

Modern Leadership and Pay for Performance

Katharina Janus, Ph.D., M.B.A.
Los Angeles
February 28, 2008

Katharina Janus, Ph.D., M.B.A.



Pay for Performance

A "generic" example from the US...

Katharina Janus, Ph.D., M.B.A.

From brand to generic...



- As patents expire health plans implement incentive payments for physicians for switching patients from brand name drugs to generics
- The reasoning?
 - Savings for health plans, employers, patients
 - Doctors argue that it's only right to reimburse them for spending time evaluating whether a cheaper generic alternative is better or as good for a patient

What about ethics?



- Injecting financial incentives into what some patient advocates and legislators say should be a purely medical decision
- Such rewards may put doctors in the ethically questionable position of taking a payment that patients know nothing about



- Primary-care physicians were asked to consider switching patients from a brandname drug and received \$100 for each plan member who filled a generic cholesterol-lowering statin prescription
- To assist doctors, the HMO mailed them a list of Blue Care Network patients who were taking two brand-name statins.

Results



- \$2 million in expenses for payments to doctors
- \$5 million in drug cost savings for Blue Care Network and \$1 million in co-payment savings for members

Example: Excellus Blue Cross Blue Shield in Upstate New York



- If physician groups increased their ratio of generic drug prescriptions to brand-name ones by five percentage points, their physicians receive a slightly higher reimbursement for their patient office visits
- The medical groups in the pilot project all met that target, and at least one increased its rate of generic prescriptions by eight percentage points, compared with a six- to seven-point increase overall in the Syracuse area
- The practice's improved generic prescription ratio saved patients between 10% and 12% in drug copayments and costs



Given that primary-care doctors have seen their real incomes decline for at least a decade because of higher administrative costs and stagnant reimbursements, "why shouldn't they get paid for doing the right thing?"

Katharina Janus, Ph.D., M.B.A. Page 8



Modern Leadership of Physicians

An "innovative" example from Germany...

Page 9



Changing physician behavior is the most critical (and important) task if we want to improve treatment efficiency in the long run.

Katharina Janus, Ph.D., M.B.A. Page 10

Physician payment in Germany



- Germany has an elaborated and well established physician payment system.
- Most of the management and policy-making brainpower in Germany is focused on updating and fine-tuning this payment system.
- German doctors are known to be "greedy and to run after every Euro".

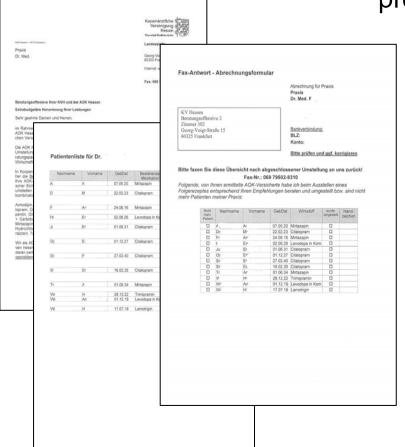
Source: Dr. Mario Weiss



Behavior change – pay for performance



In June 2007, GAIA and the AOK Hessen initiated the a project to induce behavioral change regarding the prescription of generic drugs.



- Physicians were offered 20
 Euro/patient for switching medication from generic product A to generic B.
- 4 months after the start of the project 46% of all target patients (15,000) were successfully switched, but only for 4.23% of patients the physicians claimed the 20 Euro reimbursement.
- Why did 90% of the physicians who performed the required task not ask for their payment?

Source: Dr. Mario Weiss

And how could this happen ... in Germany?!



- ✓ The physicians were provided with a clear vision and a "reason why" that was meaningful to them.
- ✓ We developed best-of-class "switch processes" that
 could be implemented by physician offices easily.
- ✓ Reward-signalling: honest and valuable offer to reimburse additional work.

Key learning: Modern management theory and practical experiences gained in the German automotive and aircraft industry can also be applied to physicians.

"If you can't manage for performance, you have to pay for it."

Katharina Janus, Ph.D., M.B.A. Source: Dr. Mario Weiss Page 13

The future



Less performance pay and more leadership...

if we can get management and the government to understand and to believe in modern management concepts.



Thank you very much for your attention!

Please do not hesitate to contact me in case you have further questions.

Katharina Janus, Ph.D., M.B.A.

Department of Health Policy and Management Mailman School of Public Health Columbia University 600 West 168th Street, 6th floor New York, NY 10032

kj2186@columbia.edu

Katharina Janus, Ph.D., M.B.A.