



Key System Elements

1. Agreed upon system objectives (Don Berwick, Institute for Healthcare Improvement)

- Improve health of defined population
- Reduce per capita cost
- Improve patient experience

2. Eliminate fragmented eligibility and payment categories

- Eliminate Medicaid eligibility categories;
- Collapse four main Medicare payment categories (hospital inpatient services; physician/outpatient services; prescription drugs; and long term care through Medicaid) into single revenue stream.

3. Establish publicly financed floor with a defined benefit

Public sector explicitly assumes responsibility for financing care for those who cannot afford to do so themselves. There is a defined benefit with a global budget.

4. Delivery of care is organized around families of conditions (David Lawrence, formerly with Kaiser)

Treatment and management protocols are developed around at least the five families of conditions which account for most of the cost and patient encounters in the system.

- Pregnancy and childbirth
- Acute fatal conditions (e.g. trauma, acute MI)
- Chronic fatal conditions (e.g. diabetes, CHF, asthma)
- Acute non-fatal conditions (e.g. cystitis, URI)
- End of life care

5. Revenue flows to a risk bearing entity which:

- Assumes clinical and economic risk
- Assumes responsibility for the health of a **defined population**
- Serves as a **single point of contact** (advocate/case manager) for each individual in the defined population.

6. Payment takes three forms

1. **Initial monthly/annual (risk adjusted) “subscription”** for maintaining primary relationship with each individual.
2. **A bundled (risk /severity adjusted) payment** – for complex conditions – especially those requiring hospitalization.
3. **An annual performance bonus payment** added to the subscription for high quality care (reducing complications, hospitalizations, etc).

7. Use value-based cost sharing

Co-payments are used to help drive individual behavior and accountability within the context of the agreed upon system objectives, not simply to shift costs.