Pay for Performance and Public Reporting: Purchasers’ Path to Controlling Health Costs and Promoting Value

Peter V. Lee
Pacific Business Group on Health
IHA, National Pay for Performance Summit
February 7, 2006
About the Pacific Business Group on Health

- Founded in 1989
- 50 large employer members
- Billions in annual health care expenditures
- >3 million covered lives
- PacAdvantage: small group purchasing pool (thousands of California small groups of 2-50 employees)
Pacific Business Group on Health Members

AEROJET
APL Logistics
AAA
Bank of America
BECHEL
AAA
CalPERS
Chevron
Cisco Systems
CLOROX
Del Monte
FedEx
Express
INTEL
Longs Drugs
LOWE'S
Empowering Healthcare
MCKESSON
mervyns
PACIFIC GAS AND ELECTRIC COMPANY
Pitney Bowes
Raley's
Silicon Valley Employers Forum
SOUTHERN CALIFORNIA EDISON
STANISLAUS COUNTY
TARGET CORPORATION
UNION BANK OF CALIFORNIA
UC HR/BENEFITS
UNOCAL
WELLS FARGO
VERIZON
VARIAN
Mission: To improve the quality and availability of health care while moderating costs.

- Quality Measurement and Improvement
- Value Purchasing
- Consumer Engagement
The newest scam dreamed up by the multimillionaire CEOs of the health insurance companies and HMOs is to link the payment for physician services to the “quality of care” that they provide...this is simply a way to reduce payments to the vast majority of physicians.

William Plested, MD, Chair, AMA Board of Trustees
In the next five to 10 years pay-for-performance based compensation could account for 20 percent to 30 percent of what the federal program pays providers.

“We could do a lot more for a lot lower cost if we had the right incentives for good care.”

Mark McClellan, MD, CMS Administrator

You don’t say, ‘Pay me first and then we’ll talk about quality’.

Bill Thomas, Chairman, House Ways & Means Committee
Cost Pressures – No End in Sight

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits; 2004. Dental work by Arnie Millstein, MD, PBGH Medical Director

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.
Percent of working adults insured, by household income quintile
1987-2003

A Politically Unstable Trend:
Middle Income Workers are Being Eaten the Most Quickly
(Uninsurance kills ~5,000 annually; rising ~450 annually)


Quality Shortfalls: Getting it Right 50% of the Time

Adherence to Quality Indicators

Breast Cancer: 75.7%
Prenatal Care: 73.0%
Low Back Pain: 68.5%
Coronary Artery Disease: 68.0%
Hypertension: 64.7%
Congestive Heart Failure: 63.9%
Depression: 57.7%
Orthopedic Conditions: 57.2%
Colorectal Cancer: 53.9%
Asthma: 53.5%
Benign Prostatic Hyperplasia: 53.0%
Hyperlipidemia: 48.6%
Diabetes Mellitus: 45.4%
Headache: 45.2%
Urinary Tract Infection: 40.7%
Ulcers: 32.7%
Hip Fracture: 22.8%
Alcohol Dependence: 10.5%

Adults receive about half of recommended care
54.9% = Overall care
54.9% = Preventive care
53.5% = Acute care
56.1% = Chronic care

Measuring Provider Quality and Cost-Efficiency to Improve Value

Actual Distribution of Physicians by Quality and Efficiency

MD Longitudinal Efficiency Index
(“Higher Efficiency” = lower relative cost for episode of care)

SAVE LIVES, SAVE MONEY

Adapted from Regence Blue Shield

© Pacific Business Group on Health, 2005
## Breakthrough Plan Competencies: Potential Impact on Premium

<table>
<thead>
<tr>
<th>Health Plan Competency</th>
<th>Potential Premium Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>1. Health Promotion</td>
<td>0.1%</td>
</tr>
<tr>
<td>2. Health Risk Management</td>
<td></td>
</tr>
<tr>
<td>a. Risk reduction</td>
<td>-1.3%</td>
</tr>
<tr>
<td>b. Self-care and triage</td>
<td></td>
</tr>
<tr>
<td>c. Disease management</td>
<td></td>
</tr>
<tr>
<td>3. Shared Decision-Making/Treatment Options</td>
<td>0.1%</td>
</tr>
<tr>
<td>4. Provider Options</td>
<td>7.3%</td>
</tr>
<tr>
<td>5. Consumer Incentives &amp; Engagement</td>
<td>Included above</td>
</tr>
<tr>
<td>6. Provider Incentives &amp; Engagement</td>
<td>Included above</td>
</tr>
<tr>
<td><strong>TOTAL PREMIUM VALUE</strong></td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Source: Business Roundtable; Mercer HR Consulting
## Putting Information & Money to Work

### Consumer and Provider Incentives

<table>
<thead>
<tr>
<th>Patient/Consumer Incentives</th>
<th>Provider Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information ➔ Tools for the Right People at the Right Time</td>
<td>Information ➔ Tools for Quality Improvement and Accountability</td>
</tr>
<tr>
<td>Network Limits ➔ (Narrow Networks)</td>
<td>Channeling Volume</td>
</tr>
<tr>
<td>Value Pricing ➔ Price Differentiation</td>
<td>P4P ➔ Variable Payment</td>
</tr>
</tbody>
</table>
  - Contribution
  - Point of Care
Nearing the Tipping Point: Millions Using Health Care “Quality” Information

<table>
<thead>
<tr>
<th></th>
<th>Saw information on quality among...</th>
<th>Used the information in making a decision...</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>% and Number of all Americans</td>
</tr>
<tr>
<td>Health Plans</td>
<td>28%</td>
<td>13.4%</td>
</tr>
<tr>
<td></td>
<td>11 Million</td>
<td>27 Million</td>
</tr>
<tr>
<td>Hospitals</td>
<td>22%</td>
<td>8.4%</td>
</tr>
<tr>
<td></td>
<td>17 Million</td>
<td></td>
</tr>
<tr>
<td>Physicians</td>
<td>11%</td>
<td>5.4%</td>
</tr>
<tr>
<td></td>
<td>11 Million</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation et al., National Survey on Consumers’ Experiences, 2004
Consumer Incentives for Value Health Plan Choosers

Health Plan Chooser – Showing cost and paving the way to quality

Member preference-based ranking:

- Cost
- Doctor
- Quality
- Features
- Services
Consumer Incentives for Value Hospital Choice Tools & Tiers

- Hospital quality linked to treatment choice information
- Network, cost and quality information linked to tiered benefit design

Member preference-based ranking:

- Volume
- Mortality
- Complications
- Length of Stay
- Leapfrog
- Cost
- Patient Experience
# Medical Group Ratings

Compare how medical groups score on seeing that patients get the right care and how patients rate their care and service experiences.

Higher scores for Getting the Right Medical Care means that medical groups see that patients get care that meets recommended standards. Groups also are scored on the Patient Rating of Care Experience; this includes aspects of care—like communicating with doctors and staff—that only patients can report.

<table>
<thead>
<tr>
<th>California Medical Group</th>
<th>Getting the Right Medical Care</th>
<th>Patient Rating of Care Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camino Medical Group</td>
<td>★★★★</td>
<td>★★</td>
</tr>
<tr>
<td>Palo Alto Medical Foundation, PA Division</td>
<td>★★★</td>
<td>★★★★</td>
</tr>
<tr>
<td>Physicians Medical Group of San Jose</td>
<td>★★★</td>
<td>★★★</td>
</tr>
<tr>
<td>San Jose Medical Group</td>
<td>★★★</td>
<td>★★★</td>
</tr>
<tr>
<td>Santa Clara County IPA</td>
<td>★★★</td>
<td>★</td>
</tr>
<tr>
<td>The Permanente Medical Group - Peninsula Area</td>
<td>★★★</td>
<td>★</td>
</tr>
</tbody>
</table>

**Medical Group Information:**

**Performance:**
- Clinical Quality
- Patient Experience

**Reporting Issues:**
- Transparency of “Target Rate”
- Consumer ability to “drill down” to find out more
- Clinical quality measures based on national standard measures used in statewide pay-for-performance initiative
### Consumer Incentives for Value
### Physician Performance Information

#### Priority Health, Grand Rapids, Michigan
- 450,000 insureds
- 1,100 PCP’s; 1,700 specialists
- Information on 75% of PCPs
- P4P since 1996; public reporting since 2002
- See: [www.priorityhealth.com](http://www.priorityhealth.com)

#### Physician Information:

**Basics:**
- Specialty
- Board Certification
- Hours/Contact

**Performance:**
- Disease management
- Preventive Care
- Patient Experience

**Reporting Issues:**
- Transparency of “Target Rate”
- Almost all look “above average”
- Combines practice site and individual physician results

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#### Provider Information

<table>
<thead>
<tr>
<th>Name:</th>
<th>Shirley Holmes, MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender:</td>
<td>Female</td>
</tr>
<tr>
<td>Specialty:</td>
<td>Internal Medicine</td>
</tr>
<tr>
<td>Board Certification:</td>
<td>Certified</td>
</tr>
<tr>
<td>Group Practice:</td>
<td>Uptown Internal Medicine</td>
</tr>
<tr>
<td>ID#:</td>
<td>037625</td>
</tr>
<tr>
<td>Office:</td>
<td>8770 Quebec Court, NE, Grand Rapids, MI 49525 Kent County (616) 719-2112</td>
</tr>
</tbody>
</table>

**Office Hours:**
- M, W, F: 8:30-5 T, Th: 8:30-7

**Patient Ages Accepted:**
- All ages

**Quality Measures:**

<table>
<thead>
<tr>
<th>Disease Management</th>
<th>2007 Quality Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes Care</td>
<td>★★ ★★★</td>
</tr>
<tr>
<td>Asthma Care</td>
<td>★★★ ★★★</td>
</tr>
<tr>
<td>Depression</td>
<td>★★★ ★★★</td>
</tr>
<tr>
<td>Pediatric Asthma Resistance</td>
<td>★★★ ★★★</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preventive Health</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Physical Exams</td>
<td>★★★ ★★★</td>
</tr>
<tr>
<td>Children’s Physical Exams</td>
<td>★★★ ★★★</td>
</tr>
<tr>
<td>Childhood Immunizations</td>
<td>★★★ ★★★</td>
</tr>
<tr>
<td>Breast Cancer Screening</td>
<td>★★★ ★★★</td>
</tr>
</tbody>
</table>

**Patient Satisfaction**
- Overall Satisfaction | ★★★★★ ★★★★★★★ |

This physician has earned 28 out of 32 possible apples in providing quality care to patients. On average PCPs achieved 22 apples.

**Key**
- ★★★★★ Met or exceeded Priority Health’s target rate
- ★★★★★★★ Scored in the highest 1/3 of performance below the target rate
- ★★★★★★★★★ Scored in the middle 1/3 of performance below the target rate
- ★★★★★★★★★★★ Scored in the lowest 1/3 of performance below the target rate

*This PCP did not have enough Priority Health patients to qualify for measurement.*

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**Practice Details**
Help individuals learn how to collect and review up-to-date, evidence-based information on the nature of their conditions.

Help individuals learn how to translate decisions which reflect their values and preferences into action.

Help individuals learn how to review their options by assessing the facts and opinions they have collected in the context of their personal values and preferences.

Help individuals get motivated to participate in the management of their health and healthcare.

Help individuals learn how to prepare for discussions with their physicians, placing special emphasis on helping them prepare to discuss treatment options.

**Health Dialog:** phone and interactive online decision support

**Health Coach**
Pay for Performance – The Evidence Is In

- Evidence that the CURRENT Payment Gets What it Pays For
  - Rewards for quantity; payments for rework and mistakes; few incentives for quality

- Evidence that Paying for Performance Works
  - Rewarding Results documented impact of major national P4P programs

- Pay for Performance is Growing and Large
  - In California, about 50% of individual physicians receive performance-based payments (ranging from 3% to 25% of compensation)
  - Expanding number and types of programs
Major Study Confirms “More is Not Better;” Identifies Quality Short-falls and Financial Savings Potentials for Medicare: In a study published in Health Affairs added to the evidence that demonstrates greater spending and more frequent use of hospital and physician services are not associated with better performance on measures of quality, improvements in patient survival, ability to function, or satisfaction with care. Link: www.chcf.org/topics/hospitals/index.cfm?itemID=115921

National “Rewarding Results” Evaluation Demonstrates Benefits of Performance Payments: The Rewarding Results demonstration project released findings from a three-year evaluation of seven large-scale projects in diverse markets that demonstrated that providing financial incentives improves the quality of care. Link: www.leapfroggroup.org/RewardingResults/newsroom.htm

Medicare Premier Hospital Demonstration Results in Rapid Quality Improvement: CMS released early results of this three-year demonstration project, which documented improvements in the quality of care delivered to all inpatients directly linked to financial incentives for better performance. Link: http://www.cms.hhs.gov/quality/hospital/

Ambulatory Quality Alliance (AQA) and the Hospital Quality Alliance (HQA) Demonstrate the Power of Collaboration: Demonstrating the power of hospitals, physicians, health plans, consumers and purchasers working together, the AQA and HQA have developed cross-stakeholder consensus on key issues related to the definition, collection and use of performance information in both hospital and ambulatory settings. AQA Link: http://www.ambulatoryqualityalliance.org/ HQA Link: http://www.cms.hhs.gov/quality/hospital/HQAFactSheet.pdf

To learn more and subscribe to the PBGH e-letter at: www.pbgh.org
Real Savings from Early Steps to Rewarding Higher Value Physicians

Savings from network design using admin data to profile on quality and cost-efficiency

- 70% of saving from network design (balance from benefit design)

Substantial physician engagement -- all engaged, but only 50 of 1,800+ excluded

- One year savings of 10.3%; second year 5%

- 17% of saving from network design (balance from benefit design)

- P4P for quality and affordability by physicians

Courtesy of Elizabeth B. Gilbertson, UNITE-HERE Labor Management Trust Fund, 2005
## Bridges to Excellence: Physician Rewards Using NCQA Recognition Programs

### Physician Office Link (NCQA Physician Practice Connections):
- Physician Rewards of up to $50 per member per year
- Consumer Activation from report card and patient experience survey

<table>
<thead>
<tr>
<th>Clinical Information Systems</th>
<th>Patient Education and Support</th>
<th>Care Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Patient Registries</td>
<td>Educational Resources (languages)</td>
<td>Care of Chronic Conditions (disease management)</td>
</tr>
<tr>
<td>Electronic RX and Test ordering systems</td>
<td>Referrals for Risk Factors &amp; Chronic Conditions</td>
<td>Preventable Admissions</td>
</tr>
<tr>
<td>Electronic Medical Records</td>
<td>Quality Measurement and Improvement</td>
<td>Care of High-Risk Medical Conditions (care management)</td>
</tr>
</tbody>
</table>

### Diabetes Care Link (NCQA Diabetes Recognition Program):
- 12 measures developed with the American Diabetes Association
- Physician Rewards of up to $100 per diabetic per year
- Consumer Activation from report card, care management tool and rewards for compliance

### Cardiac Care Link (NCQA Heart Stroke Recognition Program):
- 6 measures developed with the American Heart Association
- Physician Rewards of up to $160 per cardiac patient per year
- Consumer Activation from report card, care management tool and rewards for compliance
GOAL: Breakthrough improvements in quality and patient experience

MULTI-STAKEHOLDER COLLABORATIVE:
- Seven health plans with over 7 million enrollees
- Over 200 medical groups
- Purchasers
- State of California
- Consumers

COMMON MEASURES:

<table>
<thead>
<tr>
<th>Clinical Quality</th>
<th>Patient Experience</th>
<th>Investment and Adoption of IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% weight</td>
<td>30% weight</td>
<td>20% weight</td>
</tr>
<tr>
<td>10 HEDIS-based preventive and chronic care measures</td>
<td>5 measures (i.e. access, specialty care, MD communication)</td>
<td>2 Measures: point of care and population management</td>
</tr>
<tr>
<td>Reported with Administrative data</td>
<td>Collected through common statewide CAHPS-like survey</td>
<td>Collected through web-based survey plus audit</td>
</tr>
</tbody>
</table>

PUBLIC REPORTING AND PERFORMANCE SCORECARD:
- California Office of Patient Advocate (http://www.opa.ca.gov/report_card/)
- Pacific Business Group on Health (http://www.healthscope.org)

PAY FOR PERFORMANCE AND TRANSPARENCY
- In 2004 over $50 million paid based on common metrics
- Performance information used for consumer choice and benefit design
Medicare Value Purchasing: Why It Matters to Private Purchasers

- Medicare will eat the federal budget AND the entire economy if we let it
  - Current trend Medicare will be 7.7% of GDP by 2035; 13.8% by 2078 (today 2.6%)

- And…
  - CMS as largest purchaser must lead by example
  - Medicare measures, reporting and money will drive improvement
  - Medicare will promote standardization of measures
  - Medicare data can provide basis for better commercial provider selection
Medicare Value Purchasing: Core Elements

- Robust Performance Measures
  - Efficiency/resource measures essential to counterbalance loss of utilization controls

- Full Public Reporting
  - THE key to value improvement: must have clear path to full public reporting

- Substantial Performance-Based Payment
  - Payments must grow to be substantial (require growth over time and real cost to not “playing”)
Congressional Action in 2005:

- Hospital Payment & Reporting Charting the way
- Demonstrations for Physician/Hospital Gainsharing
- Physician Payment Reform and Performance Reporting – path to fixing physician payment in Value Based Purchasing
- Home Health Public Reporting and Value Based Purchasing
Medicare Hospital Reporting & Payment: Congress Charting The Path

- **Robust Measures:** Measures SHALL include process, structure, outcomes, patient experience, efficiency, cost of care (and Secretary can expand and replace measures)

- **Public reporting:** Substantial withhold if not “volunteering” -- Non-reporting reduction of 2% effective 2007 (up from the 0.4% that resulted in virtually universal participation) and measures SHALL be made public

- **Substantial Payments:** Secretary SHALL implement full value based purchasing, with payments to hospitals by 2009, that SHALL include: quality and efficiency as factors – starting now by reducing DRG's for Hospital Acquired Infections
Not everything that can be counted counts, and not everything that counts can be counted.

Albert Einstein
An overview of PBGH programs and initiatives and links to:

- *Aligning Physician Incentives: Lessons and Perspectives from California*, September 2005

- *Advancing Physician Performance Measurement: Using Administrative Date to Assess Quality and Efficiency*, 2005

- PBGH, California Medical Association – *Medicare Value Purchasing Consensus Statement*, 2005

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