



The Role of Pay-for-Performance in California Health Care Reform

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February 15, 2007

California Health Care Reform: Three Principles

Governor Schwarzenegger's plan addresses the "hidden tax" which the insured pay to cover the uninsured. It will fix the broken system through three essential elements of reform:

1. Prevention and wellness
2. Coverage for all
3. Affordability

Governor Schwarzenegger's Health Care Reform Proposal

- Shares responsibility for fixing the system
- Promotes personal responsibility
- Promotes prevention -- tackles obesity, diabetes, and smoking to improve health and drive down costs
- Promotes patient safety and prevents medical errors

Governor Schwarzenegger's Health Care Reform Proposal

- Envisions a Culture of Quality
- Promotes Value-Driven Health Care
- Utilizes performance measurement, public reporting, and pay-for-performance incentives
- Encourages the adoption of HIT to increase health care efficiency

California's Marketplace

- Of California's 36 million residents:
 - 17.5 million have employer-sponsored coverage
 - 2.3 million have individual coverage
 - 3.3 million have Medicare coverage
 - 6.0 million have Medicaid coverage
 - 6.6 million are uninsured
- California is unique in the nation in its use of large integrated medical groups and independent practice associations

DMHC is Unique in its Focus on Delivery System Quality

- DMHC's main focus is 'the right care at the right time' for enrollees
- Consumer protection requires a focus on clinical quality disparities
- Transparent information can support enrollees to make health care decisions
- Electronic medical records can enable improvements in quality and safety

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How to Create a Culture of Quality & Value in CA Health Care

- Recognize that it takes a care team approach
- Adopt systems that reduce risk of errors & provide decision support
- Focus on care of populations over time
- Encourage patients in supported self-management skills



P4P in California: Lessons Learned

- HIT investment is key to performance measurement
- Groups see rewards in investments in HIT systems to support P4P data collection
- Risk of 'Digital Divide' exists
- Erosion of Capitation risks Quality Infrastructure
- Government 'Hand' needed to level playing field

Role of Government to Remedy Perverse Incentives

Impediment

- No Pay for Quality
- Inability of consumers to perceive differences in quality
- Displacements of payoffs in time & place

Government Role

- Promote integrated care models
- Promote capitation
- Require Public Performance Reporting
- Pay differentially for quality
- Pay for innovative care models
- Use market power to insist on best practices

Role of Government to Remedy Perverse Incentives

Impediment

- Uneven Access to relevant clinical information

Remedy

- Set high expectations for industry
- Support IT infrastructure buildout
- Develop public-private capital funding approaches
- Support IT development evenly among clinical settings



Steps California Can Take to Accelerate HIT Adoption

Stakeholders identified five key action areas:

1. Establish statewide HIT leadership – a designated leader and a strong advisory group
2. Structure incentives and identify financing methods
3. Invest in HIT using state's role as purchaser
4. Augment current privacy and security protections
5. Engage consumers

California Incentives for Improving Quality Improvements & Health IT

- Establish provider incentives for adopting HIT
- Begin with P4P in Medi-Cal and CalPERS
- Create special payments for community clinics
- Pay for early quality improvement, such as managing chronic conditions
- Push the market by paying for use of HIT enabled care management