Beyond pay for performance: the next wave of payment reform in health care

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Meredith B. Rosenthal, Ph.D.

Where this is all going…

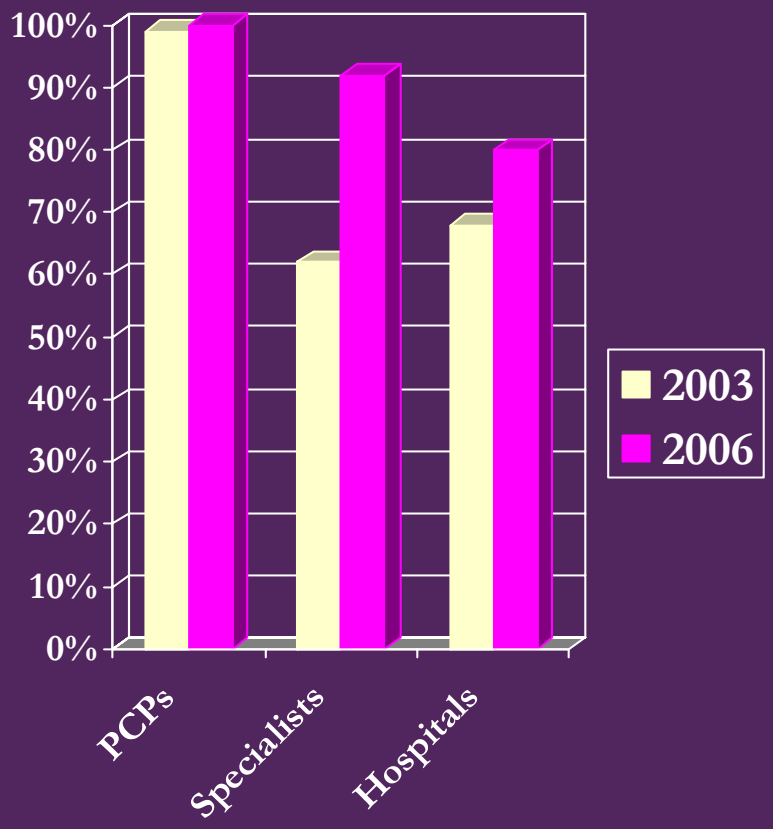
Or is this the right image?

Pay for Performance: More than Just a Flash in the Pan

- Inventories of programs across all types of payers document nearly 150 pay-for-performance programs[1]
- In a national survey, 52% of HMOs (covering 81% of enrollees) reported using pay for performance[2]
- Medicare to move ahead with hospital pay for performance in FY 2009

1. The Leapfrog Group and MedVantage, 2007.
2. Rosenthal MB, et al. Pay-for-Performance in Commercial HMOs. *New England Journal of Medicine*, November 2, 2006.

Pay for Performance Has Evolved



- Programs initially focused on primary care but have been extended to specialists and hospitals
- Introduction of intermediate outcome measures for chronic illness
- Paying in ways that encourage both attainment and improvement

Source: Rosenthal MB et al., Climbing Up the Pay-for-Performance Learning Curve, Health Affairs, Nov/Dec. 2007

This is What Current Research Suggests about Pay for Performance

- You get what you pay for -- not necessarily what you hoped for
- Generally, the rich get richer
- Size matters (rewards per patient, patients affected)
- Some gaming may occur, but no glaring signs of adverse effects
- None of what we have done has dramatically shifted the trend in quality (or cost, but few programs took this up)

Bigger (and less formal) Lessons that Payment Reform Advocates Are Signaling

- Small bonuses for performance on fee for service is a little like moving deck chairs on the Titanic; holistic reform is needed
- Pay for performance – on either quality or cost-related targets -- is the wrong model for cost control
- Payment reform alone will not transform the delivery system

Current Landscape of Payment Reform

- The dark side of pay for performance: non-payment for unacceptable performance
- Payment married to structure
  - Patient-centered medical home/advanced medical home
  - Accountable Care Organizations (Fisher, et al.)
- Episode-based payment concepts
  - PROMETHEUS™ Payment
  - Geisinger's ProvenCare™
- Shared savings
  - CMS demos
  - Alabama Medicaid
- Capitation, but better this time
  - Goroll et al.
  - BCBS-MA "Alternative contract"

Common Themes in Current Proposals

- Increasingly prospective payment
- Mixed payment
- Targeted risk sharing (not full delegation): implicit or explicit parsing of controllable vs. uncontrollable variation
- Training wheels and a map

Conceptual Differences in Payment Models

- Breadth of accountability (silos vs. webs of providers)
- Extent of risk sharing (not unrelated to above)
- Isolation of specific margins for accountability vs. global outcomes/costs
- Extent of structural prerequisites

Key Questions for the Future of Payment Reform

- Can primary care-focused models achieve much without also changing the way specialists and hospitals are paid?
- Is it feasible to create shared accountability through payment?
- Have improvements in quality measurement, risk adjustment made capitation more palatable?
- Will episode-based models be feasible and effective outside the inpatient setting?