

Health care project delivers cost savings, important insights for emerging reform models

January 30 2014, by Laurel Thomas Gnagey



A Medicaid demonstration program analysis, to measure cost savings of provider service networks in Florida, could give a glimpse into the likely success of Affordable Care Act programs that aim to reduce health care expenditures, according to research from the University of Michigan School of Public Health and the University of Florida.

Specifically, the team found that four years after Florida's Medicaid Demonstration was implemented, the cost of providing care through provider [service networks](#) (PSNs) was lower per patient than in counties that were not part of the program, resulting in an overall savings of about 18 percent. Researchers also found that PSNs lowered expenditures more than long-standing health maintenance organizations (HMOs).

Although overall costs of providing care went up over the period studied, the amount of increase in the PSNs was \$40 per patient, per month, in demonstration counties versus \$186 in non-demonstration counties. Costs per PSN patient were \$7 less than for those in an HMO. Nearly 300,000 Florida Medicaid enrollees receive care from either PSNs or HMOs.

"Florida PSNs are led by safety net hospitals—those that have a commitment to serving low-income, uninsured and vulnerable populations—and physician networks. Their experience over the past several years provide important insights into newly forming accountable care organizations and other models," said Christy Harris Lemak, U-M associate professor of health management and policy and one of the study's authors. "This research demonstrates the financial benefit of systems led by providers that are accountable for quality and cost performance."

University of Florida researchers were lead investigator Jeffrey Harman, Allyson Hall and R. Paul Duncan. The study is published in a recent issue of *Health Services Research*.

Florida has experimented for a number of years with various reforms and models for providing care, the researchers said. Some have resulted in the formation of these community-based collaborative care networks known as PSNs, which now exist in five counties. For this study, the researchers compared two of the demonstration counties with two others

not in the program but with similar Medicaid populations.

Like the accountable care organizations established in 2010 as part of the ACA, provider service networks offer a continuum of care to a defined population, support comprehensive performance measurement, identify performance targets, establish payment mechanisms that encourage quality and cost reduction, and use information technology to coordinate care and promote quality, the researchers said.

"More research is needed in this area. Our team continues to examine specifically how the Florida PSNs achieved the cost savings shown here. We also have identified that the [cost savings](#) are not immediate," Lemak said, adding that a study of the demonstrations at two years did not show the same results that were found at the four-year mark.

"These findings provide some optimism for how other accountable care approaches may fare elsewhere."

Provided by University of Michigan

Citation: Health care project delivers cost savings, important insights for emerging reform models (2014, January 30) retrieved 26 April 2024 from <https://medicalxpress.com/news/2014-01-health-important-insights-emerging-reform.html>

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