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In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Spending Differences Associated with the Medicare Physician Group Practice Demonstration

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Synopsis

A pilot program launched by Medicare to improve the quality of care and control health spending produced modest cost savings overall, researchers have found. The Physician Group Practice Demonstration, launched in 2005, achieved particularly large savings in the care of "dual eligibles," the low-income elderly individuals and people with disabilities who are enrolled in both Medicare and Medicaid.

"[T]he accountable care organization reforms included in the Affordable Care Act . . . have at least the potential to slow spending growth, particularly for costly patients."

The Issue

To improve care and slow cost growth, the Centers for Medicare and Medicaid Services (CMS) launched the Physician Group Practice Demonstration (PGPD) in 2005. In this pilot program, 10 physician groups representing 5,000 physicians and 220,000 Medicare fee-for-service beneficiaries received bonus payments if they met quality targets and reduced spending on care. Previous research indicated the program improved quality, though its effect on costs was uncertain. This Commonwealth Fund–supported study estimated the savings achieved by the PGPD for all beneficiaries and specifically for dual-eligible beneficiaries—a population that has been difficult to manage because of high rates of illness burden, low socioeconomic status, and lack of social supports.

Key Findings

- The PGPD achieved significant annual per capita savings for dual eligibles—$532—but not for other Medicare beneficiaries. As a result, overall annual savings achieved by the demonstration were modest—$114 per capita.

- There was significant savings across all patients in acute care and home health care. Sites that reported savings from acute care experienced reduced hospitalization rates during the PGPD program.
- Per capita annual savings varied significantly across practice groups, ranging from $866 to an increase in expenditures of $749.
- Both medical and surgical readmissions within 30 days decreased for the dual-eligible population. For the overall population, 30-day medical readmissions decreased, though surgical readmissions did not.

Addressing the Problem

"We know little about why some [participating organizations] succeeded and others failed to achieve savings," the authors write. Some organizations that entered the program with higher spending levels had greater opportunities to reduce spending. For example, the University of Michigan health system had the highest mean baseline spending for dual-eligible beneficiaries and achieved the greatest per-beneficiary savings. However, two relatively low-spending systems—Marshfield Clinic in Wisconsin and Park Nicollet Clinic in Minnesota—also experienced substantial savings among dual eligibles. Factors that may have contributed to higher performance at some sites include type of governance, internal leadership, levels of physician engagement, use of electronic health records and other health information technology tools, and specific approaches for handling chronic disease management, care transitions, and quality improvement.

About the Study

The authors used Medicare administrative data to analyze changes in spending and diagnostic coding for beneficiaries assigned to each of 10 participants in the Physician Group Practice Demonstration and for control groups, which comprised Medicare beneficiaries from the same regions who received care from non–PGPD physicians. Overall, 15 percent of beneficiaries were enrolled in both Medicare and Medicaid. The study compared preintervention (2001–2004) and postintervention (2005–2009) trends.

The Bottom Line

The Medicare Physician Group Practice Demonstration—a program designed to allow physicians to share in savings if they met cost and quality targets—achieved modest savings overall but significant savings for dual eligibles.

Citation

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This summary was prepared by Deborah Lorber.