



A Private Foundation Working Toward a High Performance Health System



2011 Annual Report President's Message

HEALTH REFORM'S FIRST YEAR: SUPPORTING THE ROLLOUT

Karen Davis, President
The Commonwealth Fund

The Commonwealth Fund is a private foundation that promotes a high performance health care system providing better access, improved quality, and greater efficiency. The Fund's work focuses particularly on society's most vulnerable, including low-income people, the uninsured, minority Americans, young children, and elderly adults.

The Fund carries out this mandate by supporting independent research on health care issues and making grants to improve health care practice and policy. An international program in health policy is designed to stimulate innovative policies and practices in the United States and other industrialized countries.

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President

When the first provisions of the Affordable Care Act took effect over a year ago, they heralded the promise of better access to health insurance coverage, financial relief, and health security for millions of Americans. Already [health care spending](#) is growing slower than experts originally anticipated. Further significant savings should materialize for government, employers, and families as provisions aimed at transforming health care financing and delivery lead to lower insurance administrative costs, fewer avoidable hospitalizations and hospital-acquired infections, and better management of chronic conditions.

The need for health reform in the United States is irrefutable. The ranks of the uninsured and underinsured continue to swell, even as health care spending consumes almost a fifth of the nation's economic resources—yet without producing health outcomes as good as those in countries that spend half as much per person as we do. The health reform law has the

potential to reverse these trends and put the nation on a path to a high performance health system that provides affordable access to high-quality, efficient care. Over the last year, The Commonwealth Fund's work has centered on three major goals:

- Helping health care leaders and the American people understand the Affordable Care Act and what it means for them;
- Supporting implementation of the new law and assessing its potential to move the U.S. along the path to high performance; and
- Laying the groundwork for future health care delivery system change and policy action.

The Fund has strived to clarify the implications of the Affordable Care Act, bring expertise to bear on its implementation, and help health care organizations respond to the opportunities embodied in the legislation.

EXPLAINING HEALTH REFORM AND ITS IMPACT

In the past year, the federal government made considerable progress in rolling out the first provisions of the health reform legislation:

- According to data released by the Centers for Disease Control and Prevention, the Affordable Care Act is already benefiting this group: since September 2010, when a policy allowing children to remain on their parents' insurance plans through age 26 took effect, approximately 2.5 million more young adults ages 19 to 25 have coverage, compared with the number who would have been insured without this policy.
- Seniors and disabled individuals no longer face a “doughnut hole” in their prescription drug coverage. The [Centers for Medicare and Medicaid Services estimates](#) that more than 2.2 million people have saved in excess of \$1.2 billion on their prescriptions this year, for an average of \$550 per person.
- Financial barriers to preventive care services have been removed.
- Tax credits are now available to help small businesses offer affordable coverage to their workers.

Still, many members of the public—and even a number of policymakers—do not understand what is in the Affordable Care Act or how the law will improve health care in the U.S. That's why The Commonwealth Fund launched its online [Health Reform Resource Center](#) last spring. Here, visitors can find reader-friendly summaries of all the law's provisions, a tool for sorting through the provisions, an implementation timeline, and links to federal regulations and related Commonwealth Fund research,

analysis, and commentary. Every month since its launch, the Health Reform Resource Center has been one of the most-viewed pages on our Web site.

To explain the impact that reform will have on our health system, we introduced a [new series](#) of issue briefs, *Realizing Health Reform's Potential*, to explore how the Affordable Care Act benefits different populations and groups, such as women, young adults, and small businesses, as well as how it will improve insurance coverage and help transform the delivery of care. For example, once the law is fully implemented in 2014, nearly all the 27 million working-age women who went without health cov-

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erage in 2010 will gain affordable, comprehensive insurance benefits. Health reform will accomplish this by expanding Medicaid to those with the lowest incomes, providing premium tax credits to middle-income individuals, requiring health plans to offer comprehensive benefits like free coverage of preventive care services, issuing tax credits to small businesses, offering new affordable coverage options, and instituting insurance market reforms—for example, by banning gender rating, which contributes to higher premiums for women in the individual insurance market.

Along with greatly expanding access to affordable, comprehensive health coverage, the reform

law also aims to improve the efficiency and effectiveness of health care delivery. By making major investments in primary care, including preventive services and chronic disease care, the law will shore up an undervalued part of our health system. The Commonwealth Fund's *Realizing Health Reform's Potential* series explores how provisions in the law will help to expand and train the primary care workforce, improve reimbursement for primary care services, and support innovative approaches to delivering care, including the patient-centered medical home model of accessible, coordinated care.

A new series of Commonwealth Fund webinars is also enabling communication among researchers, policymakers, and other health system stakeholders. Featuring expert panelists including senior officials from the U.S. Department of Health and Human Services, the webinars are a rich source of information and analysis about state insurance [exchange implementation](#), the [Pre-Existing Condition Insurance Program](#), and the impact of health reform on [boomers](#). Likewise, a series of briefings conducted with the Alliance for Health Reform in Washington, D.C., has offered additional opportunities to educate policymakers and their staff about the law.

As federal regulations are released to implement provisions of the Affordable Care Act, we have also kept stakeholders informed through timely posts to The Commonwealth Fund Blog. For example, we posted an analysis of a proposed regulation to establish a process for the [annual review of “unreasonable” increases](#) in premium rates by insurance carriers across the country. According to the new rule, increases above a 10 percent threshold will be publicly disclosed, along with the insurer's justification. Insurance companies charging unreasonable

premium increases may lose the opportunity to participate in the new health insurance exchanges. A recent Commonwealth Fund report had underscored the need for such transparency, finding that employer premiums had increased an average of 50 percent across the states between 2003 and 2010.

INFORMING AND SUPPORTING REFORM'S IMPLEMENTATION

Over the past year, several important pieces of the health reform law have been rolled out, including allowing children under age 26 to stay on or join their parents' health insurance plan, the establishment of state-based insurance plans for people with preexisting health conditions, and the availability of tax cred-

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its for small businesses that provide coverage to their employees. The Commonwealth Fund has offered guidance for implementing the coverage expansion provisions, and we have attempted to assist federal and state officials tasked with creating health insurance exchanges—the new marketplaces where small businesses and individuals without employer health benefits will be able to gain access to expanded coverage options. Grantee [Timothy Jost, J.D.](#), a professor at the Washington and Lee University School of

Law, provided timely recommendations for resolving such thorny issues as exchange governance and preventing adverse selection.

The federal government also launched a number of the Affordable Care Act's health care delivery reforms, notably the new [Center for Medicare and Medicaid Innovation](#). Among the new approaches to care delivery that the Center will be testing on a rapid basis are: Pioneer Accountable Care Organizations, which will assume responsibility for coordinating patient care and improving treatment of complex conditions; bundled-payment models to incentivize health care providers to improve transitional care for patients discharged from hospitals and to reduce the likelihood of rehospitalization; and an initiative that will support primary care practices in coordinating care for patients with chronic conditions, other serious illnesses, or disabilities.

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As part of our effort to assist reform implementation, The Commonwealth Fund has considered how the Innovation Center can optimize its efforts to test and disseminate innovative payment and delivery methods. Soon after the Center was formed, we published [recommendations](#) to enable it to do its job quickly and effectively. These include: granting the Center more flexibility to develop initiatives with a minimum of administrative delay; trying out a variety of payment reform initiatives, such as global and bundled payment; and encouraging innovative models developed by states and private-sector entities.



[Global payment](#) methods, in particular, would encourage hospitals, physician practices, nursing homes, and other providers to work together and would reward those that offer appropriate, high-quality, and efficient care. The question of who receives the global payment, however, remains. The Affordable Care Act helps address this by establishing a new form of health care provider within the Medicare program—the accountable care organization, or ACO. The ACO organizes physicians, hospitals, and other health care providers into a group that becomes accountable for each patient’s entire continuum of care and, in return, shares in any cost savings it generates for Medicare.

While the managed care experience of the 1990s illustrates the risks associated with creating large provider groups, there are a number of successful contemporary models, such as the Medicare Physician Group Practice demonstration and organizations like Community Care of North Carolina, to look to for guidance. The Commonwealth Fund’s [Commission on a High Performance Health System](#) identified 10 essential principles, among them a strong primary care foundation, well-informed patients, and quality reporting, to help ensure the spread of ACOs.

The Commonwealth Fund also aims to assist leaders in health care delivery that are seeking to join the vanguard of early innovators. One of our many case study series focusing on those at the forefront of care innovation, for example, highlighted some of the early leaders in patient safety and their approaches to training, coaching, and motivating staff to engage in safety improvement and their tools and systems for minimizing errors and maximizing learning. Likewise, our quality improvement Web site for health care professionals, [WhyNotTheBest.org](#),

has expanded its tracking of an important patient safety measure, central line–associated bloodstream infections data, at the hospital level. Such detailed data can help hospitals pinpoint where performance can be improved.

LAYING THE GROUNDWORK FOR CHANGE

As The Commonwealth Fund’s [2010 Biennial Health Insurance Survey](#) demonstrated, the recent recession and continued poor economic climate have had a profound impact on Americans’ ability to retain their employer-sponsored coverage. The survey found that in the last two years, a majority (57%) of men and women who lost a job that came with health benefits became uninsured. Combined with the focus on deficit reduction, current economic conditions underscore the importance of slowing health spending growth, clearly one of our most pressing issues over the next decade.

Many leading [budget deficit proposals](#), however, focus on reining in federal spending rather than combating the underlying growth in overall health care costs. By ignoring the latter, such proposals would cap federal budget outlays while putting beneficiaries and other payers at full financial risk for rising costs. Medicare beneficiaries with limited incomes already bear significant costs in the form of medical expenses and premiums. And given the dire fiscal situation in which most states find themselves, federal policymakers must avoid shifting Medicaid costs to them in responding to the continuing budget crisis. In light of the important roles states play in health reform and in efforts to control health care costs, The Commonwealth Fund, through its [Federal and State Health Policy Program](#) (formerly

the Federal Health Policy Program), has expanded its investment in state–federal dialogue.

To address the especially acute risks faced by some Americans in times of economic hardship, the Fund has created two new programs: the [Vulnerable Populations](#) program and the Dual Eligibles initiative. Ensuring that low-income families and economically disadvantaged minorities have access to quality care, and that people dually eligible for Medicare and Medicaid enjoy well-coordinated care, would not only improve health outcomes but achieve important savings as well.

As the U.S. attempts to reform its health system and control spending, it would do well to look to other industrialized countries, which spend far less of their gross domestic product on health care, for learning opportunities. The Commonwealth Fund’s International Symposium on Health Care Policy, “Achieving a High Performing Health Care System: Realizing the Promise of Health Reform,” brought together health ministers and leading policy thinkers from Australia, Canada, France, Germany, New Zealand, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the U.S. to examine approaches for addressing shared problems. Participants also discussed findings from the Fund’s latest [International Health Policy Survey](#), which found that adults in the U.S. are the most likely to forgo care because of costs and to have trouble paying medical bills.

While the challenges are great, there is no reason why the U.S. cannot achieve far better results than it does. The nation already commits substantial

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resources to health care, and there are much better data available today about areas of care that are amenable to improvement, as well as data on provider performance (including information captured by the Fund’s [WhyNotTheBest.org](#) Web site). Moreover, many health care leaders, if not responding specifically to opportunities in the Affordable Care Act, are following the spirit of that law, as evidenced by their pursuit of the three-part aim of better care, better patient outcomes, and lower costs.

We at The Commonwealth Fund are committed to tracking progress in health reform, informing the policies required to align incentives with performance, and helping spread successful innovations and best practices. We fully anticipate arriving at a turning point within the not-too-distant future when a half-century of rising uninsured is reversed, and when life expectancy in the U.S.—a nation that devotes so many resources to health care—no longer lags that of most other industrialized nations.

In the year ahead, we look forward to serving as a key resource for federal and state policymakers, as well as private-sector health care leaders, as the process of health reform continues to unfold.

