TYPE	MS-DRG Title	Weights
SURG	HEART TRANSPLANT OR IMPLANT OF HEART ASSIST SYSTEM W MCC	25.3920
SURG	HEART TRANSPLANT OR IMPLANT OF HEART ASSIST SYSTEM W/O MCC	15.6820
SURG	ECMO OR TRACH W MV 96+ HRS OR PDX EXC FACE, MOUTH & NECK W MAJ O.R.	17.6399
SURG	TRACH W MV 96+ HRS OR PDX EXC FACE, MOUTH & NECK W/O MAJ O.R.	10.8533
SURG	LIVER TRANSPLANT W MCC OR INTESTINAL TRANSPLANT	10.4973
SURG	LIVER TRANSPLANT W/O MCC	4.7461
SURG	LUNG TRANSPLANT	9.2986
SURG	SIMULTANEOUS PANCREAS/KIDNEY TRANSPLANT	5.3302
SURG	PANCREAS TRANSPLANT	4.0849
SURG	TRACHEOSTOMY FOR FACE,MOUTH & NECK DIAGNOSES W MCC	4.7380
SURG	TRACHEOSTOMY FOR FACE,MOUTH & NECK DIAGNOSES W CC	3.3293
SURG	TRACHEOSTOMY FOR FACE,MOUTH & NECK DIAGNOSES W/O CC/MCC	2.1357
SURG	ALLOGENEIC BONE MARROW TRANSPLANT	10.9883
SURG	AUTOLOGOUS BONE MARROW TRANSPLANT W CC/MCC	5.8780
SURG	AUTOLOGOUS BONE MARROW TRANSPLANT W/O CC/MCC	4.1603
SURG	INTRACRANIAL VASCULAR PROCEDURES W PDX HEMORRHAGE W MCC	9.4423
SURG	INTRACRANIAL VASCULAR PROCEDURES W PDX HEMORRHAGE W CC	7.1555
SURG	INTRACRANIAL VASCULAR PROCEDURES W PDX HEMORRHAGE W/O CC/MCC	4.4934
SURG	CRANIO W MAJOR DEV IMPL/ACUTE COMPLEX CNS PDX W MCC OR CHEMO IMPLANT	5.2939
SURG	CRANIO W MAJOR DEV IMPL/ACUTE COMPLEX CNS PDX W/O MCC	3.7461
SURG	CRANIOTOMY & ENDOVASCULAR INTRACRANIAL PROCEDURES W MCC	4.3374
SURG	CRANIOTOMY & ENDOVASCULAR INTRACRANIAL PROCEDURES W CC	3.0011
SURG	CRANIOTOMY & ENDOVASCULAR INTRACRANIAL PROCEDURES W/O CC/MCC	2.2824
SURG	SPINAL PROCEDURES W MCC	5.3968
SURG	SPINAL PROCEDURES W CC OR SPINAL NEUROSTIMULATORS	3.1573
SURG	SPINAL PROCEDURES W/O CC/MCC	1.7835
SURG	VENTRICULAR SHUNT PROCEDURES W MCC	4.1493

DRG consequences

- Reduction in rate of cost-per-admission growth by 2-3% percentage points (Coelen, 1983)
- Largely by reductions in LOS

  & Lots of earlier discharges (sicker and quicker) and growth of HHA industry
- Decoupling preadmission testing from the IP episode
- Growth in OP services to produce the services more efficiently and generate additional revenue
- Some evidence of mortality increases in 59 types of high risk patients (10% rate reduction , 2-3 deaths per 1000 high risk admissions in non government hospitals. Higher in Govt hospitals). No impacts in elective surgery, CHF admits. (Staiger,Gaumer 1994)
- 1000 small hospitals failed
- Most CEOs lost their jobs
- Payors and other services began to change the way payment policy worked (NHs, HHA)

Effects of HHA Payment Policy

- making money like never before-- average margin on Medicare business is 16%
- winners and losers is a chronic issue in PPS --some making losses, some making over 40%
- why making profit
  - -- 50% reduction in v per e (mainly aid visits) 32 → 21
  - -- pervasive upcoding
  - -- big increase in % of cases with > 10 therapy visits
- Is medicare capturing anything----- MedPAC trying to freeze rates to "catch up"
- no evidence of quality reductions (no good studies yet)

P4P --- a Big Tent

- Payment algorithms designed to encourage achievement of performance goals
- DRGs ?? FFS ?? Per Diem Rates ???
- Access improvements ??
- Quality of Service ??
- Patient Satisfaction ??
- Contracting NGOs paid this way ??
- Block Grants to Governorates paid this way ?
- Overcome distance, stigma, financial, ignorance, and motivational barriers

Results – becoming clear

- Emerging evidence, strong volume incentives, and some performance improvements
- Payment incentives are clearly associated with provider behavior
- Shining light on indicators tends to create management attention, if not improved quality
- Worry--- management attention on indicators may displace management attention on some important things

Definition of Per Capita Payment

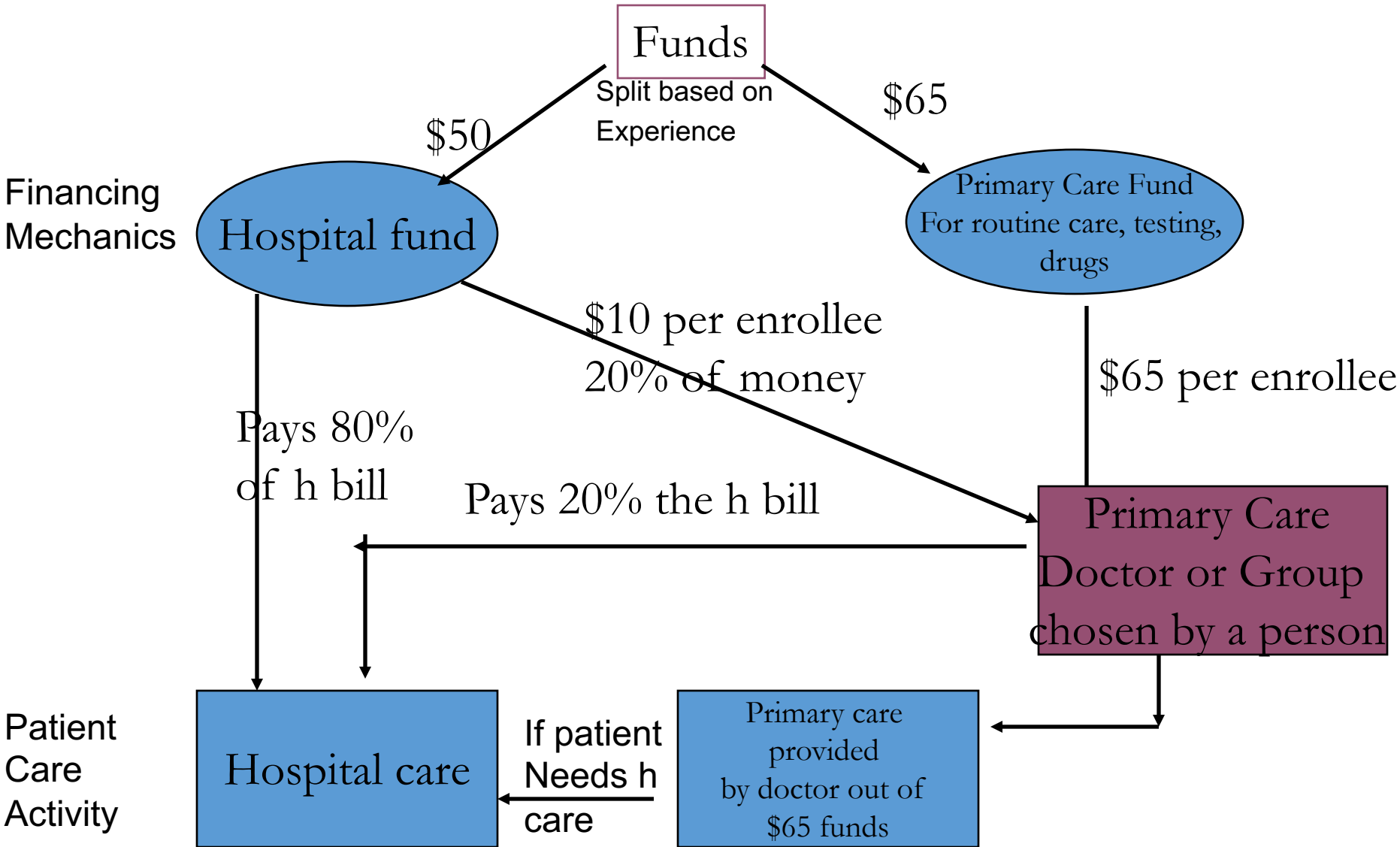
Providers are paid a pre-determined annual (monthly) rate per enrolled person to provide a defined set of services for the enrollees.

Simple Capitation Example from Last year's Experience for a group of 2000 persons

Services	Patients	Costs	PPatientPY	PCPY
Primary Care	1000	50,000	50	25
Maternity Care	100	50,000	500	25
Specialist Care	200	20,000	1000	10
Lab,Xray Exams ordered by Spec	200	10,000	50	5
Hospitalization	100	100,000	1000	50
No Services	400	0	0	0
total	2000	230,000		115

Full Capitation rate = 115 + (risk premium) - (incentive effects to be shared with Payer)

Partial Fundholding
Capitating PCPs to encourage Wellness



(maybe) a New Game for Managers

- Capitation incentives for provider organizations
- Mergermania to get scale, control over integr

  fewer, larger and more integrated organizations
- Clinical Managers will need to understand financial mission and people and language!
- Cost containment for some, is revenue and jobs lost for others
- Key to provider success will be excelling in changing HH behavior of enrollees (not the health professionals)