



## **Congress Should Implement Medicare Pay-For-Performance Now**

**Issue:** Too often, payment for health care is made without regard to whether services are needed or how well they are performed. While cost is tied to quality or performance in most other industries, in health care, including in Medicare, the opposite tends to happen—we end up paying more for poor service and the additional health care needed to “correct” poor quality.

The Patient Protection and Affordable Care Act (Affordable Care Act):

- Implements a value-based, budget neutral, payment adjustment for all Medicare physician payments based on the quality of care relative to cost, beginning for specific physicians or groups in 2015 and all physicians in 2017;
- Collects data in 2011 and ties a percentage (up to 2% over 5 years) of Medicare acute care hospital payments, beginning in 2013 to quality measures related to common and high cost conditions, such as cardiac, surgical and pneumonia care—the Secretary of Health and Human Services can expand the categories for quality measurement in 2014—does not include measures of hospital readmissions;
- Provides 1% incentive payments to Medicare physicians who voluntarily participate in quality reporting in 2010, .5% in 2011, and penalizes Medicare physicians, up to 1.5% in 2013, who fail to report; and
- Establishes Accountable Care Organizations (ACOs) in 2012 where groups of providers that improve patients’ quality of care will keep half of the savings over a 3-year period.

The pay-for-performance movement continues to rapidly expand in the marketplace. In recent years, employers and other health care purchasers have developed and adopted payment programs to reward quality and efficiency in the health care system. For example, several of the Business Group’s employer members participate in Bridges to Excellence and the pay-for-performance program of the Integrated Healthcare Association, two of the leading movements. Today, most large insurers and health plans have a provider incentive program.

Pay-for-performance promises to advance evidence-based medicine, improve the quality of health care and the health of Medicare beneficiaries, which translates into better value for the Medicare program.

**Position:** The National Business Group on Health, a member organization of over 300 primarily large employers who provide coverage for over 55 million Americans, strongly urges Congress to pass legislation that would implement pay-for-performance on a widespread basis in the Medicare program for hospitals, physicians, and other health care facilities and professionals. Pay-for-performance in Medicare would harness the government's leverage as the largest purchaser of health care in the U.S. to improve the quality and efficiency of Medicare and the overall health care system.

**The Business Group believes that a Medicare pay-for-performance program should include the following:**

- The performance measures adopted by Medicare should be measures developed by nationally recognized quality measurement organizations, such as the National Committee for Quality Assurance (NCQA), researchers, and practitioner groups that have been vetted and recommended by consensus-building organizations that represent diverse stakeholders, such as the National Quality Forum (NQF);
- Rewarding quality is paramount but rewarding quality care that is provided efficiently is also important and should be an essential part of any pay-for-performance initiative in Medicare;
- When measuring quality, focusing on misuse and overuse is equally important as underuse;
- To the extent possible, performance measures should incorporate outcomes of care in addition to structure and process measures
- The Centers for Medicare and Medicaid Services (CMS) should make meaningful disclosure of performance results to the public, which will reinforce the value of pay-for-performance;
- The health care system will need sufficient health information technology infrastructure to report performance measures. Some providers, particularly solo and small group physician practices and those serving low-income urban and rural areas, may need financial assistance to purchase needed systems, software, training and related services; and
- The Medicare program should consider expanding the proportion of Medicare payment and reimbursement based on performance over time as it implements pay-for-performance.

**Pay-for-Performance in Medicare is Needed Now to Improve Quality and Safety:**

A landmark 1999 Institute of Medicine (IOM) report estimated that preventable medical errors in hospitals might cause as many as 98,000 deaths annually. Many more people are injured in hospitals and countless more preventable deaths and injuries occur in outpatient settings.

A 2003 RAND study found that patients received only 55 percent of recommended care for fairly common medical conditions for which a broad consensus exists on care standards.

The Dartmouth Atlas of Health Care's most recent findings reveal wide variation in hospital care and outcomes for chronically ill Medicare patients.

Fisher, et.al, (2003) estimate that up to 30% of Medicare spending may be for excessive and unnecessary care.