



Implementing Physician Efficiency Measures

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February 27, 2008

Implementation Issues

- Defining Efficiency – Achieving Consensus
- Should Efficiency and Quality be measured independently?
- How are Efficiency and Price related?
- Using Standardized vs. Actual cost weights
- How to ensure actionability of results?
- How are health plans and regional initiatives using physician efficiency measurement?

Defining Efficiency – Achieving Consensus

- Dictionary:
 - “The ability to produce a desired effect, product, or outcome with a minimum of effort, expense, or waste”
 - “The ability to do something well or produce a desired output without wasted energy or effort”
- MedPAC:
 - “Efficiency is measured as the intensity of resources required to deliver good quality care”
- Key concepts:
 - Intensity of resource utilization
 - Good Quality Care
- Low resource-intensive care that is high in quality = efficient care

Efficiency and Quality – independent measures?

- Definitions of efficiency assume good quality care and good outcomes
- Low resource-utilization without guideline compliance or with poor outcomes cannot be characterized as “efficient”
- Utilization-efficiency and Quality should be evaluated together
- Physicians with high utilization-efficiency and quality should be considered “efficient”
- IHA’s P4P program rewards both Efficiency and Quality

Efficiency vs. Price

- Does higher price mean inefficient care?
- Does lower price mean efficient care?
- What if quality and outcomes are good?
- Efficiency = “intensity of resources required to deliver good quality care”
- Price is a separate issue from Efficiency
 - Many health plans prefer to evaluate both together
 - Combining price and efficiency may mitigate process improvement

Standardized vs. Actual Cost Weights

- Efficiency measurement requires weighting of service units within episodes of care
- Standardized cost weights = obtaining average cost weights per service unit from external data source
 - Advantages:
 - Can apply in capitated settings lacking actual costs
 - Facilitates physician acceptance
 - Disadvantage: Does not allow analysis of efficient redirection, referral
- Actual cost weights = calculating actual average cost (price) weights per service unit from implementation data base
 - Advantage: Combines price and efficiency in same analysis
 - Disadvantage: “Actual costs” are difficult to quantify under capitation

How to Ensure Actionability of Results

- Include peer group comparisons
- Include meaningful “drill-down”:
 - Individual clinical conditions
 - Specific service categories
 - Clear characterization of opportunities for improvement
- Make it simple and interesting
 - Include simple graphics
 - Provide short explanations

Efficiency measurement by Health Plans and Regional Initiatives

- Pay for Performance
- Contracting
- Physician network management
- Benefit tiering
- Consumer Transparency
- Feedback to physicians for process improvement