

**August 2011****Study Finds Alternative Health Care Payment System Slows Spending While Improving Patient Care — Outperforms Fee-for-Service**

A recent study published in the *New England Journal of Medicine* could have significant implications for state and federal efforts to reform payments to doctors and hospitals and to encourage greater coordination of care. The study, performed by Harvard Medical School researchers, found that a global payment system under way in Massachusetts lowered medical spending while improving the quality of patient care relative to the traditional fee-for-service system.

The study examined the Alternative Quality Contract (AQC), which was first introduced by Blue Cross Blue Shield of Massachusetts (BCBSMA) in 2009 and now includes more than a third of the insurer's provider network. Similar to Accountable Care Organizations (ACOs), the model uses global payments to provider groups for taking care of their patients rather than separate payments for each service rendered. Providers are eligible for bonuses for meeting certain quality targets.

Among the study's findings:

- The medical spending was nearly 2 percent lower among physicians and hospitals participating in the AQC compared with those working under traditional fee-for-service contracts.
- Importantly, for physicians and hospitals with no previous experience in a global payment model, spending was 6 percent lower than that of providers in traditional fee-for-service contracts.
- These year-one savings were largely the result of physicians changing referral patterns and shifting care to lower-cost facilities.
- By the end of year one, quality of care among AQC providers was significantly higher than that of non-AQC providers in the BCBSMA network, especially for adults with chronic illness and for children.

"For policy makers contemplating improved payment models for U.S. health care, reducing medical spending while improving quality and outcomes is the Holy Grail," said senior author Dr. Michael Chernew, Harvard Medical School.

**Life Expectancy Falls for Women in 80 Texas Counties**

Americans on average had a greater life expectancy in 2007 than in 1997, but women in hundreds of counties across the United States, including almost one-third of all Texas counties, saw their life expectancy fall during the period, according to a new national study.

"Falling Behind," released in June by the Institute for Health Metrics and Evaluation (IHME) at the University of Washington attributes the decreasing longevity to smoking, obesity and high blood pressure. It notes that while men generally began heavy smoking in the 1950s, women didn't start smoking heavily until later, with the resulting health effects being felt now for women.

According to the study, the average life span for men in Texas increased to 75.3 years in 2007, from 73.3 in 1997. The average life span for women in Texas increased to 80.4 years in 2007, from 79.3 years in 1997. The average life span for U.S. men is 75.6 years and 80.8 years for women. The U.S. ranked 37th in the world in life expectancy.

While the state's overall averages were up, 80 Texas counties were among 737 nationally that had shortened life expectancy for women from 1997 to 2007.

**Birthdays****August**

1 – Rep. Van Taylor  
5 – Rep. Brandon Creighton  
5 – Sen. Robert Duncan  
10 – Sen. Troy Fraser  
13 – Rep. Cindy Burkett  
13 – Sen. John Whitmire  
16 – Rep. Barbara Nash  
17 – Rep. Wayne Smith  
19 – Rep. Mike Villarreal  
19 – Rep. Bill Zedler  
20 – Sen. Craig Estes  
20 – Sen. Mike Jackson  
25 – Rep. Ana Hernandez Luna  
26 – Rep. Todd Hunter  
27 – Rep. John Frullo

### **Report Says Doctor Referral Patterns Contributing to Excess Medical Imaging**

Nonradiologists referring patients for medical imaging to facilities in which they have a financial interest are responsible for a 60 percent increase in diagnostic imaging and more than a \$3 billion increase in associated costs, according to a new study published in this month's *Journal of the American College of Radiology*.

Diagnostic imaging has come under increased focus as one area where significant savings can be achieved in health care costs. The study found that nonradiologist referrers with a financial interest in diagnostic equipment are nearly two-and-a-half times more likely to order imaging than clinicians with no financial interest in imaging.

The study says the cost of excess imaging to Medicare Part B is likely to be in the billions of dollars annually.

The study, led by Dr. Ramsey Kilani of Duke University Medical Center, compares physicians referring patients for imaging to facilities in which the physicians have a financial interest (i.e., self-referrers) with physicians referring patients for imaging to facilities in which they have no financial interest (radiologist referrers).

By analyzing available medical data, researchers determined that nonradiologist self-referrers of medical imaging are approximately 2.48 times more likely to order imaging than radiologist referrers with no financial interest in imaging.

### **Study Quantifies Benefits of Providing Medicaid**

For the first time, researchers have proof that enrolling in Medicaid significantly improves the overall health and financial stability of low-income Americans.

For years, some have argued that low-income Americans don't need government health care assistance; however, a landmark study released in July by the National Bureau of Economic Research shows the positive effects of Medicaid.

According to the study, Medicaid recipients are more likely to receive health care than the uninsured. People with Medicaid are 30 percent more likely to have a hospital stay, 35 percent more likely to have an outpatient visit to a doctor and 15 percent more likely to take prescription drugs, compared to similar low-income citizens not enrolled in the program.

Medicaid recipients also see improvements in their finances: They are 35 percent less likely to experience out-of-pocket medical expenses, and see a 25 percent decline in unpaid medical bills sent to collection agencies. The program also reduces the number of unpaid bills owed to health care providers. Medicaid beneficiaries tend to owe about \$390 less in unpaid medical bills than similar individuals without insurance.

"There has been a lot of genuine uncertainty about whether it makes a difference when you give people Medicaid," says Amy Finkelstein, a professor in MIT's Department of Economics and one of the principal investigators of the study. "The short answer from our study is that it does."

The study takes advantage of a program in Oregon, where officials determined they could support Medicaid for about 10,000 additional residents starting in 2008. Because Oregon instituted a random lottery to allocate the limited number of additional slots available, researchers could study the effects of health insurance on Medicaid-eligible-only recipients without needing to factor in differences in health and income that ordinarily plague comparisons of the insured and uninsured: In this case, those groups were the same except for the luck of the draw.

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