Are payers ready to reward quality and outcomes?

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Over the past 15 years, there has been increasing discussion about "paying for results" or "value purchasing,"[1-3] which means getting the best care for the best price. However, most emphasis has been focused on reducing costs, with little attention paid to quality or outcomes. This is in part due to the lack of standardized measures, but also there is limited experience with effective financial incentives for providers. There has been speculation that the barriers to real accountability may be much stronger than the desire to purchase for value.[4]

Progress has been made in gaining agreement on a common set of quality measures by which "best care" can be determined. Examples include quality measures from HEDIS, Leapfrog, the National Quality Forum, CMS, JCAHO, AHRQ, and NCQA.

Until recently, there has been little leadership, particularly at the federal level, for providing significant financial incentives for those showing better quality or outcomes. In 2002, the Institute of Medicine called for "purchasing strategies that encourage the adoption of best practices through the release of public domain comparative quality data and the provision of financial and other rewards to providers that achieve high levels of quality."[5] In December 2003, a distinguished group of policy and academic leaders issued a national challenge titled "Paying For Performance: Medicare Should Lead."[6] Part of the challenge reads "a major initiative by Medicare to pay for performance can be expected to stimulate similar efforts by private payers, just as Medicare's adoption of prospective payment for hospitals did two decades ago. We call on… Medicare to take the further necessary and decisive steps to make pay-for-performance a national strategy for better quality. We should settle for nothing less."

Last year, Health and Human Services Secretary Tommy Thompson announced a new CMS effort, the Premier Hospital Quality Incentive Demonstration, in which the 300 hospitals in the Premier system will be measured on 34 measures of five clinical conditions. The top 50 percent will be publicly acknowledged on the CMS Web site, the top decile will be given 2 percent bonus payments, and the second decile will receive 1 percent bonus payments. CMS is also sponsoring a three-year, pay-for-performance demonstration involving 11 large multispecialty physician group practices including the Marshfield Clinic. In addition, the Robert Wood Johnson Foundation and the California Healthcare Foundation made six "Rewarding Results" grants in 2002 designed to help payers and purchasers develop both financial and non-financial incentives to reward physicians and hospitals for higher quality. In California, and in a Blue Cross Blue Shield example in Michigan,

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Quality Measures Organizations

HEDIS—Health Plan Employer Data and Information Set
www.ncqa.org

Leapfrog
www.leapfroggroup.org/RewardingResults

National Quality Forum
www.qualityforum.org

CMS—Centers for Medicare and Medicaid Services
www.cms.hhs.gov/quality

JCAHO—Joint Commission on Accreditation of Healthcare Organizations
www.jcaho.org/qualitycheck/directry/SearchConsumer ByType.aspx

AHRQ—Agency for Healthcare Research and Quality
www.webmm.ahrq.gov

NCQA—National Committee for Quality Assurance
www.ncqa.org

financial incentives will be paid directly to physician groups based on their performance.

In Wisconsin, quality purchasing efforts have been advocated by such organizations as the Wisconsin Department of Trust Funds, the Employer Health Care Alliance Cooperative (www.alliancehealthcoop.com), Fond du Lac Area Businesses on Health (FABOH) (www.faboh.com), Wisconsin Healthcare Purchasers for Quality, and the Wisconsin Collaborative for HealthCare Quality (www.wiqualitycollaborative.org).

Most of these efforts have been focused on quality but have not made financial incentives a significant priority. A recent forum sponsored by the Wisconsin Public Health and Health Policy Institute explored options and challenges in Wisconsin (www.medsch.wisc.edu/pophealth/StateForums). Given the recent national leadership outlined here, it is possible that Wisconsin payers and purchasers could make significant steps toward putting money behind quality improvement rhetoric and really begin to "pay for performance."

At this point there is really no other policy option on the table for improving quality and outcomes while containing costs.

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