

# Restructuring Medicare Shared Savings Program can yield 40% savings in health costs

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Credit: INFORMS

More than a trillion dollars was spent on healthcare in the United States in 2018, with Medicare and Medicaid accounting for some 37% of those expenditures. With healthcare costs expected to continue to rise by roughly 5% per year, a continued debate in healthcare policy is how to reduce costs without compromising quality.

As part of this effort, the Medicare Shared Savings Program was created to control escalating Medicare spending by giving healthcare providers incentives to deliver more efficient healthcare.

New research published in the INFORMS journal *Operations Research* offers a new approach that could substantially change the [healthcare](#) spending paradigm by utilizing performance-based incentives to drive down spending.

The researchers Anil Aswani and Zuo-Jun (Max) Shen of the University of California, Berkeley, and Auyon Siddiq of the University of California, Los Angeles found that redesigning the contract for the shared savings program to better align provider incentives with performance-based subsidies can

both increase Medicare savings and increase providers' reimbursement payments.

"Introducing performance-based subsidies can boost Medicare savings by up to 40% without compromising provider participation in the shared savings program," said Aswani, a professor in the Industrial Engineering and Operations Research Department at UC Berkeley. "This contract can lead to improved outcomes for both Medicare and participating providers," he continued.

**More information:** Anil Aswani et al, Data-Driven Incentive Design in the Medicare Shared Savings Program, *Operations Research* (2019). [DOI: 10.1287/opre.2018.1821](https://doi.org/10.1287/opre.2018.1821)

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