



PAY FOR PERFORMANCE

The Issue

Pay-for-performance programs are intended to reward health care providers for taking steps to improve the quality of care and/or to control costs by reducing medical errors or improper utilization of services. These programs may take a variety of forms, but all share the same central element: the creation of explicit incentives to reward or improve performance.

Although such programs are becoming increasingly popular, they are also controversial because they could unintentionally introduce conflict between the provider's obligation to the patient and a payor's financial incentives for good quality ratings.

Federal health programs have been taking a closer look at pay for performance as a way to contain costs and improve the quality of care provided to Medicare and Medicaid beneficiaries.

The federal Centers for Medicare and Medicaid Services (CMS) has been experimenting with quality initiatives and pay-for-performance programs over the past several years. The general goal of the new initiatives is to identify ways in which Medicare can provide better care more efficiently and to align payment incentives accordingly.

Meanwhile, more than half of state Medicaid programs now provide financial incentives to health care providers to encourage better quality of care, and nearly 85 percent of Medicaid programs plan to have pay-for-performance plans established in the next five years, according to a survey conducted by the Commonwealth Fund in April 2007. Currently, most Medicaid pay-for-performance programs focus on women, children and adolescent issues, with new programs emerging to encourage chronic care coordination and adoption of health information technology.

While federal and state regulators have been implementing pay-for-performance programs, there is relatively little activity regarding this issue on Capitol Hill.

The CHRISTUS Health Position: Improving health quality and safety

CHRISTUS Health is an innovator and early adopter of quality measures and transparency in terms of pricing and quality. While we understand and accept the legitimate interest of payers and purchasers in encouraging efficiency and cost-effectiveness, we believe that these objectives must be directly linked to quality and safety which would enhance patient care value.

CHRISTUS Health will work with federal and state regulators and health plans to align payments to providers that can realistically incentivize quality, patient safety and efficient evidence-based health care in accordance with the following precepts:

- Pay-for-performance programs must provide real incentives for improved quality and efficiency. Additional dollars should be provided as incentive for improvement.
- We support the principle that Medicare and other payors should not pay care givers for preventable errors. As regulators determine incentives for improving quality, we will encourage them to consider the differences in patient presentation and patient response to treatment within the global patient population.
- We support positive incentives linked to specific performance measures and quality indicators that consider patient presentation factors such as the seriousness and complexity of illnesses, medical history, age, etc. Experiments with pay-for-performance methodologies should be encouraged, such as the efforts by the Robert Wood Johnson Foundation and CMS to gauge the ability of bundled payment for hospital and physician services to better align incentives for quality and efficiency.
- Providers must not be allowed to deselect (dismiss or refuse to accept) patients whose outcome measures fall below accepted quality standards.
- “Universal” treatment guidelines, which have been considered as a component of pay-for-performance, could lead to medical care by formula. Incentives based on adherence to a pre-determined protocol for a given patient condition could actually work against improving patient quality in some instances. Expert medical judgment must be recognized as a value for patient care.

April 2008