



The impact of Pay for Performance on healthcare quality

A leadership perspective

Richard A. Norling
President and CEO
Premier, Inc.

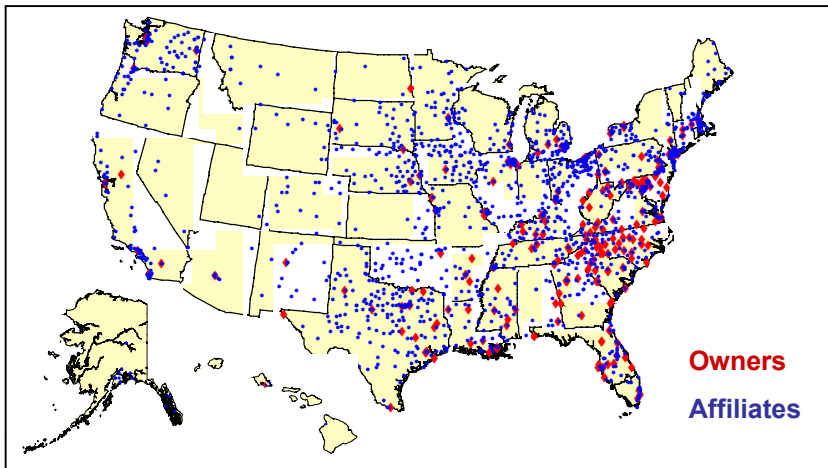
February 7, 2006

Topics

- Why Premier is involved in P4P
- Results from CMS/Premier project
- Why P4P matters

Why is Premier involved in P4P?

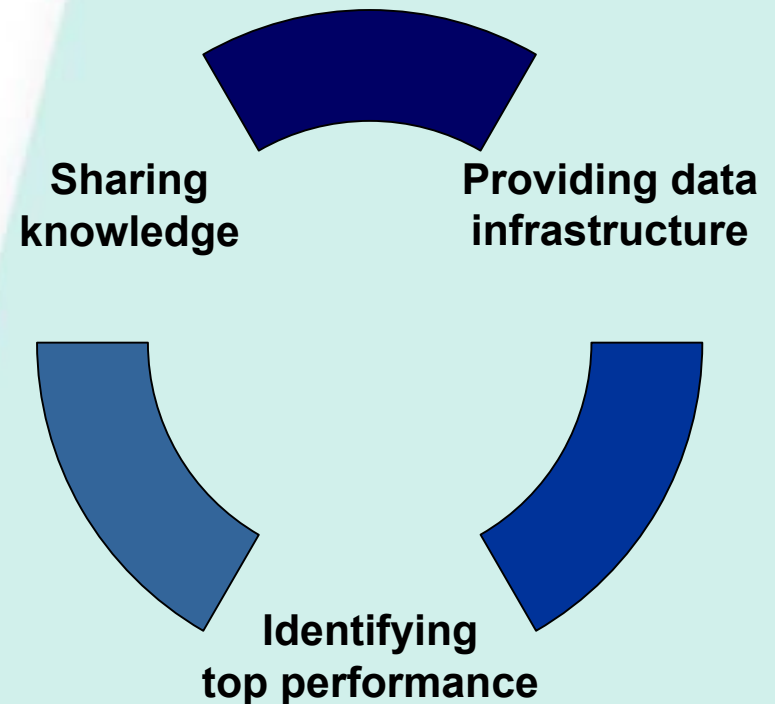
- Performance improvement alliance of hospitals
- Owned by more than 200 not-for-profit health systems
- Focused on the nexus of quality and financial performance



Envisioned Future:
“Premier hospitals and health systems ‘will operate at costs in the lowest quartile... and at quality levels in the highest quartile...’”

What is Premier's role?

- Alliance purpose is to help hospital achieve top performance
- To that end we have built the infrastructure to:
 - Measure and define it
 - Identify how hospitals reach it
 - Share that knowledge to accelerate performance



CMS/Premier Hospital Quality Incentive demonstration (HQID) project

- A three-year hospital-based effort linking payment with quality measures (launched October, 2003)
- Top performers identified in five clinical areas
 - Acute Myocardial Infarction
 - Congestive Heart Failure
 - Coronary Artery Bypass Graft
 - Hip and Knee Replacement
 - Community Acquired Pneumonia
- **No** efficiency (cost) measures
- Payments made to hospitals

More than 260
participating hospitals
across the nation

Clinical process and outcome measures

The CMS/Premier quality measures are based on clinical evidence and industry recognized metrics with standardized definitions:

- All 10 indicators from the National Voluntary Hospital Public Reporting Initiative
- 27 indicators from the National Quality Forum (NQF).
- 24 indicators from CMS 7th Scope of Work.
- 15 indicators from JCAHO Core Measures.
- 3 indicators proposed by The Leapfrog Group.
- 4 indicators from the Agency for Healthcare Research and Quality's (AHRQ) patient safety indicators (2 PSIs applied to 2 clinical populations).

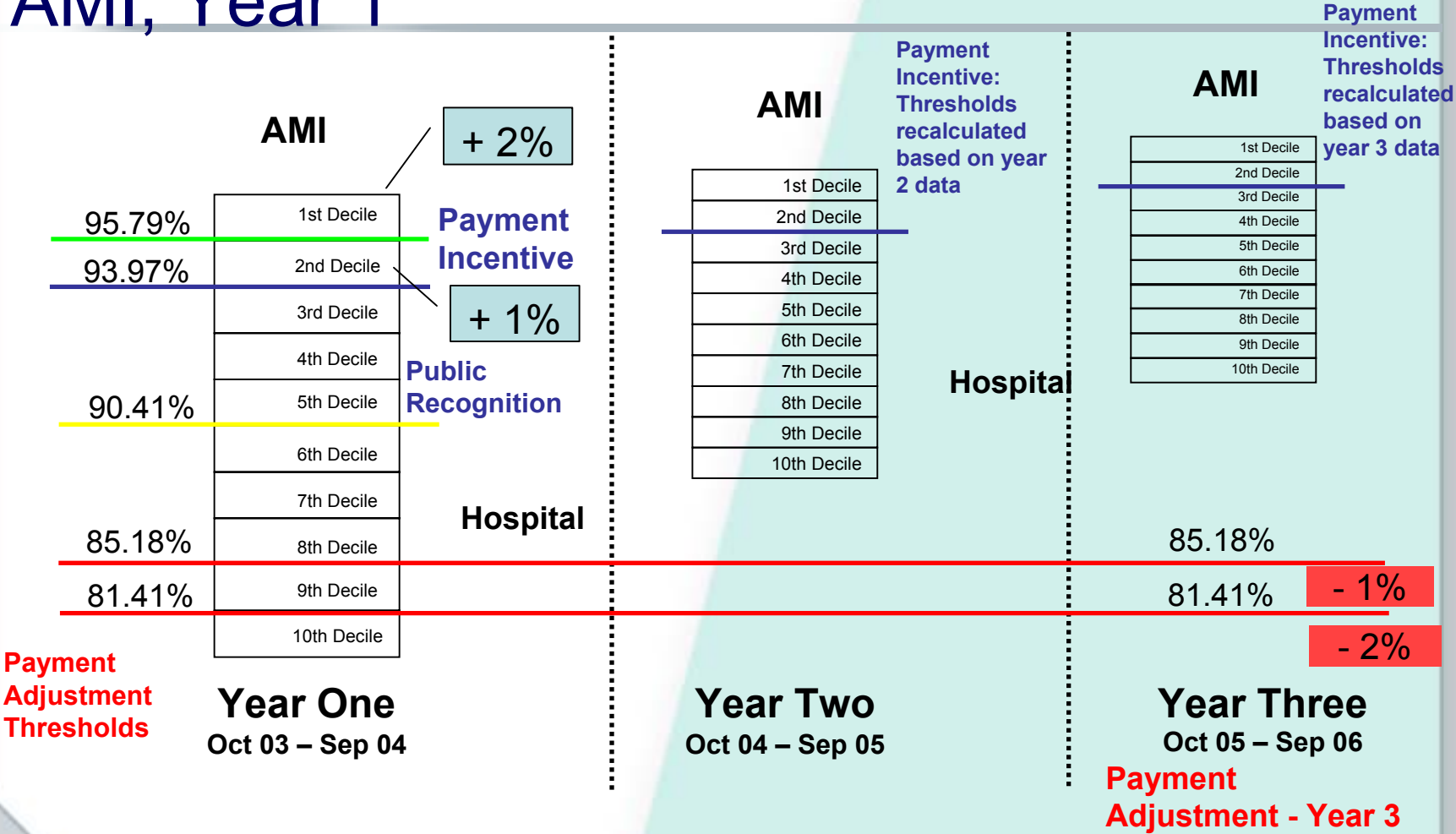
Identifying top performers

- Composite Quality Index identifies hospitals performing in the top two deciles in each clinical focus group
- Composed of two components:
 - Composite Process Rate
 - Risk-Adjusted Outcomes Index
 - Clinical conditions without outcomes indicators use only the Composite Process Rate

Annual incentive payments

- “Top Performers” are defined annually as those in the first and second decile
 - Incentive payment threshold changes each year per condition
 - Top decile performers in a given clinical area receive a 2 percent Medicare payment supplement per clinical condition
 - Second decile performers receive a 1 percent Medicare payment supplement per clinical condition.

Payment Example AMI, Year 1



Early evidence: Pay for Performance works

Public Affairs Office

MEDICARE NEWS

For Immediate release
November 14, 2005

Contact: CMS Office of Media Affairs
(202) 690-6145

MEDICARE DEMONSTRATION SHOWS HOSPITAL QUALITY OF CARE IMPROVES WITH PAYMENTS TIED TO QUALITY

[The Centers for Medicare & Medicaid Services (CMS) reported today that quality of care has improved significantly in hospitals participating in the Premier Hospital Quality Incentive demonstration, a groundbreaking Medicare pay-for-performance demonstration project.

"We are seeing that pay-for-performance works," said CMS Administrator Mark B. McClellan, MD, PhD. "We are seeing increased quality of care for patients, which will mean fewer costly complications – exactly what we should be paying for in Medicare."

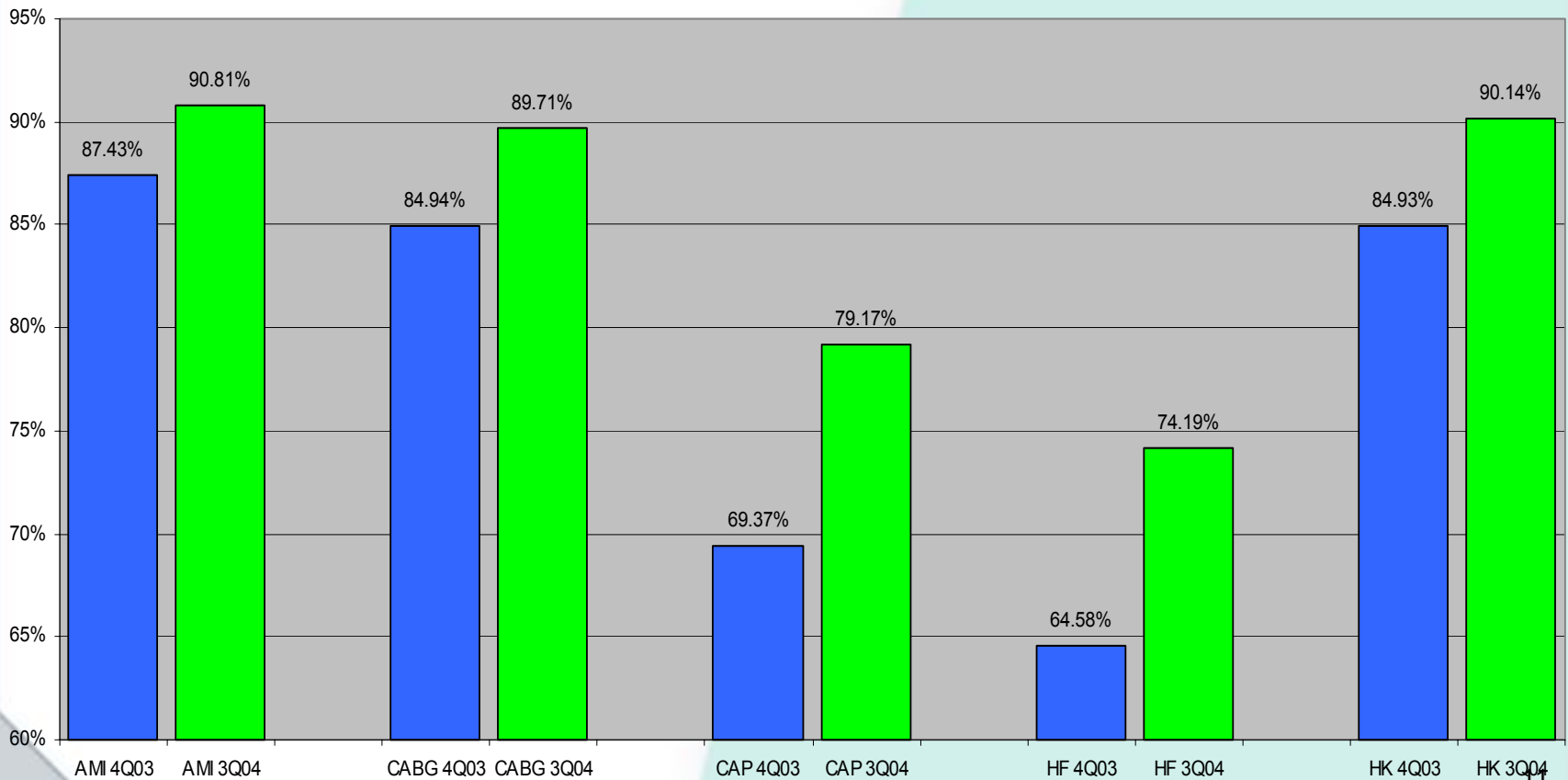
Medicare is awarding \$8.85 million to hospitals that showed measurable improvements in care during the first year of the program. Improvement in these evidence-based quality measures is expected to provide long term savings, because of their demonstrated relationship to improved patient health, fewer complications and fewer hospital readmissions.

**\$8.85 million in incentives
to 123 hospitals**

- Quality improvement across all hospitals and clinical areas
- AMI alone – 235 “lives saved”
 - Based on evidence-based analysis
- Top performers represented large and small facilities across the country

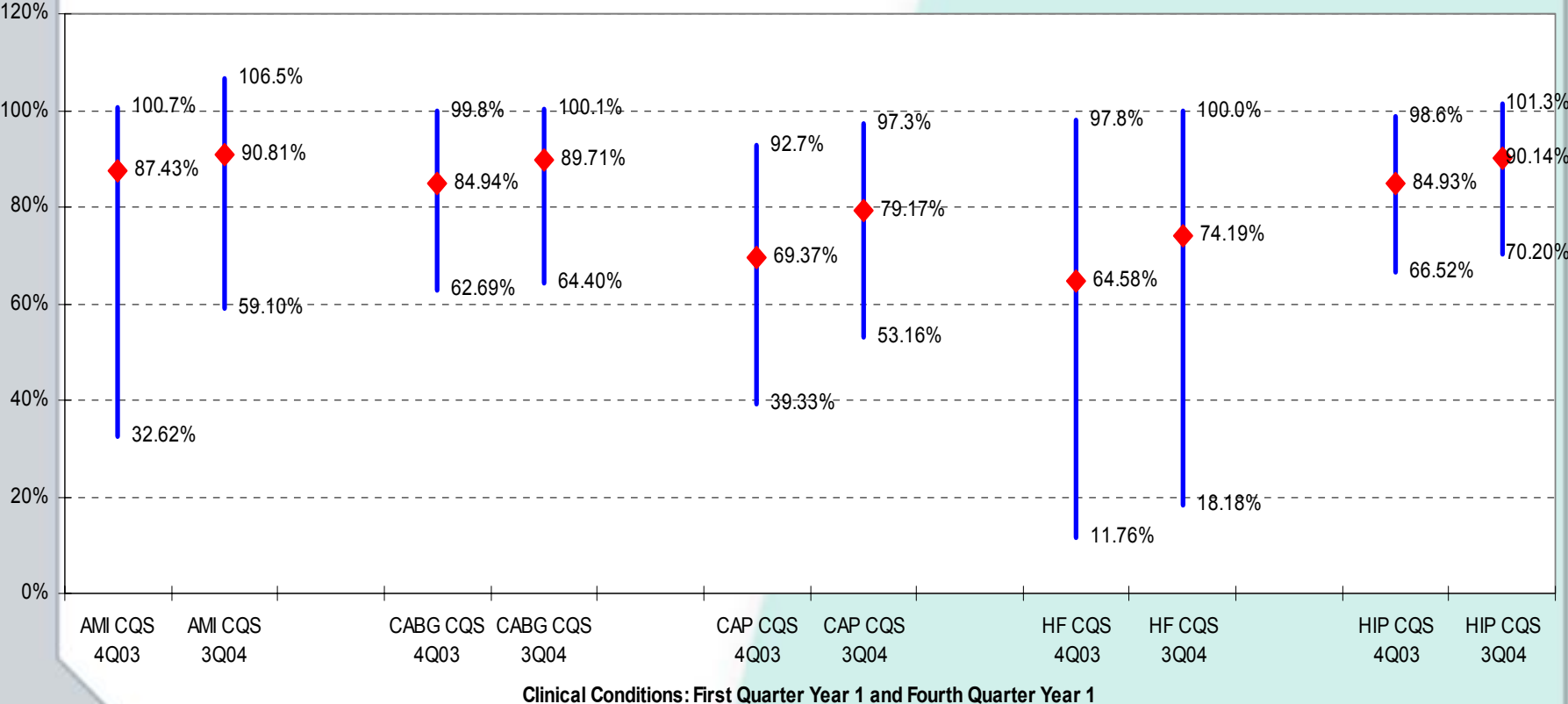
Significant Improvements – Year 1

HQID Year 1: Improvement in Composite Quality Score by Clinical Area
 First Data Quarter to Fourth Data Quarter - Final Data



All hospitals improved

HQID: Quality Improvement During Year 1
 October 2003 to September 2004
 Final Data (11/10/05)



Clinical Conditions: First Quarter Year 1 and Fourth Quarter Year 1

Maximum Minimum ♦ Mean

Final Decile Thresholds – Year 1

HQID Year 1 - Final Data, Decile Thresholds by Clinical Area

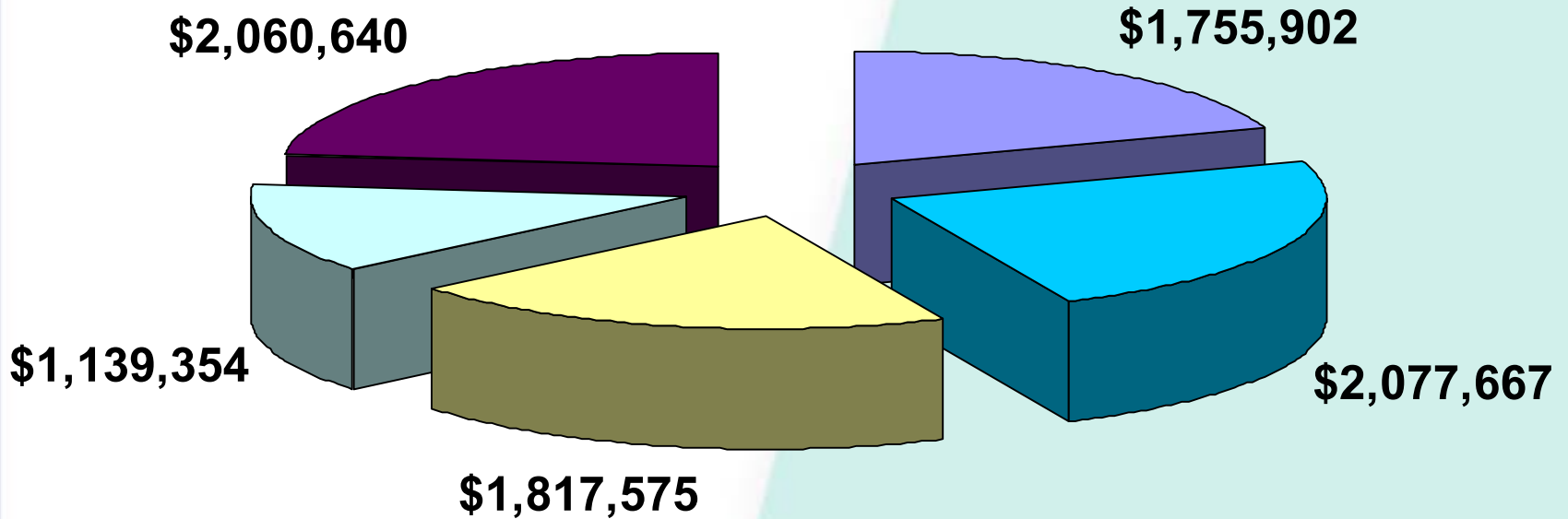
11/10/2005

Providers must have a score **above** the threshold to be in that decile.

Decile Thresholds		Decile Thresholds		Decile Thresholds		Decile Thresholds		Decile Thresholds	
AMI		HF		CAP/PNE		CABG		Hip/Knee	
1st	95.7993%	1st	86.1458%	1st	83.5178%	1st	96.2956%	1st	94.7840%
2nd	93.9746%	2nd	81.8452%	2nd	80.3158%	2nd	94.4749%	2nd	93.6343%
3rd	93.0312%	3rd	78.5714%	3rd	77.8213%	3rd	91.9715%	3rd	92.1137%
4th	91.7770%	4th	75.3580%	4th	75.9481%	4th	89.0560%	4th	90.1044%
5th	90.4151%	5th	69.5991%	5th	74.6145%	5th	87.9009%	5th	88.2607%
6th	89.2355%	6th	65.6250%	6th	72.1841%	6th	85.5120%	6th	86.1856%
7th	87.6061%	7th	62.1512%	7th	70.1599%	7th	83.8319%	7th	83.6126%
8th	85.1781%	8th	57.8947%	8th	65.8009%	8th	81.4316%	8th	81.7377%
9th	81.4153%	9th	52.8193%	9th	63.1517%	9th	77.0183%	9th	78.6855%
10th		10th		10th		10th		10th	

HQID Year 1: Total Payments by Clinical Area

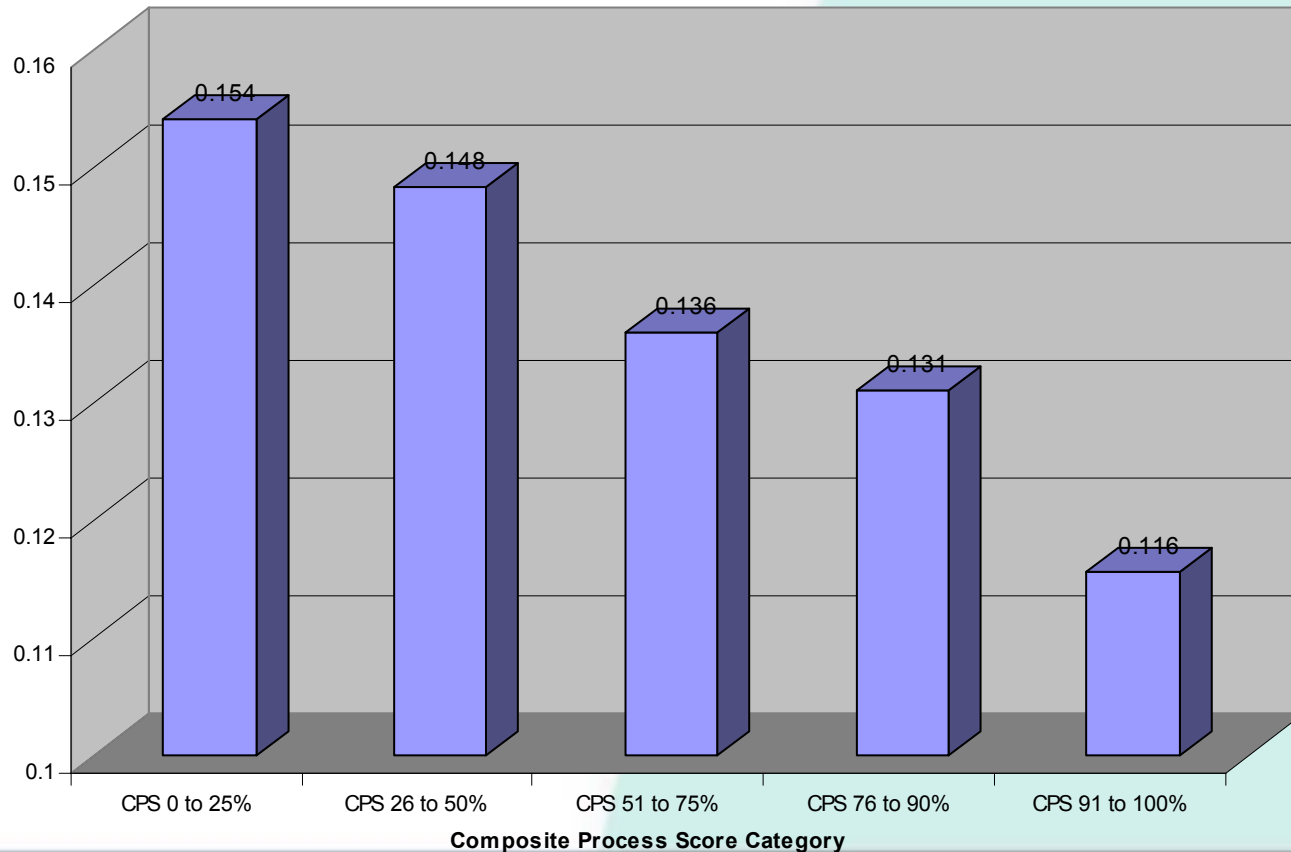
■ AMI
 ■ CABG
 ■ HF
 ■ CAP
 ■ Hip/Knee



Why it matters:

Higher quality can yield fewer readmissions

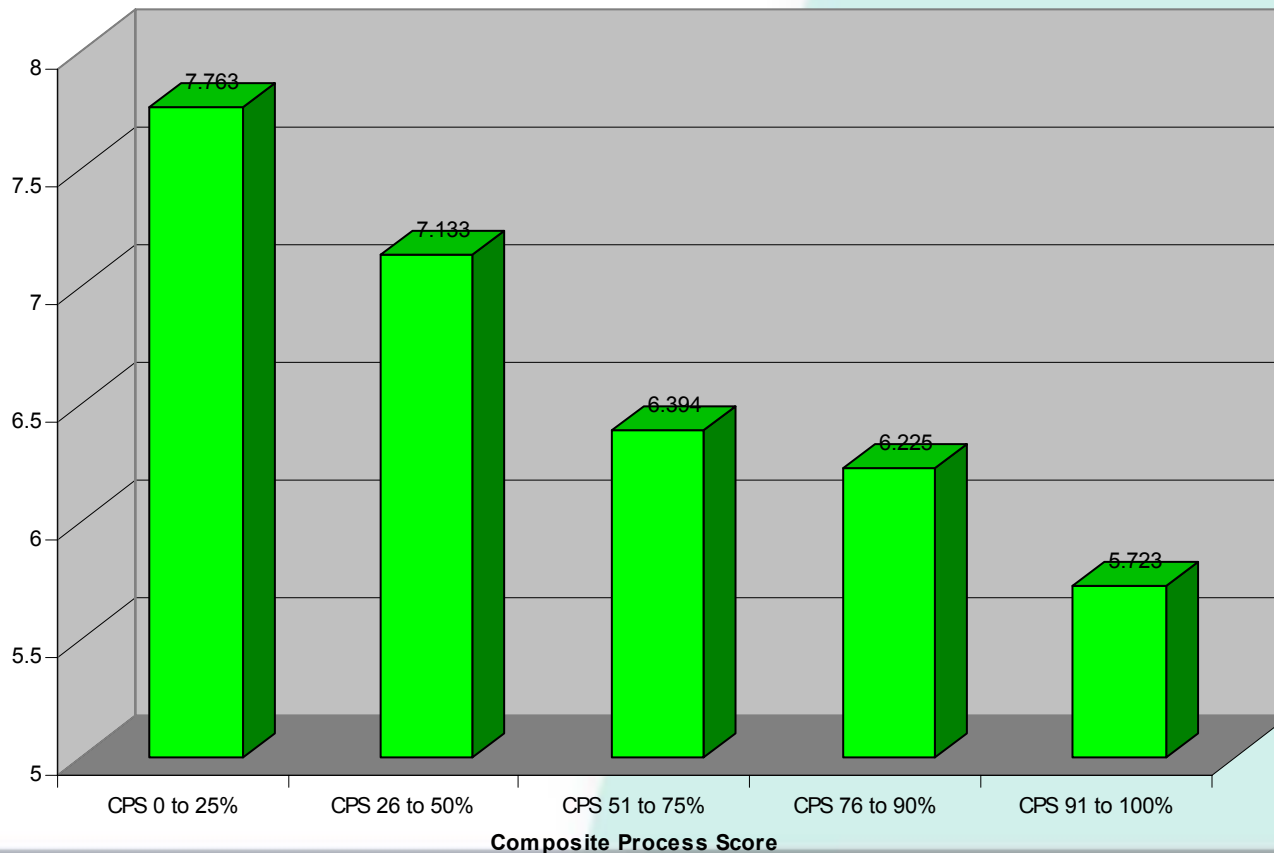
Readmissions by Composite Process Score
Pneumonia



Why it matters:

Higher quality can yield lower length of stay

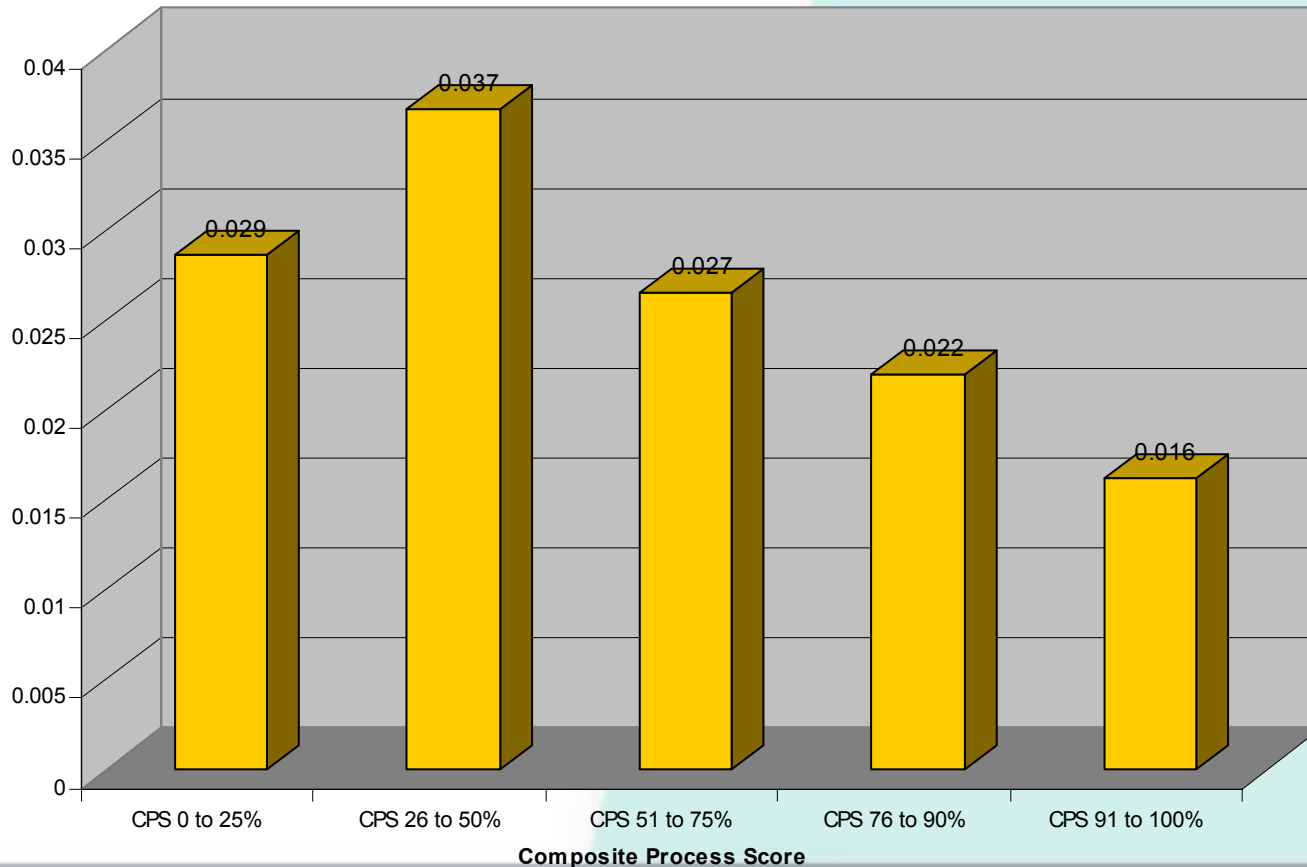
Length of Stay by Composite Process Score
Pneumonia



Why it matters:

Higher quality can yield fewer complications

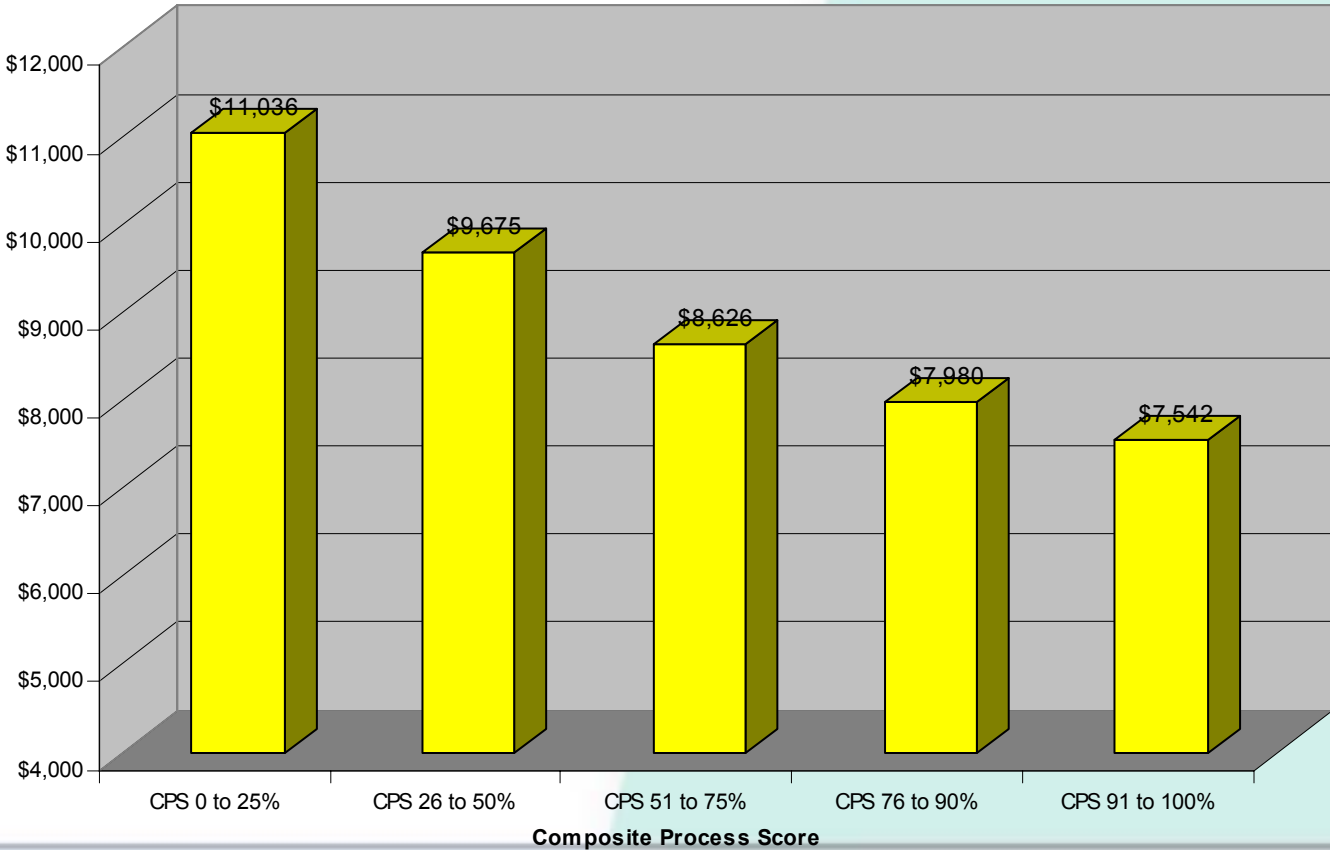
Composite Process Score and Complications Count
Pneumonia



Why it matters:

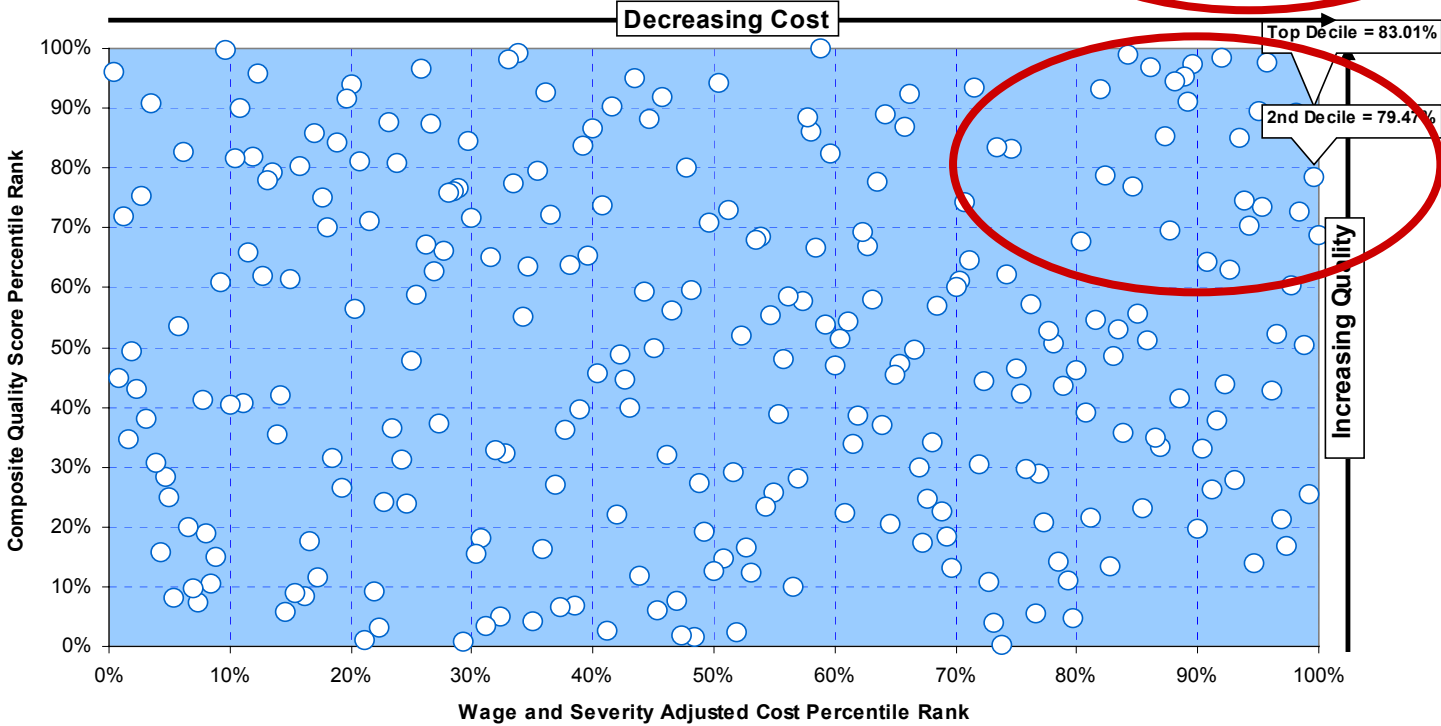
Higher quality can yield lower cost

Total Cost by Composite Process Score
Pneumonia



Identifying top performers in quality and cost

Community Acquired Pneumonia: Cost Vs Composite Quality Percentile Rank
Premier Hospital Quality Demonstration Project Participants
October 1, 2003 - June 30, 2004
N of Hospitals = 260



Studying top performers

- Site visits with top hospitals in HQI project reveal these keys to achieving high quality:
 - “Quality” core value of institution
 - Priority of executive team
 - Physician engagement
 - Improvement methodology
 - Prioritization methodology
 - Dedicated resources
 - Committed “knowledge transfer”

Sharing knowledge across Premier and farther

The collage features three overlapping screenshots from the Premier website:

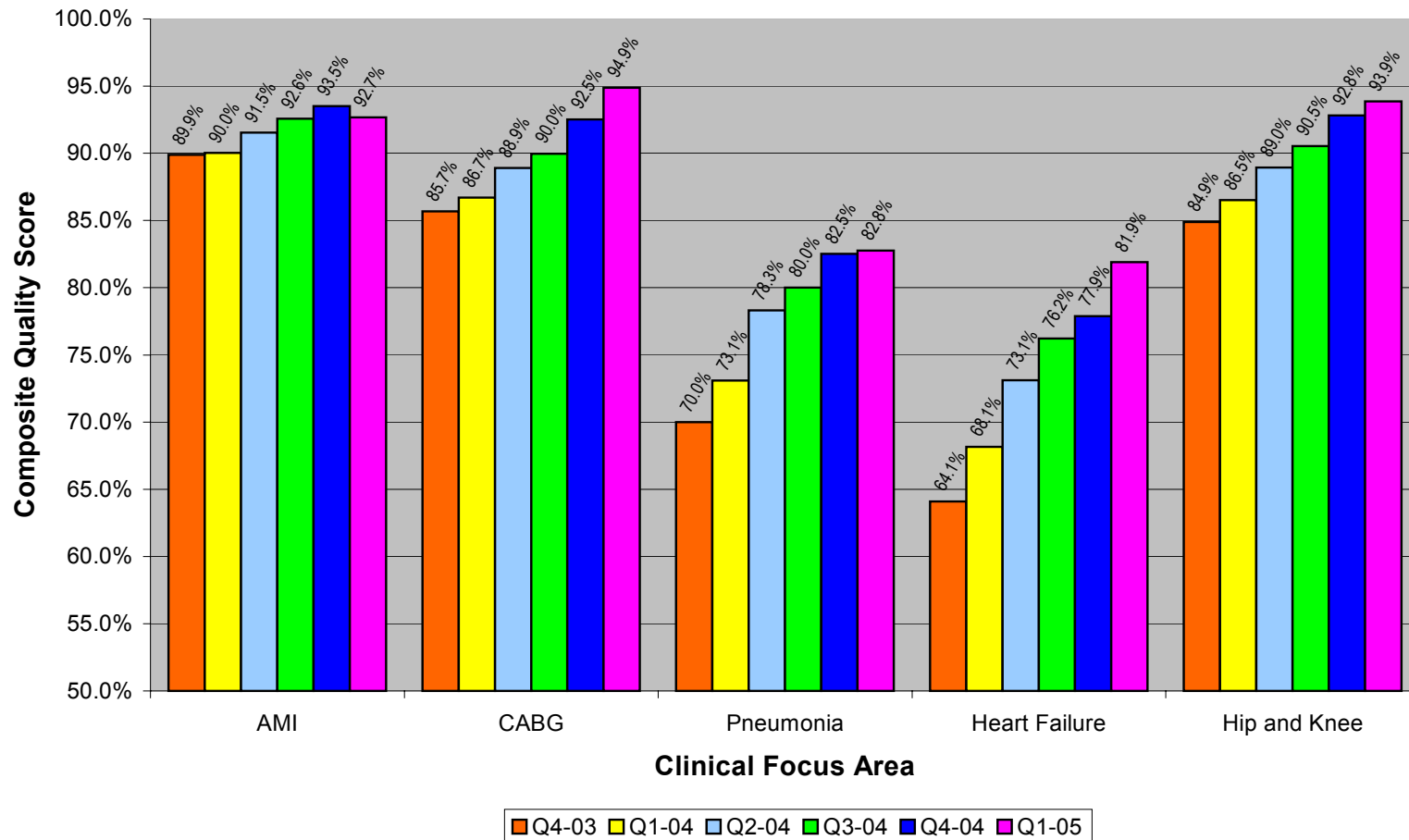
- Top Left:** The Premier homepage navigation bar with links like 'home', 'add advice', 'ask', 'forum', 'promotions', 'standings', 'directory', 'help', and 'logout'. It also includes a search bar and category links such as 'Operations Improvement - General' and 'Clinical Improvement'.
- Top Right:** A section titled 'advice' with a 'hot' icon and a list of recent posts, including '5/3/05 education: Hospital-wide PI - REGISTER NOW GO' and '5/24/05 education: Ops Advisor - REGISTER NOW GO'.
- Center:** A 'search results forum' page showing '19 matches found for "rapid res" (sorted by relevance)'. It includes a 'forum' header, filters for 'ask questions' and 'q&a forum', and a table of search results with columns for 'Question', 'Date', 'Last Answer', and 'Actions'.
- Bottom Center:** A 'find specialists' page with a search form and a list of categories including 'Operations Improve', 'Clinical Improve', 'Acute Myocardia', 'Clinical Data An', 'Clinical Outcom', and 'Clinical Perform'.

Innovative use of technology to create online improvement communities

For more information on P4P:
www.cms.hhs.gov/quality/hospital
www.qualitydemo.com
www.premierinc.com/informatics

Improvement continues

Composite Quality Score: Trend of Quarterly Median (5th Decile) by Focus Area
CMS/Premier Hospital Quality Initiative Demonstration Project Participants
October 1, 2003 - March 31, 2005
Preliminary Results





THE **LEAPFROG** GROUP

Informing Choices. Rewarding Excellence.
Getting Health Care Right.

Lead, Follow or Get Out of the Way*

Suzanne Delbanco
CEO
February 7, 2005

*Thomas Paine

Presentation overview



- The purchaser's perspective
- The Leapfrog movement
- The Leapfrog Hospital Rewards Program™


PREMIER

The Purchaser's Perspective

A health care system in trouble

PREMIER

- Rapid escalation in cost (9-20+%/yr)
- Companies unable to absorb increases in medical cost through product price increases
- Quality and safety of care variable
- Not holding providers or other stakeholders accountable for quality health care
- Individual companies have limited purchasing power to effect change in system

Why employers care about quality and safety

PREMIER

- Patients receive recommended health care only 55% of the time¹
- 30% of all direct health care costs are due to poor care
 - Misuse, under-use, overuse, and waste²
 - Poor quality care costs between \$1,900 and \$2,250 per covered employee year²
- Poor quality means lives lost and mistakes made
 - Up to 98,000 deaths/year due to medical mistakes³

¹McGlynn et al. 2003

²Juran Institute/MGBH 2003

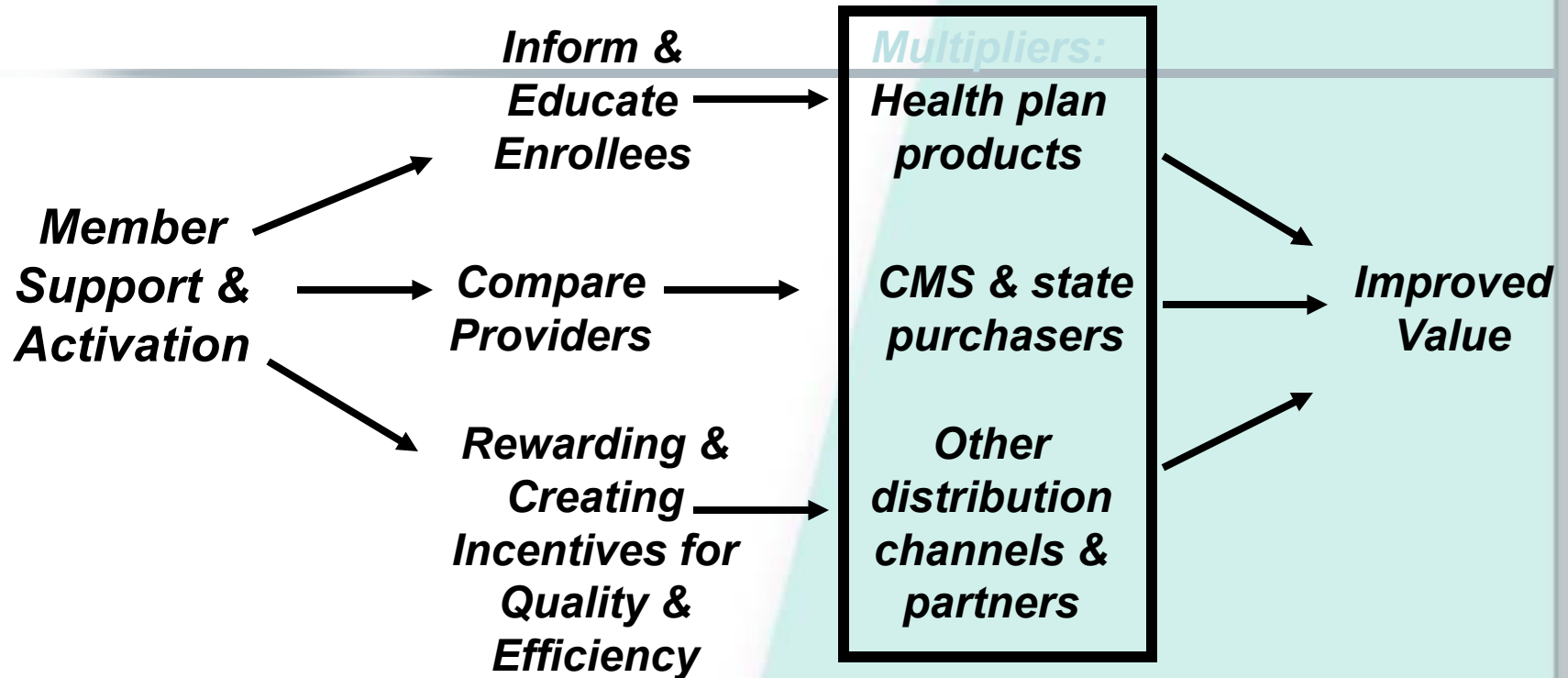
³Institute of Medicine 1999


PREMIER

The Leapfrog Movement

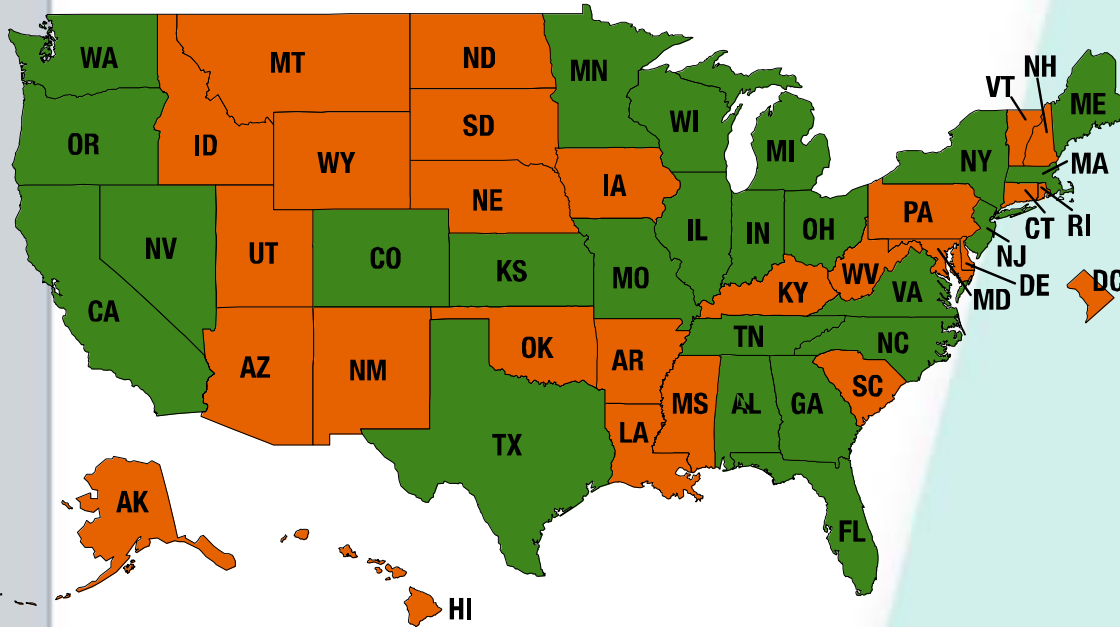
The Leapfrog operating system

PREMIER



National backdrop for regional change

PREMIER



Regions must have:

- Effective leadership
- Competitive HC market
- Concentration of Leapfrog lives

28 Regional Roll-Outs

(Regions in Green)

Pillars for improving quality

**Standard
Measurements
& Practices**

Transparency

**Incentives
& Rewards**

Standard Measurements & Practices

We must 'speak the same language' when asking hospitals & doctors to report – national standards are essential



Quality and safety 'leaps'



1. An Rx for Rx
 - Computer Physician Order Entry (CPOE)
2. Sick People Need Special Care
 - ICU Staffing with CCM Trained M.D. live or via tele-monitoring, or risk-adjusted outcomes comparison
3. The Best of the Best
 - Evidence-based Hospital Referral (EHR) *or* risk-adjusted outcomes comparison
4. Safety Score
 - Rolled-up score of the remaining 27 of the 30 NQF-endorsed Safe Practices

Transparency

Make reporting results routine and use results to make health care purchasing decisions



Information on hospital quality and patient safety practices

PREMIER

The Leapfrog Group - Microsoft Internet Explorer

Address: http://leapfroggroupdata.org/cp?form=cp_start&p=1

THE LEAPFROGGROUP
for Patient Safety
Rewarding Higher Standards

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Home | About Us | For Consumers | For Members | For Hospitals | For Data Partners | News

Leapfrog Hospital Survey Results

Search Results: **City:** Boston **State:** MA
Below are the results of your search. Click on the "leaps" and the circles for more details.

Survey Info | Scoring Info | Start Over

Click to Compare	Hospital Name	City	Leap1	Leap2	Leap3					Leap4	Results Submitted	
			CPOE	ICU	High Risk Treatments					Quality Index		
<input type="checkbox"/>	Beth Israel Deaconess Medical Center	Boston, MA										8/26/2004
<input type="checkbox"/>	Boston Medical Center	Boston, MA										
<input type="checkbox"/>	Brigham And Women's Hospital	Boston, MA										7/08/2004
<input type="checkbox"/>	Caritas Carney Hospital	Boston, MA										
<input type="checkbox"/>	Caritas St Elizabeth's Medical	Boston, MA										9/29/2004

Incentives & Rewards

Encourage better quality of care through incentives and rewards



• The incentive and reward landscape

- More than 90 diverse incentive and reward (I&R) programs
- Measures to judge performance vary
- Incentives and rewards vary (bonuses to providers, incentives for consumers, public recognition, etc.)
- Good news that stakeholders are rethinking how to pay for health care
- Confusing for providers

Leapfrog Hospital Rewards Program™:

a national incentive & reward initiative
Leapfrog Hospital Rewards Program (LHRP) can be customized by purchasers and coalitions to fit their current environments

- Adapts the CMS-Premier Hospital Quality Incentive Demonstration program for the commercial sector
- Can motivate hospital performance improvement in both quality and efficiency through incentives and rewards
- Designed to have most of the financial rewards pay for themselves from the savings that accrue due to hospital performance improvement
- Designed to be revised & refined over time – feedback always welcome

What does the Program do?

- Measures hospital performance on two areas that matter to value-based purchasing: quality and efficiency
- As quality and efficiency improve, lives are saved and dollar savings accrue to the purchaser
- Data gathered through the program provide basis for rewarding high performers, educating consumers and providing benchmark data to hospital participants

What's the Program's focus? PREMIER

- Five clinical areas:
 - 20% of commercial inpatient spending
 - 33% of commercial inpatient admissions
 - Coronary Artery Bypass Graft
 - Percutaneous Coronary Intervention
 - Acute Myocardial Infarction
 - Community Acquired Pneumonia
 - Deliveries / Newborn care

Quality measures

Nationally endorsed

- Leverages actuarial/clinical research
 - Actuarial impact for commercial market sufficient to exceed cost of implementation
 - Consistent with clinical research findings
- Available data collection mechanism – capacity for rapid adoption
- Consistent with current Leapfrog patient safety measures
- Meaningful to purchasers

Efficiency measures

Resource-based measure of efficiency:

- Average actual LOS / case, broken down by routine care days and specialty care days
- Severity adjusted based on risk factors
- Re-admission rate to same hospital, by clinical area, within 14 days
- Program Licensees will marry this resource-based measure of efficiency with payment data from their own experience

Why develop a standardized hospital incentive & reward program?

- Answer Leapfrog Member needs
- Add commercial payer leverage to existing public payer initiatives (CMS-Premier)
- Reduce noise in the system – move toward national standard
- Catalyze implementation of inpatient pay-for-performance

The balancing act

Purchasers & Plans

- Meaningful measures
- Hospital performance data publicly available
- Actuarial case for financial rewards
- Easy to implement



Providers

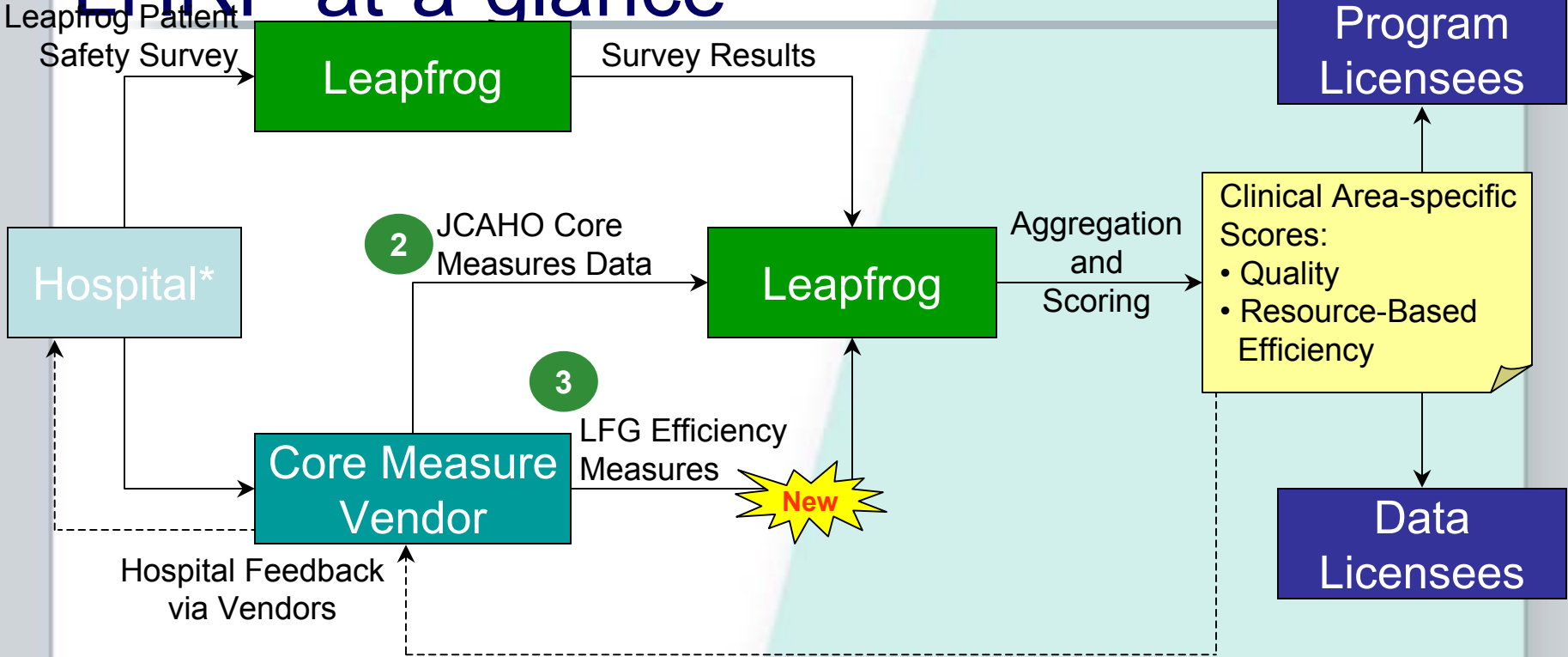
- Meaningful measures
- Data feedback on performance
- Potential for rewards (financial & non-financial)
- Easy to participate

The LHRP “Buddy List”: development & vetting help



- Aetna
- Catholic Health Partners
- CIGNA
- General Electric
- HCA
- Leapfrog’s Incentive & Reward Lily Pad
- Leapfrog’s Health Plan Lily Pad
- Leapfrog membership
- Leapfrog’s Leaps & Measures Expert Panelists
- Maryland QI Project
- MIDAS+
- Premier, Inc
- Tenet
- Thomson-Medstat
- Tufts

1 LHRP at-a-glance



*All reported data must be hospital-specific to be reward-eligible

How do purchasers & plans implement

• the Program?

- Use LHRP hospital measures & scores as criteria for rewarding hospitals
- Partner with Leapfrog on implementation
 - Customize national Program to market needs (savings calculations & rewards structure)
 - Hospital engagement
 - Communications
- Participate in best practice sharing with others
- Use Leapfrog name & brand

• License data:

- Access summary data only (no detailed cost or quality information)
- Incorporate data into any program they currently have
 - Consumer education
 - Hospital profiling
 - Tiering, etc.
- Refer to data as Leapfrog/JCAHO data but do use the Leapfrog brand

Where we're going: program implementation



- Early Implementers & Users
 - *Memphis Business Group on Health, FedEx* (Memphis, TN)
 - *CIGNA* (Hospital Value Profile, nationwide and in Memphis, TN)
 - *GE, Verizon, Hannaford Brothers* (Upstate NY)
 - *Major regional health plan* (to be announced shortly)
 - Others on the horizon ...
- Call for 2006 Markets underway
- Building the hospital database
 - Next data submission deadline: May 15th, 2006

Getting started

- Seek help from The Leapfrog Group to think through how the LHRP can be brought to your market and how it fits in with other national and local initiatives
- With Leapfrog staff, use the LHRP ROI Estimator to see how the Program can work in your area
- Browse the LHRP web site for additional details:
<https://leapfrog.medstat.com/hrp/index.asp>

LHRP Conference Sessions

Leapfrog Hospital Rewards Program (LHRP) Overview (Session 2.07)

- Program Design (Session 2.07)
 - Clinical areas & performance measures
 - Data collection & scoring methodology
- Program Implementation (Session 3.07)
 - Licensing options
 - Calculating savings & rewards
 - Lessons Learned to date
 - Case Study I: Memphis Business Group on Health
 - Case Study II: GE/Verizon/Hannaford Bros.