

Alternatives to Medicare's fee-for-service payment system examined

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(Medical Xpress)—For years policymakers have attempted to replace Medicare's fee-for-service payment system with approaches that pay one price for an aggregation of services. The intent has been to reward providers for offering needed care in the most appropriate and cost-effective manner. But many of these programs have known pitfalls, says Stuart Altman, an economist and the Sol C. Chaikin Professor of National Health Policy at the Heller School for Social Policy and Management, Brandeis University.

On Friday, Sept. 7, Altman and his Heller school colleague Robert Mechanic, will take part in a briefing at the National Press Club in Washington, D.C. sponsored by the journal *Health Affairs*. Altman will discuss his recently published article in the Sept. issue of *Health Affairs*: "The Lessons Of Medicare's Prospective Payment System Show That The Bundled Payment Program Faces Challenges."

This edition of *Health Affairs*, entitled "Payment Reform To Achieve [Better Health](#)," is specifically devoted to current and future challenges surrounding payment reform in health, specifically examining current and future challenges regarding payment reform in the U.S. [health care system](#).

Altman has been involved in debates over U.S. [health reform](#) since the 1970s, when he was deputy assistant secretary for planning and evaluation/health at the Department of Health, Education, and Welfare, which later became the Department of Health and Human Services. In

1977 President Bill Clinton appointed Altman to the National Bipartisan Commission on the Future of Medicare.

Altman's article provides a detailed analysis of how Medicare implemented the hospital prospective payment system, how hospitals responded to the new incentives, and lessons learned that are applicable to the bundled payment initiative. These lessons include that any [Medicare payment](#) reform needs to respond to the many different elements of the health system, and that payment reform should be coupled with reforms in [private insurance](#) payment.

Medicare's first payment change was the hospital prospective payment system, introduced during 1983

More information: [content.healthaffairs.org/content/31/9/1923.full.pdf+html](#)

Provided by Brandeis University

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