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Community Plans Outperform the Majority of Medicare

ACHP Study

What happens when patients don't receive the right medical treatments at the right time? For millions of Medicare beneficiaries, it can mean preventable hospitalizations or trips to the emergency room.

The United States could save \$10 billion every year if patients on traditional Medicare (commonly called fee-for-service, or FFS) received the same care currently provided by 13 community health plans, suggests a recent report by Johns Hopkins University researcher Dr. Gerard Anderson.

The report, studying 13 members of the Alliance of Community Health Plans (ACHP), documented that it is possible to improve quality and lower costs in the Medicare program if the delivery system is structured differently.

In 2004, the Medicare program spent \$17 billion treating patients re-admitted to a hospital within 30 days of being previously discharged. But as Dr. Anderson shows in this analysis, return visits to the hospital are not inevitable. Medicare could reduce its hospital readmission rate by 28 percent and save almost \$5 billion if it achieved hospital readmission rates similar to those that members of the ACHP achieve for the patients enrolled under Medicare Advantage programs. And if traditional Medicare reduced preventable emergency room visits and hospitalizations to the levels ACHP member plans achieve, the total savings would be about \$10 billion.

The regional, community-based health plans that make up ACHP are able to keep more of their Medicare patients out of the hospital and avoid unnecessary costs because they deliver the kind of coordinated, patient-centered medical care that traditional fee-for-service Medicare – in its current state – cannot provide. ACHP members are innovators at providing robust care management, routine follow-up phone contact with patients, and other critical supports to patients and their physicians so that enrollees have the best chance of adhering to a treatment plan and staying healthy.

Dr. Anderson found that the average readmission rate for the 13 ACHP member plans analyzed in the report was 27 percent lower than traditional Medicare's national average. Further, preventable hospital admissions and ED visits were about 85 percent lower in the ACHP plans when compared to the national average of traditional Medicare.

"ACHP commissioned this report in response to issues raised by Congress, the Administration and the Medicare Payment Advisory Commission (MedPAC)," said Patricia Smith, president and CEO of ACHP. "There is a broadly shared concern that hospitalization rates are too high and that a lack of coordination is the cause. Our goal for this report is to provide guideposts for Congress as they write health reform legislation, and to work in partnership to establish sensible market incentives that will lead to coordinated, integrated care as well as actively engaged patients."

Local Health Plan Deals with Sickest Population

CareOregon Advantage, the only local health plan represented in the study, has an especially challenging task. It offers a Special Needs Medicare Advantage plan to the sickest, and in many cases the poorest members of the population—dually eligible recipients of Medicaid and Medicare. In a recent study by the Oregon Health Action Campaign, 48 percent of CareOregon Advantage's membership reported being in fair or poor health. "This indicates a much sicker patient population than other plans work with," said Dr. Margaret Rowland, CareOregon's chief medical officer.

Despite the fact that its membership is generally much sicker than average, CareOregon Advantage's rate of preventable hospital admissions was a quarter of the national average for traditional Medicare. Preventable Emergency Department visits for CareOregon's members were 50 percent lower than the national average. By helping members to carefully manage their chronic or critical conditions, CareOregon Advantage sees better health outcomes than could be expected from this at-risk population.

"We have a comprehensive program that provides personalized care to individuals with critical or chronic health issues," said Dr. Rowland. "We take a team approach, involving doctors, nurses, behavioral health specialists and health care guides to ensure members with chronic conditions receive the physical, social and psychological support they need to thrive."

"Because of our unique population, creating innovative programs that bring everyone together to support the individual patient is critical," said Dr. Rowland. "Knowing that we can outperform traditional Medicare's healthier overall population lets us know we're achieving our goal."

Based on a recent analysis of CareOregon's current active COA member population:

- 59% are under 65 yrs old
- At least 40% have four or more chronic health conditions
- 20% meet the definition for "frail health"

Based on results from the health risk assessments CareOregon administers to all new CareOregon Advantage members:

- 55% report their overall health as being "fair" or "poor" compared to other people their age. This is in comparison to 14 percent of 25 – 64 year olds and 22 percent of 65+ year olds in Oregon overall, as reported by the Center for Disease Control's Behavior Risk Factor Surveillance Survey (BRFSS).

- Over two thirds (68.5%) of COA members experience significant physical difficulties that limit or prevent them from engaging in everyday tasks.

The Centers for Medicare and Medicare Services recognizes the greater risk its special needs population faces, by giving CareOregon Advantage members a risk score of 1.2 (meaning that their general health places them at 20 percent greater risk for hospitalization and health crises than the average Medicare recipient).

When CareOregon first began its Special Needs Plan, not surprisingly hospital readmissions for this significantly sicker population were slightly higher than traditional Medicare's national average. This readmission rate is reflected in the Johns Hopkins report. Since then, however, CareOregon Advantage has instituted a comprehensive program for helping members before, during and after hospital admission. As a result, CareOregon Advantage's rate of readmissions dropped by 4 percent points since the study data was gathered in 2007, bringing it well below traditional Medicare.

"We provide intensive support to our members who have been recently discharged from the hospital," said Dr. Rowland. "We work with the members and their caregivers and families, their doctors, pharmacists, home health providers and medical equipment suppliers to make sure that all their needs are met and all care is coordinated."

CareOregon Advantage member Kathleen Baldock has a number of chronic diseases, including COPD or Chronic Obstructive Pulmonary (Lung) Disease, and recently underwent hospitalization. When she arrived home, a CareOregon nurse phoned to make sure she understood everything her doctor wanted her to do to feel better. It turned out she'd been borrowing a neighbor's nebulizer, and needed one of her own. Her ability to walk was limited by shortness of breath and her portable oxygen was too heavy to carry. And her fears about breathing and walking was keeping her housebound and depressed.

Sheryl Sherman, her CareOregon Advantage nurse, worked with Ms. Baldock, her providers and suppliers to get her a four-wheel walker with basket and seat, which gave Baldock a place to carry her oxygen and a chance to sit down to catch her breath. She received a nebulizer to help with breathing. Sherman also sent her a scale to check water weight gain—a sign that medication needs adjusting for congestive heart failure. CareOregon Advantage set up a mail-order prescription so medicine would be delivered on a regular basis. Within a month, Ms. Baldock was able to become more active and significantly improve the quality of her life.

She called CareOregon's staff to thank them for calling so often to see what she needed. "My life will be changed since I have a walker to get out and feel safe about walking," said Ms. Baldock. "It is so much easier to carry my oxygen in the basket than carrying it myself. [CareOregon Advantage's staff] has gone the extra mile to help me. I'm glad to know I can call [on them] any time."

According to the Director of the Office of Management and Budget for the Obama Administration, Peter R. Orszag, "we could significantly reduce costs and improve quality by moving towards the medical practices adopted in the more efficient parts of the country." Dr. Orszag went on to say, "a key objective of health care reform must therefore be to align incentives toward better care." The results of this report demonstrate that CareOregon Advantage's high degree of coordination and integration of care can serve as a blueprint for achieving better delivery, improved outcomes and lower costs in the Medicare program.

Study Highlights

- Medicare fee-for-service's average hospital readmission rate (30 days post-discharge) for the country in 2007 was 18.6 percent. The average readmission rate across ACHP plans was 13.6 percent – 27 percent less than traditional Medicare's national average. Hospital readmissions cost Medicare \$17.4 billion in 2004.
- The Medicare fee-for-service rate of preventable emergency department visits was 15.5 visits per 100 beneficiary months in 2007. The average rate across ACHP plans was 2.2 visits per 100 beneficiary months – 86 percent lower than Medicare's national average.
- The Medicare fee-for-service rate of inpatient admissions per 100 beneficiary months was 19.0 in 2007. The average rate across ACHP plans reporting data on this measure was 2.5 – 87 percent lower than Medicare's national fee-for-service average.

Implications for Medicare Savings

- In a recent article in *New England Journal of Medicine*, Jencks *et al.* reported that hospital readmissions were responsible for \$17.4 billion in Medicare spending in 2004. If the Medicare fee-for-service program had the same readmission rate as the ACHP plan members, the Medicare program would have saved almost \$5 billion dollars (27 percent reduction in readmission spending).
- The average Medicare payment per discharge in 2007 was \$8,396. If the fee-for-service program had the same rate of preventable admissions as the ACHP plans, the Medicare program would have saved \$4.5 billion.
- The average Medicare payment for an emergency department visit is \$510. If the fee-for-service program had the same rate of preventable ED visits as the ACHP plans, the Medicare program would have saved \$0.9 billion.
- In summary, if the Medicare fee-for-service program had similar rates of readmissions and preventable hospitalizations and ED visits as the Medicare Advantage plans offered by ACHP members, the Medicare program would save approximately \$10 billion annually.

Link to ACHP: <http://achp.org/>

About CareOregon

CareOregon is a non-profit health plan that serves Oregonians who have Medicare and Medicaid, including about one quarter of Oregon Health Plan participants. Its mission is to help Oregonians have quality, culturally appropriate health care, regardless of income level. CareOregon works with its members and its network of providers so members can live healthier lives and have high-quality, affordable, effective health care whenever they need it, now and in the future. For more information, see www.careoregon.org/.

Link to Executive Summary of Study: <http://www.achp.org/library/download.asp?id=7961>

Full Study: <http://www.achp.org/downloads/0/6599/7630/JohnsHopkinsStudy-FinalReport.pdf>

Link to: Background Papers:

- ▶ Reducing Avoidable Hospital Readmissions:
<http://www.achp.org/library/download.asp?id=7960>
- ▶ Protecting Patients from Preventable Hospital Admissions and ED Visits:
<http://www.achp.org/library/download.asp?id=7956>

Related Materials

- ▶ Bindman, et al., [Preventable Hospitalizations and Access to Health Care](#), *JAMA*, 1995
- ▶ Jencks, et al., [Rehospitalizations among Patients in the Medicare Fee-for-Service Program](#), *New England Journal of Medicine*, 2009
- ▶ Medicare Payment Advisory Commission (MedPAC), [Payment Policy for Inpatient Readmissions](#) (Report to Congress, June 2007, Chapter 5)
- ▶ Orszag, Peter, Director, Office of Management and Budget, [April 2009 blog post](#) on hospital readmissions
- ▶ U.S. Agency for Healthcare Quality and Research, [Prevention Quality Indicators](#) (Ambulatory Care-Sensitive Conditions)