Affordable Care Act: Payment Reform in Medicare

Creating incentives to deliver more coordinated care

Cancer patients and others who may suffer from multiple chronic conditions or long-term side effects from treatment would benefit from payment reform in Medicare.

For years, experts have recommended that Medicare reform its current fee-for-service (FFS) payment policies. Under FFS, providers have an incentive to deliver more services to patients without regard to their quality and value. However, evidence demonstrates that more services do not necessarily translate into better health outcomes for patients.

Medicare's FFS reimbursement system also contributes to higher health care spending, posing challenges to Medicare's long term financial sustainability. New payment policies are needed to not only reduce Medicare costs, but also to encourage providers to deliver more coordinated and efficient care, particularly to those with chronic illnesses.

Fast Facts:

- Medicare spending is expected to grow at a much faster rate than spending in the overall economy in the coming years.
- Nearly 1 in 10 FFS dollars are spent on treating cancer patients enrolled in Medicare.
- Increased spending on chronic diseases among Medicare beneficiaries is a key factor driving overall growth in spending in the Medicare program.
- Payment reforms implemented in the private sector have resulted in improved patient outcomes for patients with chronic diseases.

American Cancer Society Cancer Action Network (ACS CAN) supports Medicare payment policies that promote better coordinated, high-quality care.

Highlights of Medicare Payment Reform Initiatives in the Affordable Care Act

- By January 1, 2011 the Secretary of Health and Human Services is required to create a Center for Medicare and Medicaid Innovation (CMI) within the Centers for Medicare and Medicaid Services (CMS) to test new payment methods and models for delivering care. The Secretary is required to give preference to models that improve the coordination, quality, and efficiency of care delivered.
- Beginning January 1, 2012, providers participating in Accountable Care Organizations (ACOs), which are groups of physicians and other practitioners formed to coordinate care for patients, will be eligible to receive bonus payments if they achieve a certain level of savings.
- Beginning in 2012, Medicare will pay hospitals for their performance on certain quality measures.
- Beginning in 2013, the Secretary is required to establish a 5-year national pilot program to test bundling payments across different providers.

Implications for the American Cancer Society and ACS CAN

- ACS CAN will continue to advocate for new and innovative ideas in Medicare demonstration projects that have the potential to improve the quality of life for cancer patients.
- ACS CAN will actively work with Congress and CMS to ensure that payment reforms do not impede access to high-quality cancer care for Medicare beneficiaries.
- ACS CAN will work with Congress and CMS to design demonstrations and payment models that coordinate care and provide incentives to improve quality in both its FFS and Medicare Advantage programs.
- ACS CAN will work to ensure adequate oversight and accountability in reforming its payment methods to maintain cancer patients' access to quality care.

FINAL Sept 2010