

Shift in Health-Cost Focus Is Said to Show Promise

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By coordinating care and keeping their patients out of the hospital, doctors can help reduce overall health care spending, Medicare officials said yesterday in announcing the results of an experiment that allowed doctors to share in the cost savings.

The experiment, which started in April 2005 and is to continue through April 2008, is an attempt by Medicare to rethink the way it reimburses doctors. The goal is to pay them for the quality of the care they deliver, rather than on how many tests and procedures they perform.

"We want to reward providers for the right care at the right time," said Herb Kuhn, acting deputy administrator for the Centers for Medicare and Medicaid Services, who said he was "very, very pleased with the first-year results."

Although there are sharp limits to the conclusions that can be drawn, Medicare officials and the doctor groups involved say the experiment shows the potential in encouraging doctors to provide care and counseling programs that help patients stay out of the hospital or emergency room by better managing chronic conditions like [diabetes](#) or [heart disease](#). "It's where the Medicare program has to go," Mr. Kuhn said.

While all of the 10 physician groups participating in the experiment improved their care for patients during the first year, according to the measurements in place, only two earned bonus payments. Those two, the [University of Michigan](#) Faculty Practice and the Marshfield Clinic in Wisconsin, were paid a total bonus of \$7.3 million for saving Medicare \$9.5 million. The bonus was in addition to Medicare payments for their usual services.

All 10 of the participants are large sophisticated organizations, with substantial experience in electronic health records or other systems known to improve patient care. And the fact that eight of them did not meet the bonus threshold indicates how difficult it may be for

Medicare to develop a payment system giving most doctors, many in small, less modern practices, a true financial incentive to improve care.

But Medicare officials emphasized that the results represented only the first year of a three-year experiment. "It's trending in a very positive way," Mr. Kuhn said.

Medicare compared the hospital and doctor bills for the 224,000 patients being treated by the 10 groups with the bills from other doctors and patients in the same geographic areas to determine whether there were financial savings to the government. The doctors also had to meet certain quality criteria, like the basis of 10 clinical measures involving diabetes care.

For the second year, clinical measures for heart disease will be added. And in year three, measures for [hypertension](#) and basic preventive care for all patients will be assessed.

While Medicare said it had not yet calculated the experiment's overall savings, the physician groups say they together saved the program about \$21 million.

In subsequent years, "we expect greater savings will be generated, and the majority of practices will be receiving a bonus," said Mark Selna, a physician with Geisinger Health Systems, a Danville, Pa., system of hospitals whose doctors are participating in the experiment.

Although Medicare and the doctors' groups are still analyzing the information for the first year, many of the programs put in place seem to have resulted in fewer hospitalizations. Among its efforts, for example, Marshfield started a program in which eye exams for diabetes patients could be performed at a local doctors' office rather than requiring a trip to a specialist. The clinic, which is based in Wisconsin, says it has reduced hospitalizations for its diabetes patients by about 13 percent in mid-2007 compared with 2004.

Other successful measures include simple follow-up. The University of Michigan group is having a nurse or nursing assistant call patients who have been discharged from the hospital or emergency room within 24 hours, making sure they understand the drugs they need to take or that, for example, a visiting nurse came as scheduled.

"It's filled a huge gap in care," said Dr. Caroline Blaum, the physician leading the effort at the university.

But even the groups able to achieve adequate savings say the complexity of the program and the time elapsed since the first-year test period ended early last year makes it difficult to respond to the potential financial incentives. "The financial model for this program may not be viable," said Dr. Blaum at the University of Michigan, saying the doctors there are uncertain about what exactly they had done to generate savings.

But many of the doctor groups involved spoke of making useful changes to how they cared for patients, like following up with a nurse's call or educating a patient, even if they do not result in any additional revenue.

"There's clearly value in these services," said Dr. Katherine Schneider, the physician overseeing the effort at Middlesex Health System, a Middletown, Conn., hospital group that works closely with local physicians and is participating in the experiment. But, she added, "they are expensive to provide, and no one is reimbursing us."

And questions remain about how to motivate individual physicians because the experiment rewards organizations, not the individual doctor who must actually ensure that the patient gets a [flu](#) shot or goes to the right specialist.

"The real driving force of change needs to occur in a physician office," said Dr. Karl Ulrich, the president and chief executive of the Marshfield Clinic.