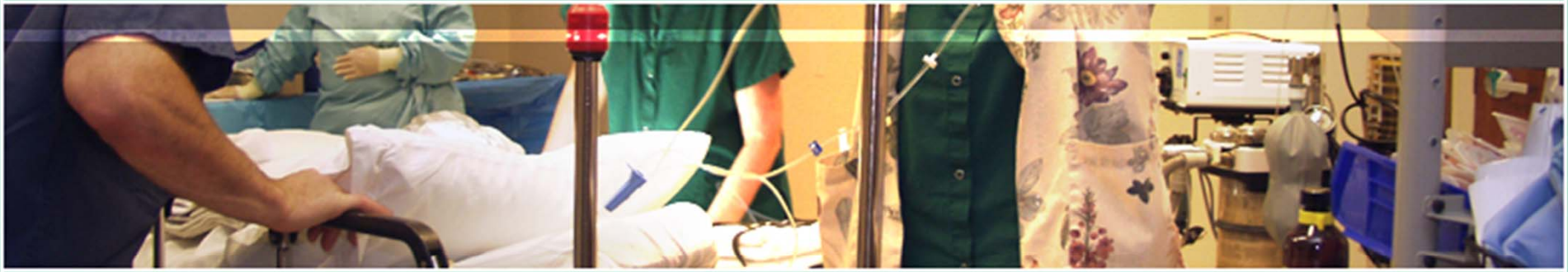
Health System Transformation and Acute Care in Alameda County



Micah Weinberg, PhD
Senior Policy Advisor

Not all hospitals are alike

But they all have to reckon with this

Table 1. Family income fell in every income category between 2007 and 2010

	Family income ($)				Percentage change	
	2007	2008	2009	2010	2007–2009 (official recession)	2007–2010 (actual peak to trough)
10th percentile	19,100	17,000	16,200	15,000	–15.2	–21.5
25th percentile	34,600	34,200	32,400	31,200	–6.4	–10.0
Median	68,400	66,000	64,700	61,100	–5.4	–10.7
75th percentile	122,000	122,300	115,600	112,400	–5.3	–7.9
90th percentile	188,300	187,500	183,700	179,100	–2.5	–4.9
95th percentile	246,000	232,100	235,600	226,300	–4.2	–8.0

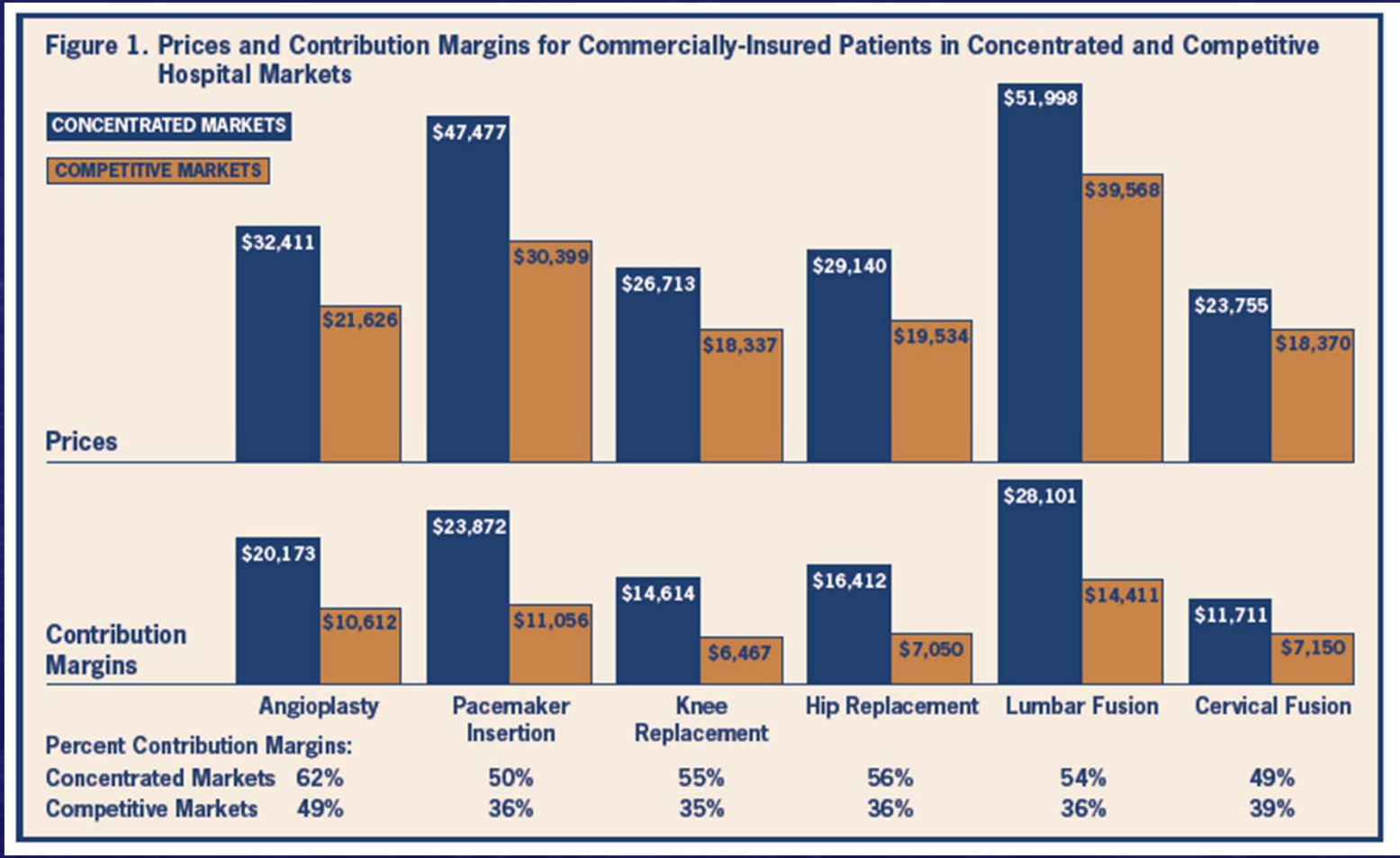
SOURCE Authors' calculations from the Current Population Survey of the U.S. Census Bureau.

NOTES: Family income is adjusted to 2010 dollars and normalized to account for family size. See Technical Appendix A for details.

What drives hospital costs up?

- Misaligned incentives
  - Toward volume not health
- Technology
- Higher prices for comparable treatments
- Personnel costs
- Medi-Cal underpayment
- Bargaining power of payers vs. providers
- Relatively minor factors: aging, disease

Bargaining Power Matters



Source: Dr. Jamie Robinson, UC Berkeley, November 2011

Affordable Care Act and Hospitals

- Health insurance reform
- Incentivizing health and paying for quality
- Transforming the safety net
- Promoting integration

Affordable Care Act: Health insurance reform

- New incentives for and pressures on payers (Govts, Exchanges, plans, and businesses)
  - Increasing prevalence of products where consumer pays marginal cost of system
    - “Private label” offerings
    - Tiered networks
    - Reference pricing
    - But not all systems are alike
  - Contracting with more measures for quality, efficiency
    - Private sector innovation empowered by regulatory reform

Affordable Care Act: Incentivizing health and paying for value

- Medicare reducing payments to hospitals in top tier for:
  - Healthcare acquired infections
  - Unnecessary Readmissions
- Hospital Value-based Purchasing initiative
  - Medicare rewards for achieving quality
- Temporarily higher payments for primary care

Affordable Care Act: Shoring up safety net

- Coverage expansion
  - Managing DSH reductions
- Medi-Cal Waiver
  - Delivery System Reform Incentives Payments (DSRIP)
- Increased funding for community clinics?

Affordable Care Act: Promoting Integration

- ACOs
  - Medicare Shared Savings Program
  - Pioneer ACOs
- California Health Benefit Exchange
  - “Change Agent” model
- Unintended consequences
  - Increasing provider leverage via ACOs?
  - Undermining integrated systems, Exchanges, high-value innovation through poorly-designed taxation?

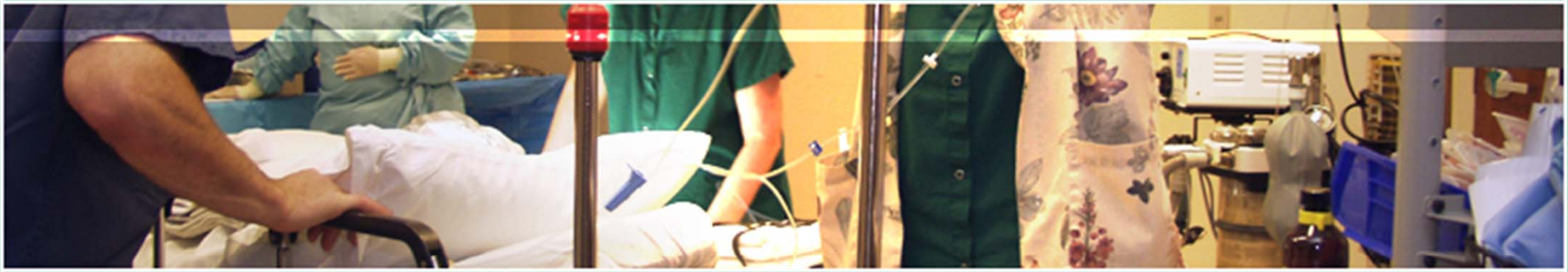
You can't "repeal and replace" reality

"There's no back to go to."

Ed Murphy, former CEO

Carillion Clinic, Roanoke Virginia

Thank you



Micah Weinberg
weinberg@newamerica.net
(916) 706-2664