



PAYMENT REFORM PRINCIPLES

April 2009

Introduction

The U.S. health care system needs new systems of payment that promote affordability, advance clinical quality and foster prevention, coordination, safety and better patient outcomes. These payment changes must be done hand-in-hand with more effective engagement of patients in making decisions based on having better information and incentives. Policymakers in both public and private settings are focusing on new forms of payment that could potentially result in better value, including new payments for primary care, bundled payment, pre-payment and paying for care of entire populations, as well as improving current types of payments. The details of payment reforms will be critical to their impact and must be guided by a clear set of goals and principles supported by public and private sector stakeholders.

The following principles were developed by the Center for Payment Reform (CPR), an initiative of the Consumer-Purchaser Disclosure Project, representing consumers, purchasers, labor, physicians and other health care providers, payers and policymakers who have come together based on their shared vision that improving quality and affordability in health care requires a transformation in our payment systems. Payments for the prevention, diagnosis and treatment of disease should be assessed based on the extent to which they meet the following patient-centered and societal goals:

- Promote and reward high quality, patient-centered care that is cost-effective and reduces disparities;
- Ensure patients receive the “right care, at the right time, from the right provider”, incorporating the values and preferences of patients;
- Foster improvement and innovation; and
- Effectively slow the growth of the costs of health care.

Payment Reform Principles

Reforms to the U.S. health care payment systems, including improvements to the current system and development of new forms of payments, should reflect the following six core payment principles:

1. Payment reforms should promote health by rewarding the delivery of quality, cost-effective and affordable care that is patient-centered and reduces disparities.

- Reforms should reward the value of care delivered not only the volume of services rendered.
- Health care providers should be rewarded for both meeting individual patient needs and effectively managing resources.

PAYMENT REFORM PRINCIPLES

April 2009

- Payments should be designed to explicitly discourage ineffective and inappropriate care and eliminate waste. Payments should be – to the extent possible – tied to evidence-based clinical, resource-use, and patient-centered outcomes.

2. Health care payments should encourage and reward patient-centered care that coordinates services across the spectrum of health care providers and care settings while tailoring health care services to individual patients' needs, values and preferences.

- Policies should encourage a coordinated, team-based approach to care across preventive, primary, acute, chronic and palliative care services, within a given practice and between clinicians, consultants, institutional providers and suppliers, and community resources across practices and settings.
 - Teams can be both virtual and actual, as long as they are leveraging an information rich, collaborative approach to a patient's care.
 - Policies should be inclusive and amenable to non-physician providers and should recognize the value of services provided outside the traditional face-to-face visit.
- Payment should promote shared decision-making among patients and clinicians that recognizes patient values and preferences in a culturally competent fashion.
- Payments should create market incentives that foster an adequate supply of clinicians to meet the needs of an aging population and to ensure that all patients have access to high quality and affordable health care services. Particular specialties for which there have been market failures include, for example, comprehensive primary care, including geriatrics, other generalist physicians, such as general surgeons, and mental health providers. Creating market incentives will require more highly valuing primary care functions related to evaluation, counseling and coordination relative to the value of procedural and diagnostic interventional care.
- Benefit design and patient incentives should encourage patients and providers take actions to prevent and manage disease, select quality care at the best price and use clinicians or settings that deliver better quality care more affordably.

3. Payment policies should encourage alignment between public and private health care sectors to promote improvement, innovation and meeting national health priorities, and to minimize the impact of payment decisions in one sector on the other.

- Payments from all payers – public and private – should, at a minimum, cover the costs of effective, efficient care and ensure adequate access.
- To the extent possible, health care payments should reward care that is more effective and efficient on a risk-adjusted basis. Incentives should be substantial.
- Payments by either the public or private sector should not adversely impact the other and should anticipate and address cross-sector unintended consequences, such as cost shifting.

PAYMENT REFORM PRINCIPLES

April 2009

- Public and private sector payments should deliver meaningful incentives that encourage providers to invest in system infrastructure (such as Health IT) and participate in quality improvement and measurement processes (such as board certification processes and registries), training and service innovations that reduce cost and improve quality of care for patients.
- Pilots, demonstrations and testing of new payment systems should be coordinated among Medicare, other public programs and the private sector.
- Public and private sector payments should align with and promote other national health priorities and goals for health system improvement (such as fostering patient decision support or expanding capacity in underserved areas).

4. Decisions about payment should be made through independent processes that are guided by what serves the patient and helps society as a whole. Payment decisions must balance the perspectives of consumers, purchasers, payers and physicians and other health care providers.

- Payment policies for public sector programs should be developed based on a multi-stakeholder process that includes (at a minimum) formal representation from consumers, purchasers, clinicians, representatives of care settings, payers and manufacturers. Those setting payment policies should define payment based on patient value, assuring that majority governance rests with those who receive or pay for care.
- Payment policies for private plans should be based on these payment reform principles and be transparent to consumers and providers, reflecting local market conditions while being framed by national benchmarks and goals to promote higher quality, more affordable care.
- Processes and rules for making payment decisions should be simplified, standardized and consistent (to the extent possible) across physician, hospital and other types of health care payments and made as consistent as possible for both private and public payers.

5. Payment policies should foster ways to reduce expenditures on administrative processes (e.g., claims payment and adjudication).

- Payments and processes should be transparent, easy to understand and simple to administer for patients, physicians and other health care providers, payers, purchasers and all other health system stakeholders.
- Improved payment processes should be implemented to assure integrity and accountability -- both integral to reducing fraud and abuse -- while promoting consistency and administrative simplicity for clinicians and other providers.



PAYMENT REFORM PRINCIPLES

April 2009

- The structure of health care payments should be standardized, to the extent possible, to minimize confusion and to limit administrative costs that do not contribute to improved quality and affordability of care.
- Public and private payment reform pilots and demonstration projects should be coordinated and designed to be scalable in order to provide administrative savings when affecting the same community of providers.

6. Reforms to payment should balance the need for urgency against the need to have realistic goals and timelines that take into account the need to change complex systems and geographic and other variations.

- Payment reforms should avoid a “one size fits all” approach, recognizing the need to reflect variations in geography, delivery system organization, type of payee, patient characteristics. Reforms should be thoroughly tested in and designed to work across multiple settings and situations.
- Changes to payment should take into account provider capacity to respond to change, which may differ geographically or be limited based on the level of organization of the provider/setting.
- Changes must also take into account payer capacity to respond to change, including the need to make significant changes to administrative, claims adjudication, information technology and other related systems.
- Payment decisions cannot be taken in isolation from one another. A holistic approach to payment reform must consider the interactions of payments across providers and settings.
- Payment reforms should promote regional and national alignment, while taking local differences into account in order to accelerate change and market innovation.
- Payment reform should proceed under a rapid learning model that progresses at an urgent yet appropriate pace to include more services, more providers and more patients over time and that use evidence from results to inform future initiatives.
- Payment reforms should include provisions for ongoing assessment of their impact on quality of care, affordability, potential for unintended consequences, reducing disparities and other goals. Assessment processes should include mechanisms to expand tested programs (“expansion triggers”) and mechanisms to end payment systems that no longer add value (“sunset clauses”) for old payment policies.