



Federal and State Government Health Programs, Employers, and Health Plans (Purchasers) Should Implement Pay-for-Performance

Issue: Pay-for-performance programs reward health care providers for quality care and efficiency through higher reimbursement and payments. To improve patient safety no payments should be made in case of the most significant medical errors.

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, the opposite tends to happen—we end up paying more for poor service and the additional health care needed to “correct” poor quality.

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 care of government and employers’ beneficiaries, which translates into better value for government and private programs.

Position: The National Business Group on Health, a member organization of over 270 primarily large employers who provide coverage for 55 million Americans, strongly urges Congress, Employers, and Health plans to implement pay-for-performance on a widespread basis for hospitals, physicians, and other health care facilities and professionals.

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

- The performance measures adopted by Medicare and private health care plans 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.
- 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 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.
- The Medicare program and private health plans should consider expanding the proportion of payment and reimbursement based on performance over time as it implements pay-for-performance.

Why the Business Group Believes Purchasers Should Implement Pay-for-Performance

- 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.
- Fisher and colleagues (Annals of Internal Medicine, 2003) estimate that up to 30% of Medicare spending may be for excessive and unnecessary care.
- 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.
- A single set of quality measures will reduce the administrative burden of data collection and make it easier for consumers and purchasers to compare quality among providers and facilities.

It Will Improve Quality and Lead to better Patient Outcomes

- According to CMS Premier Quality Incentive Demonstration health outcomes for patients with heart failure and pneumonia increased by 17.9% and 16.5% when Pay-for-Performance was implemented.

It Will Align Payments with Higher Quality Care

- In a Hickson, Altemeier, and Perrin study, residents at a university-based pediatric clinic who received a \$2-per-visit case management fee did better complying with well-child care recommendations than did a control group that did not receive any additional compensation

It Will Empower Consumers and Purchasers to Make Better Decisions on Their Healthcare Providers.

- According to the National Committee for Quality Assurance, people enrolled in health plans that measure and publicly report performance data were more likely to receive preventive care and have their chronic conditions managed in accordance with clinical guidelines based upon medical evidence.
- These improvements in clinical quality over time, the direct result of performance measurement and reporting, have saved the lives of 53,000 to 91,000 Americans and prevented hundreds of thousands of serious complications.