Turning Up the Performance Sensitivity Dial:
How Purchasers Will Make Provider Performance a Stay-in-Business Issue

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The Leapfrog Group
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This Will be a Three-Chapter Story

1. Reasonable & customary prices (1975-85)
   (focused on efficiency & quality; aided by CMS & DOJ/FTC)
What’s Bothering the Purchasers in an Era of Mid-teen Premium Increases?

- 50% quality defect rate\textsuperscript{1}
- 40% wasted spending\textsuperscript{2}
- 30% user dissatisfaction\textsuperscript{3}

(Rand\textsuperscript{1}, Dartmouth\textsuperscript{2}, Juan Institute\textsuperscript{2}, UC Berkeley\textsuperscript{3})
What’s the Purchasers’ Solution?

Two flavors of sensitivity to provider performance

- Pay for performance
- Health care consumerism
Pay for Performance

- Physicians and physician groups
- Hospitals
- Backstage providers
- Via insurers or direct from employers
- Focused on offsetting perverse provider incentives and most difficult provider “care redesign imperatives”
Health Care Consumerism

- Hollowed-out insurance coverage (blunt)
- Portable spending accounts (blunt)
- Performance-tiered out-of-pocket costs (precision-tailored)
What We’ve Got

Providers think their performance is OK

Consumers think their providers are OK

Weaker performance management by providers
What We Want

Providers self-conscious about their performance shortfalls

Consumers conscious of their providers’ performance shortfalls and tx efficiency

Stronger performance management by providers & tx inventors
A Frog (and Consumer) Vision

Value of Health Benefits

High

Low

Performance Disclosure

Performance comparisons for hospitals, MDs & Tx

Consumerism & P4P

Market sensitivity to hospital & MD performance

Clinical re-engineering by MDs, hospitals

Chasm Crossing

Americans

Q ↑ 50 ppts

$ ↓ 40 ppts

2002

Key Evolutionary Steps

2012

Mercer Human Resource Consulting
A Nearly Identical IOM Vision

CARE SYSTEM RE-ENGINEERING IMPERATIVES

• Redesigned care processes
• Effective use of information technologies
• Knowledge and skills management
• Development of effective teams
• Coordination of care across patient conditions, services, and settings over time
• Use of performance and outcome measurement for continuous quality improvement and accountability

Adapted from Crossing the Quality Chasm, IOM, 2001.
A Likely Pivot Point

- Purchasers measure and raise each health plan’s PPSI (“Provider Performance Sensitivity Index”)
- “How performance sensitive is a health plan’s revenue stream to each network provider’s quality and efficiency?”
Efficiency is not the Same as Low Price

 Tomorrow's Preferred MDs

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Closing Thoughts

- Our common enemy is non-ownership of performance failure
- Purchaser and plan response will be to “count provider performance” and to “make performance count”
- Economic downturns allow bolder strokes
- It’s not *whether*, its *when* we got across the chasm