

Statement for the Record

Submitted by

The Premier healthcare alliance

House Energy and Commerce Subcommittee on Health

**21st Century Cures: Examining the Role of Incentives in Advancing Treatments
and Cures for Patients**

June 11, 2014

The Premier healthcare alliance appreciates the opportunity to provide a statement for the record of the House Energy and Commerce hearing, titled “21st Century Cures: Examining the Role of Incentives in Advancing Treatments and Cures for Patients.” Premier, Inc. is a leading healthcare improvement company, uniting an alliance of approximately 3,000 U.S. hospitals and 110,000 other providers of care to transform healthcare.

Together, Premier’s hospitals, post-acute care sites and other providers are seeking better ways to reduce the fragmentation of healthcare and increase coordination of care. Premier operates a number of large-scale collaboratives, including those focused on bundled payment and accountable care organizations (ACOs), in which Premier health systems push for improved quality at a reduced cost.

We applaud the leadership of Chairman Rep. Joe Pitts and Ranking Member Frank Pallone, Jr. for holding this important hearing. While there are many initiatives our alliance members can undertake on their own to improve the quality, safety and affordability of healthcare, continued government action is needed to fix perverse payment incentives and foster greater collaboration and innovation in the U.S. healthcare system.

The Medicare program, which sets overarching incentives in healthcare as the main payer in the marketplace, is a vital resource for beneficiaries and providers. However, the current system creates fragmentation and competition among healthcare providers which discourages cost-effective innovation.

This is largely due to the fact that Medicare pays in silos. Different types of providers—hospitals, physicians and post-acute care providers—are all paid separately, putting providers in competition, rather than cooperation with one another. This creates a micromanaged system with competing interests that can directly lead to waste, inefficiency and patient frustration. Moreover, the system is overburdened with laws and regulations that prevent collaboration among healthcare providers, and it stands in the way of innovative efforts that could improve the quality, cost effectiveness and coordination of care for Medicare beneficiaries.

To break down the silos of care and unlock innovation in healthcare, new value-based models, such as ACOs and bundled payments are being implemented. These models encourage collaboration among healthcare providers, innovation and a focus on the patient. Representing a positive shift in healthcare delivery, these new approaches promote what health care needs: aligned incentives that will lead to collaboration among physicians, hospitals, payers, and patients.

Aligning incentives across the continuum of care through bundled payments

Premier believes that a particularly promising approach that breaks down the existing silos of care, aligns providers' incentives and encourages greater coordination is bundled payment. Because of the goal of coordinating care, bundled payments can include participation by multiple provider types across the continuum of care.

The concept of bundled payments is not new, and has in fact already been tested by the Centers for Medicare & Medicaid Services (CMS) through the Acute Care Episode Demonstration, among other programs, and such arrangements are successfully operating in the private sector. Premier members have participated in these programs, as well as the Center for Medicare & Medicaid Innovation's Bundled Payments for Care Improvement (BPCI) initiative that is currently underway. This model allows providers to bid as a team for fixed price reimbursement for physician payment, nursing-home care, surgery and medications, primarily for common treatments such as heart surgery or hip and knee replacements. Paying for care in its entirety, rather than having providers bill insurance companies separately, has advantages that directly benefit patients. Paying a fixed price incents providers to collaborate to ensure the best outcomes.

Paying for an episode of care has also been shown to lower costs—both for providers and patients. A Medicare heart bypass surgery bundled payment demonstration saved \$42.3 million, or roughly 10 percent of expected costs, and reduced patient insurance costs by \$7.9 million while improving care and lowering mortality rates.

At the same time, it is important that there be safeguards in an ACO or bundled payment system to protect against stinting on care. These include robust quality measures and a limitation on provider risk for high-cost patients or the introduction of proven, high-cost new products and technologies.

However, we believe it is time to move beyond these pilot programs and implement a broad-scale, voluntary bundled payment program that is available to providers nationwide on a permanent basis.

With the investment of time and resources needed to implement bundled payments, providers can be reluctant to engage in these transformative efforts because of uncertainty about whether such payment systems will ever be deployed widely. The enactment of a national, voluntary bundled payment program would provide certainty to providers by placing a stake in the ground, signaling that Congress and CMS are dedicated to improving quality and safely reducing costs for Medicare beneficiaries through such a mechanism. This will assure providers that bundled payment is not a passing fad, but one they can invest in for the long term.

With sustained diligence and oversight by Congress to advance models such as bundled payments that give providers the flexibility to innovate and create incentives for efficiency and better care coordination, we are confident that we will continue on the path toward higher quality care while bending the cost curve.