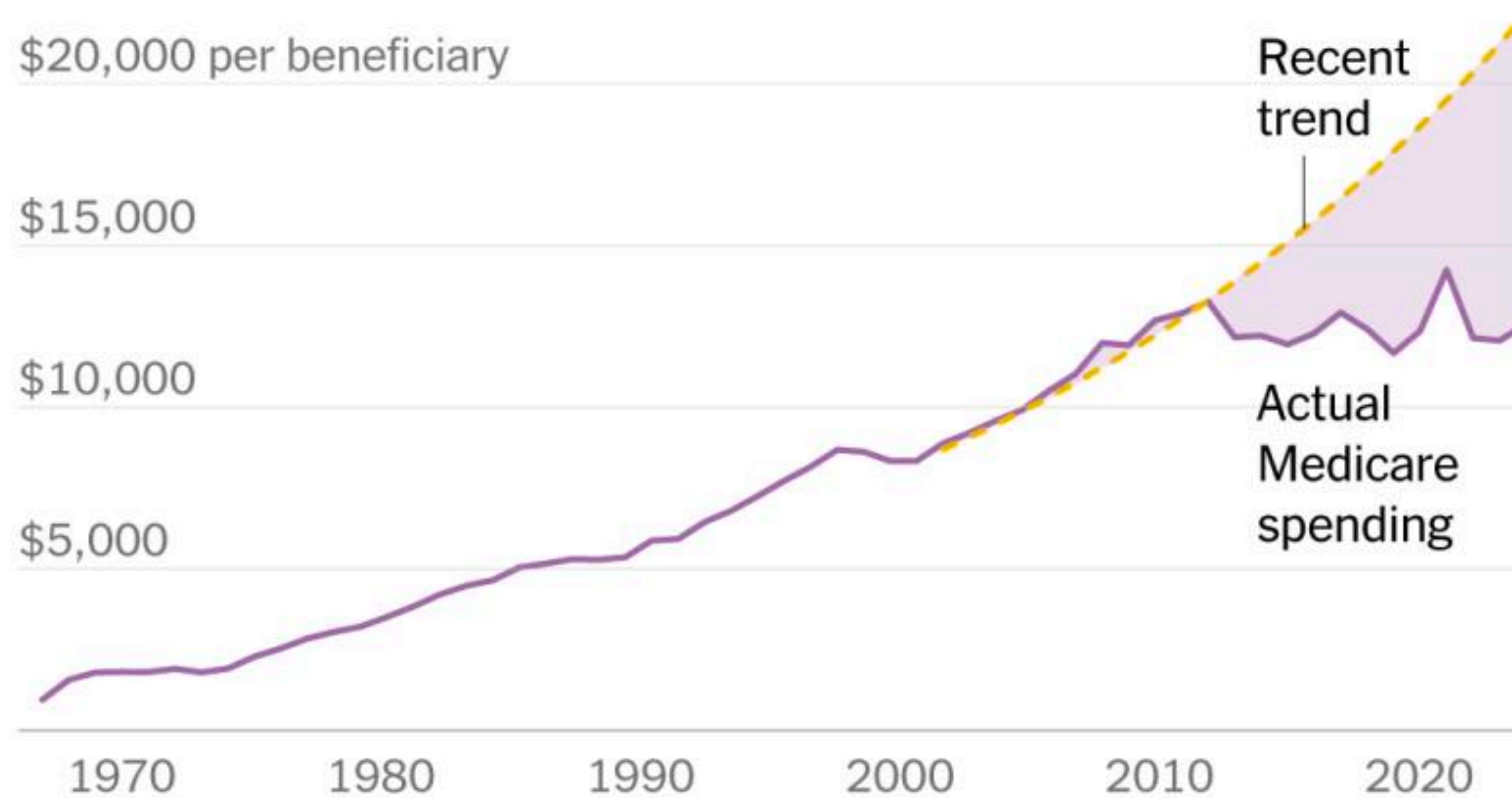


Not anymore after the Affordable Care Act (ACA).  
Let's read the report from the Congressional Budget Office (CBO).



# Forecast Half Right

## Per-Beneficiary Spending Slowing Down



According to CBO,  
Two factors contributed to this trend:

1. Decreases in the growth of Medicare rates
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- 



Let's talk about this first.

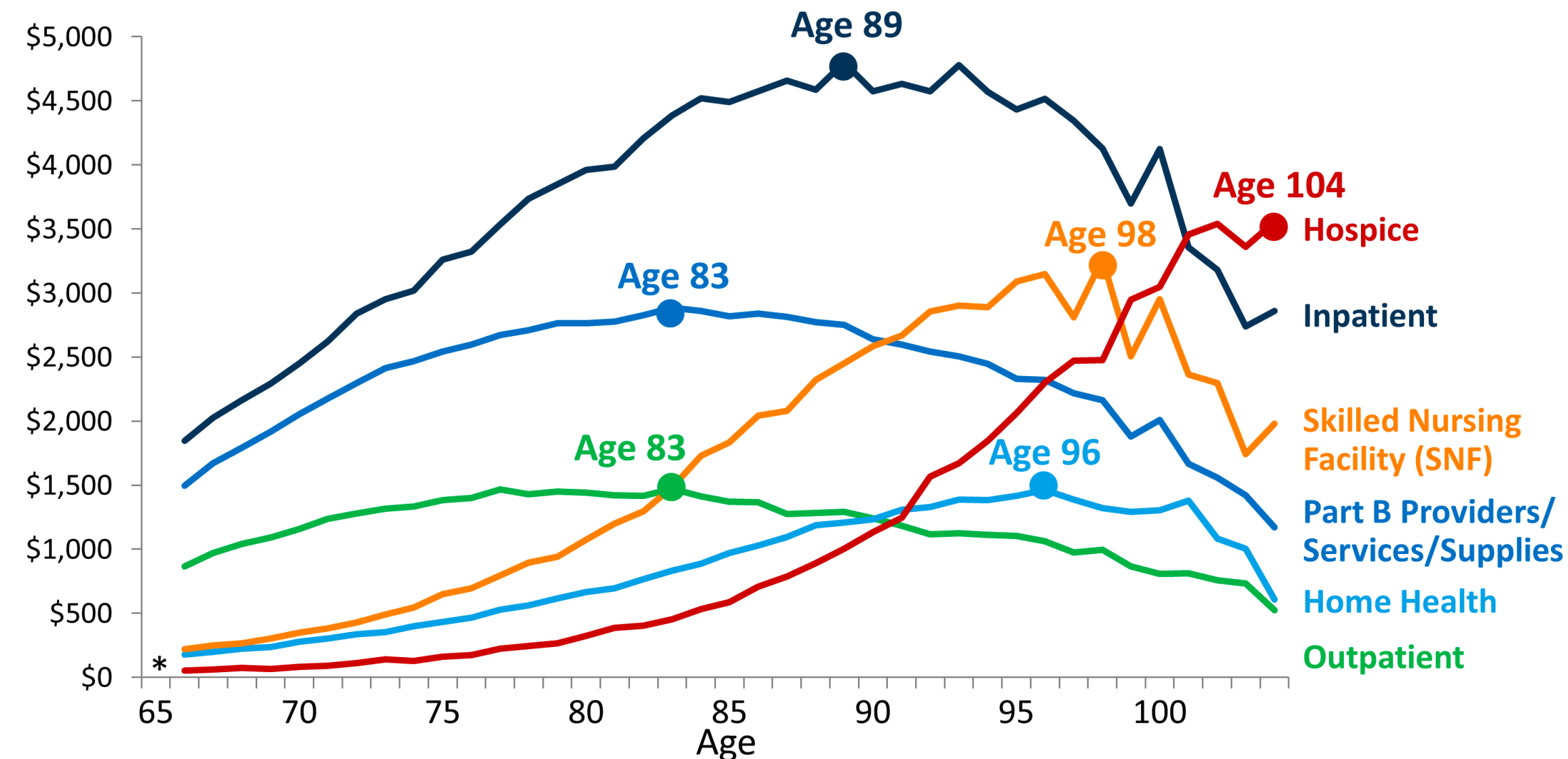
# Facility Costs Kick-in

## Service utilization patterns vary as patients get older

Exhibit I.3

**In 2011, Medicare per capita spending peaked at age 83 for physician and outpatient services, but at older ages for inpatient care (89), home health (96), skilled nursing facility (98), and hospice (104)**

*Peaks in Medicare per capita spending by type of service for traditional Medicare beneficiaries over age 65, 2011*



NOTE: Analysis excludes beneficiaries with Medicare Advantage. \*Analysis excludes people age 65 because some of these beneficiaries are enrolled for less than a full year; therefore, a full year of Medicare spending data is not available for all people at this year of age.

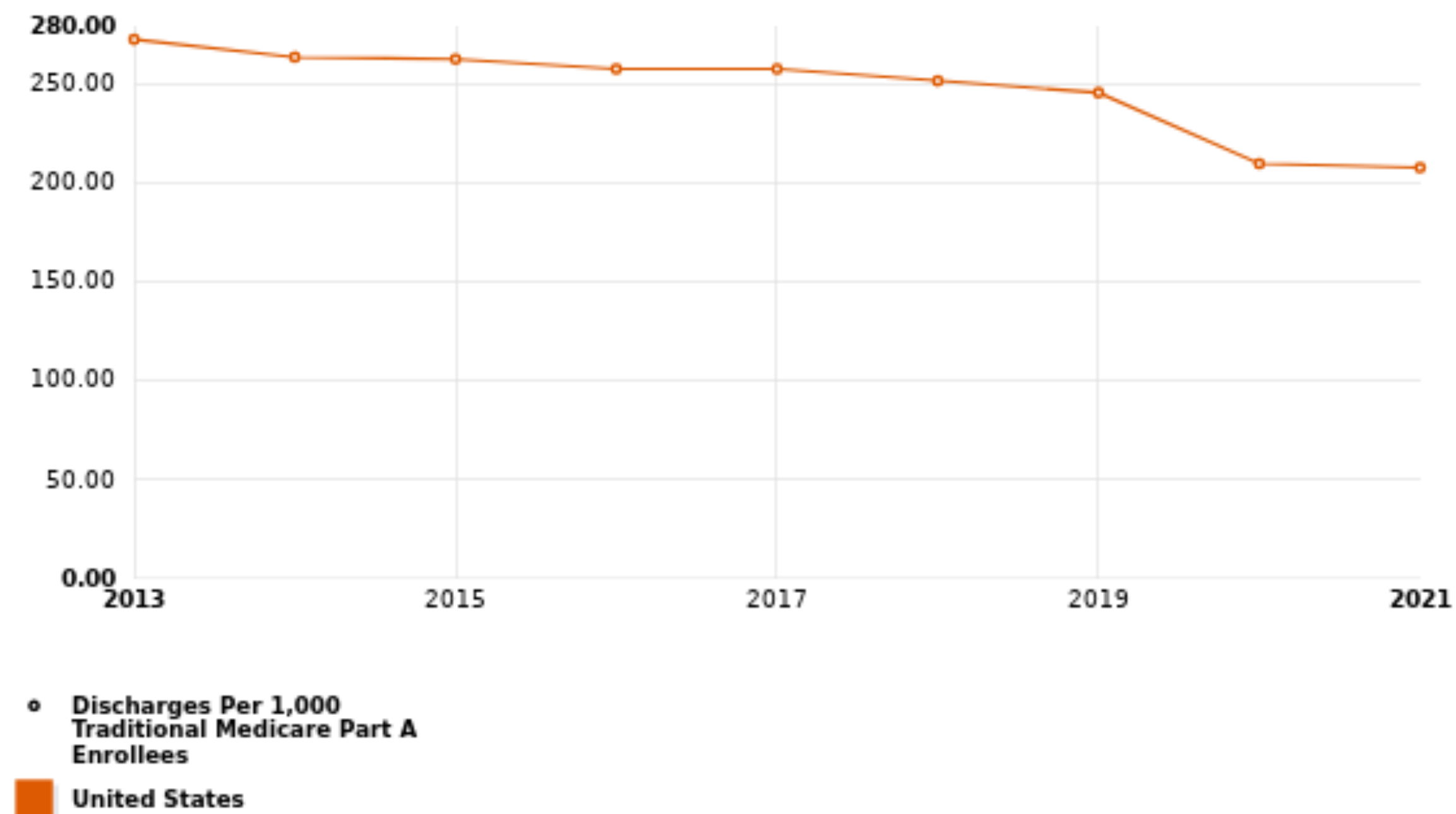
SOURCE: Kaiser Family Foundation analysis of a 5 percent sample of Medicare claims from the Chronic Conditions Data Warehouse, 2011.



# However, IP Trend Down

Less patients are admitted for the last decade

Use of Inpatient Hospital Services in Traditional Medicare: Discharges Per 1,000 Traditional Medicare Part A Enrollees, 2013 - 2021



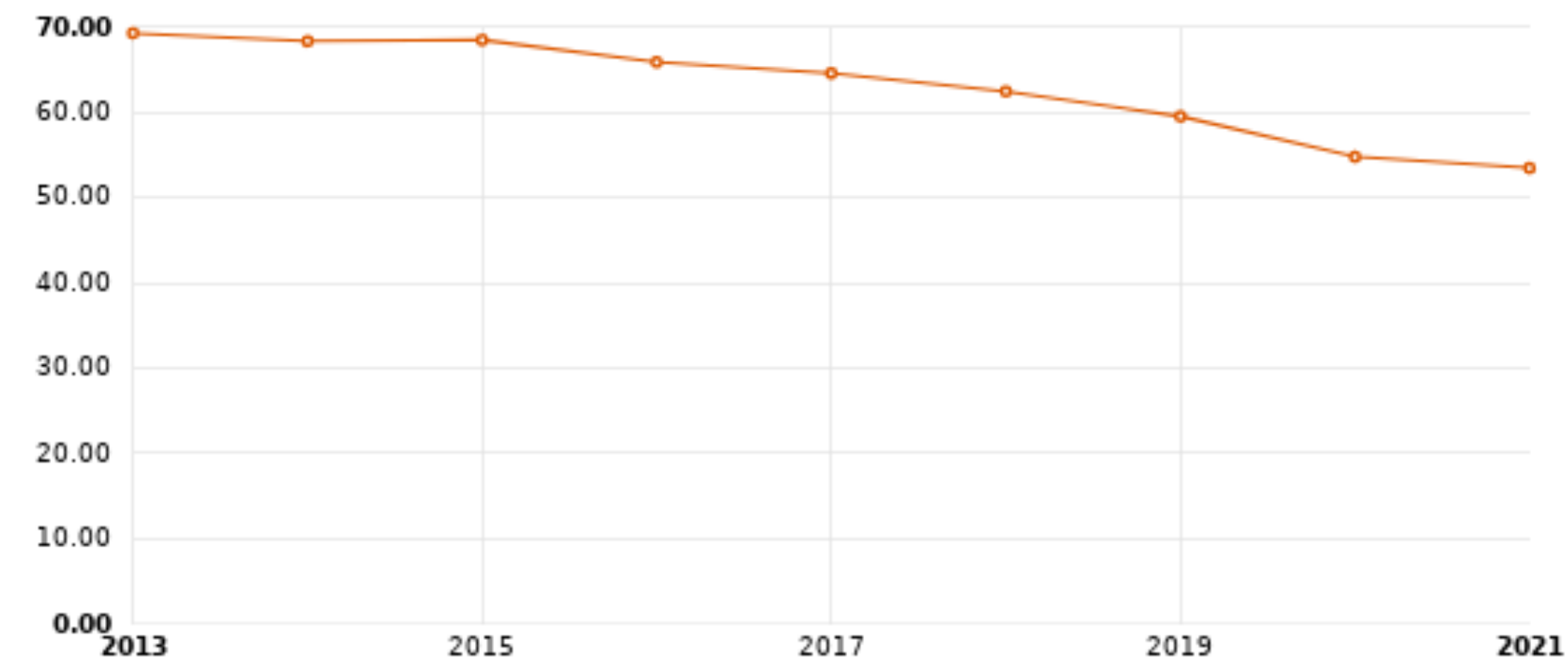
SOURCE: KFF's State Health Facts.

<https://www.kff.org/medicare/state-indicator/medicare-service-use-hospital-inpatient-services>

# SNF Trend Down Too

Less patients get admitted to SNF

Use of Skilled Nursing Facilities in Traditional Medicare: Covered Admissions Per 1,000 Traditional Medicare Part A Enrollees, 2013 - 2021



• Covered Admissions Per 1,000 Traditional Medicare Part A Enrollees

United States

SOURCE: KFF's State Health Facts.

<https://www.kff.org/medicare/state-indicator/skilled-nursing-facilities>

“[R]educed spending on cardiovascular diseases (is) due to better management of those conditions. CBO believes that the payment and delivery systems adopted by both public and private insurers that reward providers for delivering high quality care efficiently (rather than rewarding them for the number of services they provide) have also contributed to the slowdown in the growth of federal health care spending to some extent.”

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Clearly, somebody is doing the hard work.

<https://www.cbo.gov/publication/56912>

Reward?



According to CBO,  
Two factors contributed to this trend:

1. Decreases in the growth of Medicare rates
2. Reduced spending on patients with CVD



Now, let's talk about this.

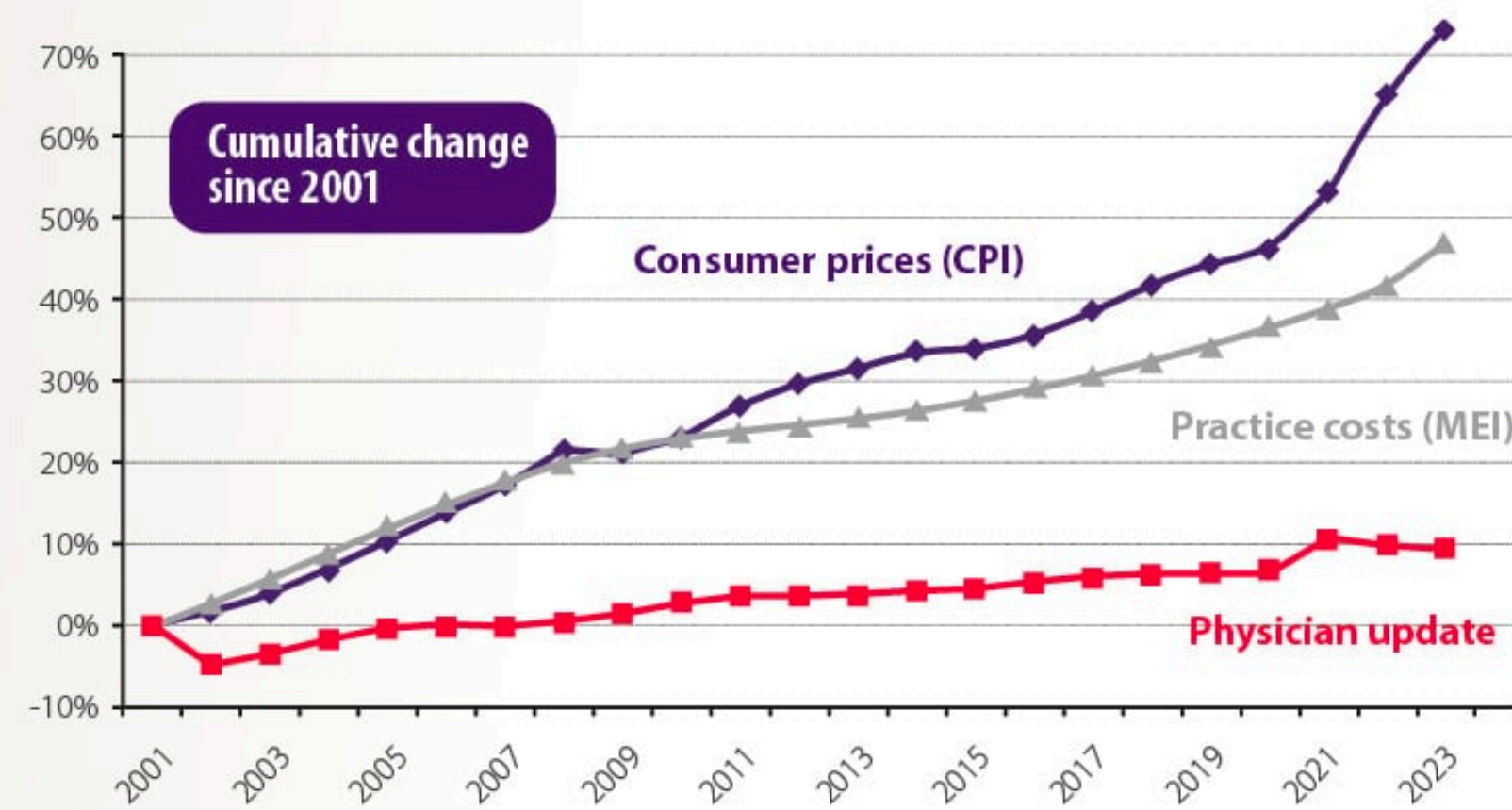
# Medicare Rates

## The Can of Worms

Medicare physician payment is NOT keeping up with inflation.

### Medicare updates compared to inflation (2001–2023)

Adjusted for inflation in practice costs, Medicare physician payment declined 26% from 2001 to 2023.



Sources: Federal Register, Medicare Trustees' Reports, Bureau of Labor Statistics, Congressional Budget Office.

Updated April 2023

Where is the reward?





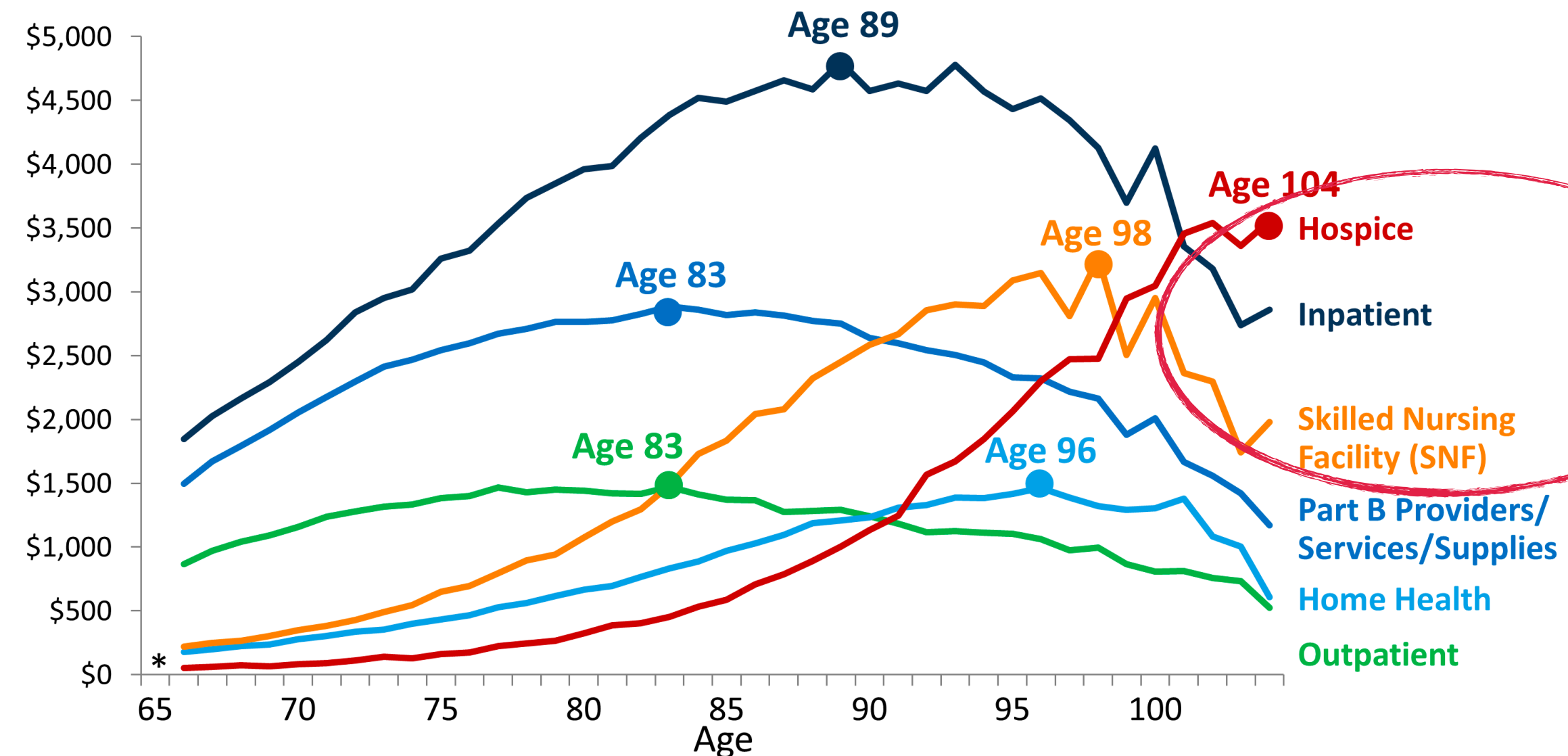
# Less is More

## Reward for less utilizing facilities

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SOURCE: Kaiser Family Foundation analysis of a 5 percent sample of Medicare claims from the Chronic Conditions Data Warehouse, 2011.



Can Primary Care Physicians (PCPs) control these trends?



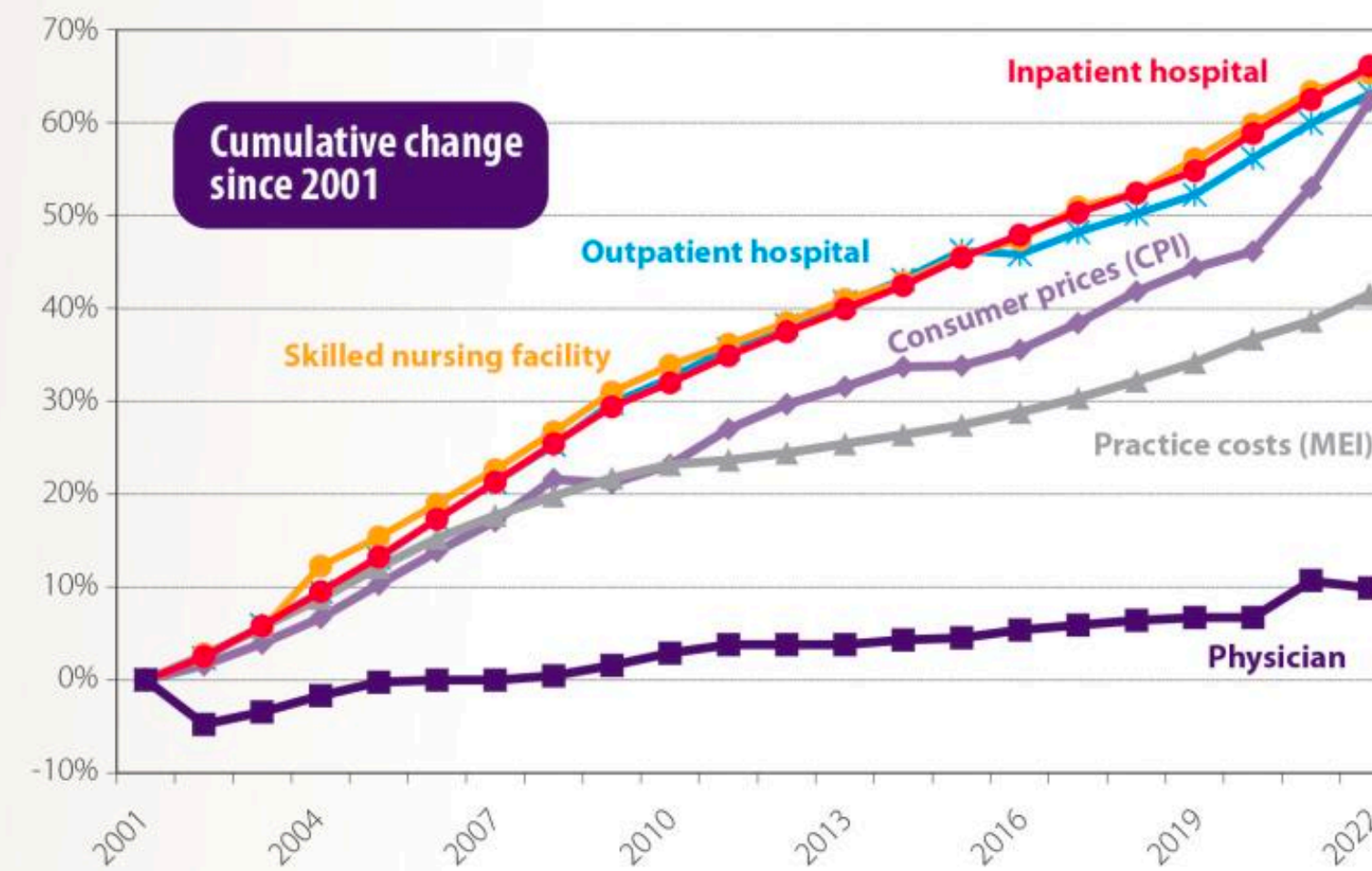
# Why Just Me (PCP)?

Unfortunately, it is by design

Medicare physician payment is **not** keeping up with inflation. Why are physician services taking a backseat?

## Medicare updates compared to inflation (2001–2022)

Adjusted for inflation in practice costs, Medicare physician payment declined 22% from 2001 to 2022.



Sources: Federal Register, Medicare Trustees' Reports and U.S. Bureau of Labor Statistics, American Medical Association, Economic and Health Policy Research, September 2022.

CMS wants their utilizations to go down. Keeping the rates up so that they don't get hit too hard.

PCPs get rewarded for the reduced facility utilizations.

You work more hours, you earn  
more.

Not anymore. CMS won't  
increase the service fees.

You ~~work more hours,~~ you earn  
more.

Now, if you take care of more  
patients and help them stay  
healthy, then you earn more.



**# Hours => # Patients**

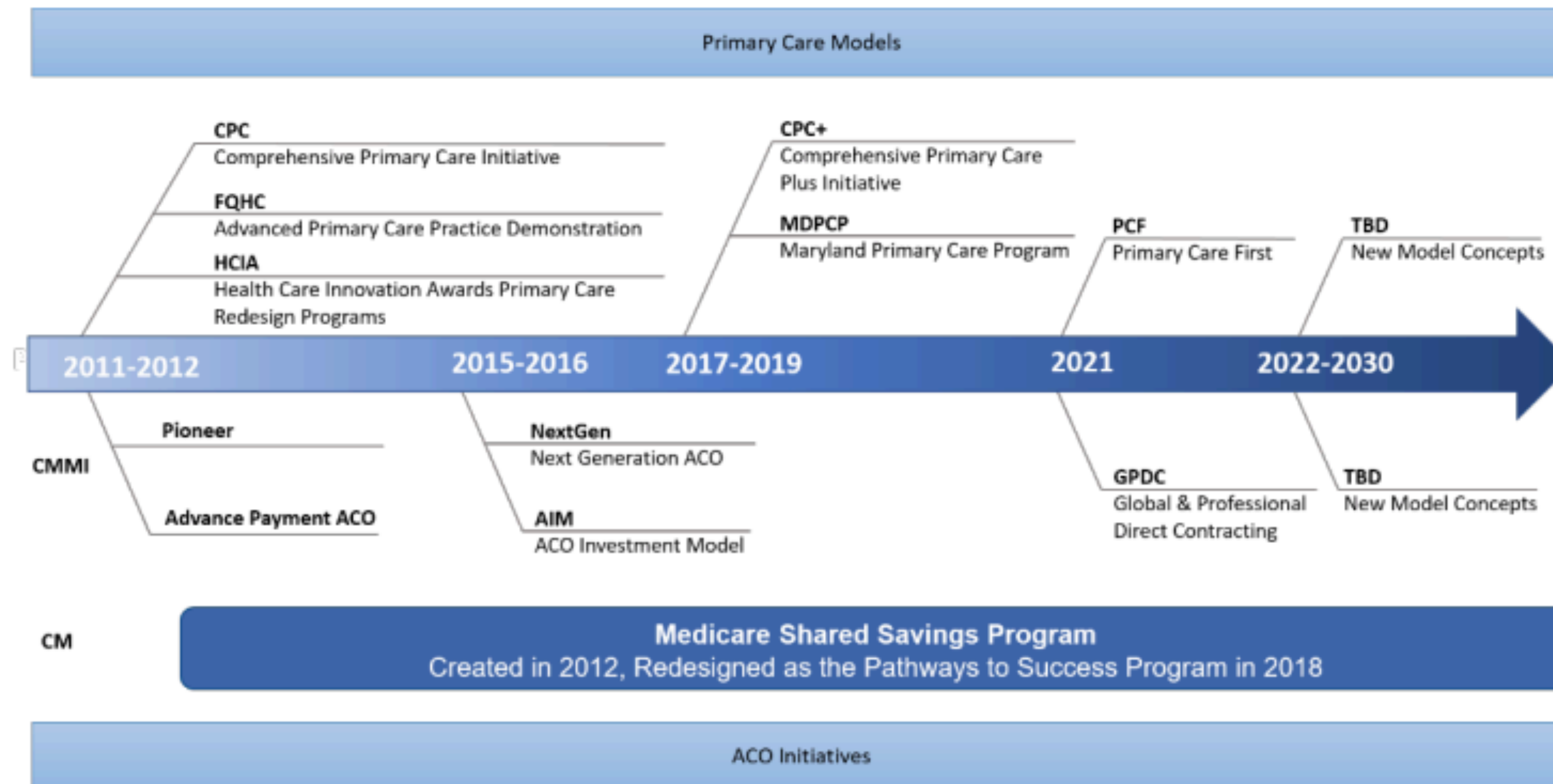
+ Managing their healths well

The name of the game is  
“Accountable Care.”

# ACO REACH, MSSP, etc.

Various VBC programs experimented; and more to come

Figure 3. Primary Care and ACO Model Evolution



Note 1: ACO and DC models (Pioneer, NGACO, GPDC) are also designed on a primary care foundation with accountability for populations.  
Note 2: In 2021, CMMI put CHART ACO Transformation Track on hold as it is exploring AIM expansion.

# 100% by 2030

**A bold goal set by CMS**

“CMS has set a goal of having 100% of Traditional Medicare beneficiaries and the vast majority of Medicaid beneficiaries in accountable care relationships by 2030.”

It's time to go all-in.