

CPR
Center for
Payment
Reform

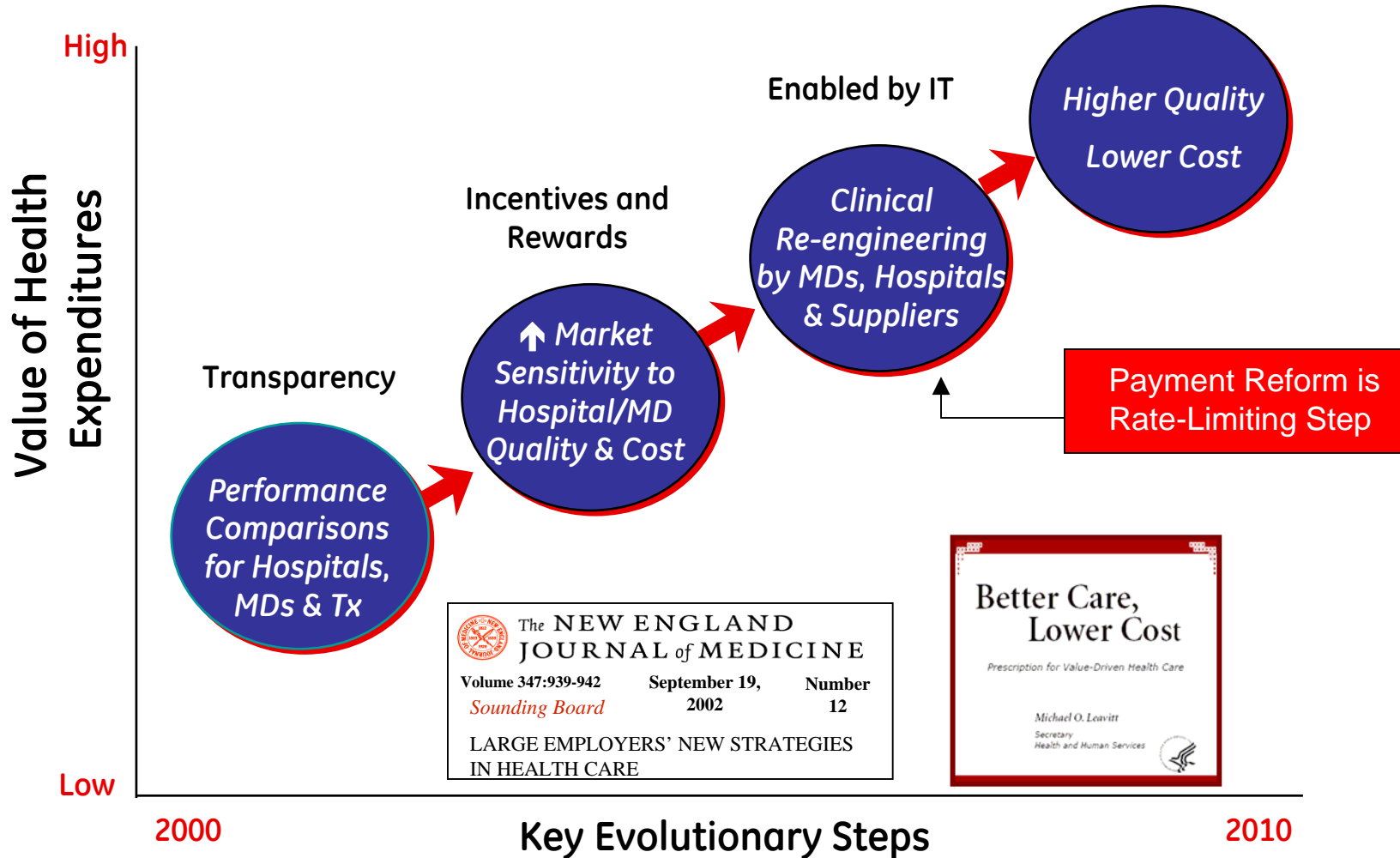


An Initiative of the Consumer-Purchaser Disclosure Project

Our Payment System Needs CPR: The Center for Payment Reform

June 5, 2009

Purchaser Vision





Purchasers Can Influence Change

Nearly a decade ago, leadership from large employers ...

THE LEAPFROG GROUP
Informing Choices. Rewarding Excellence.
Getting Health Care Right.

'98 → Present

- Provider measurement
- Public transparency
- Pay-for-Performance
- Hospital / safety focus

The Leapfrog Group logo features a green frog on a lily pad. A dotted green line starts from the frog and curves upwards and to the left, ending near the text "THE LEAPFROG GROUP".

... Spawned a lot of action

Most national health plans have transparency initiatives

250+ P4P programs/pilots

Medicare is now reporting mortality rates, with 2% at-risk for non-reporting

Medicare and health plan non-payment for "Never Events"

Hospital and Physician Value-Based Purchasing

Another opportunity to lead is here

Payment Reform Is Critical For Improving Value

Institute of Medicine (2006)

**“ The Secretary of . . . DHHS . . .
Should implement pay-for-
performance in Medicare using
a phased approach ”**

MedPAC 2004 (2004)

**“Current Payment Systems . . .
Are at Best Neutral and at
Worst Negative Towards
Quality”
Glen Hackbarth**

*“If I keep getting better,
I’m going to improve myself
right out of business”*

Today's Landscape

Broad Agreement That Current Payment System Is A Problem

- Med PAC, CMS, IOM Reports
- Multiple Initiatives Underway
- Significant P4P Momentum Driving Chaos

So Far The “Walk” Is Less Than The “Talk”

- < 1% of GE's \$2.5 Billion Spend Is Performance-Based
- For Any Given Physician, Performance-Based Payment Is A Small Percentage of Income . . . And Below The Cost Of Change

Government Poised to Act

- Senator Baucus and Others “Get” Delivery System Transformation

Payment Reforms In Play

Blended Payment

- Opportunity – improved coordination and quality
- Unintended consequence – more consolidation, higher prices

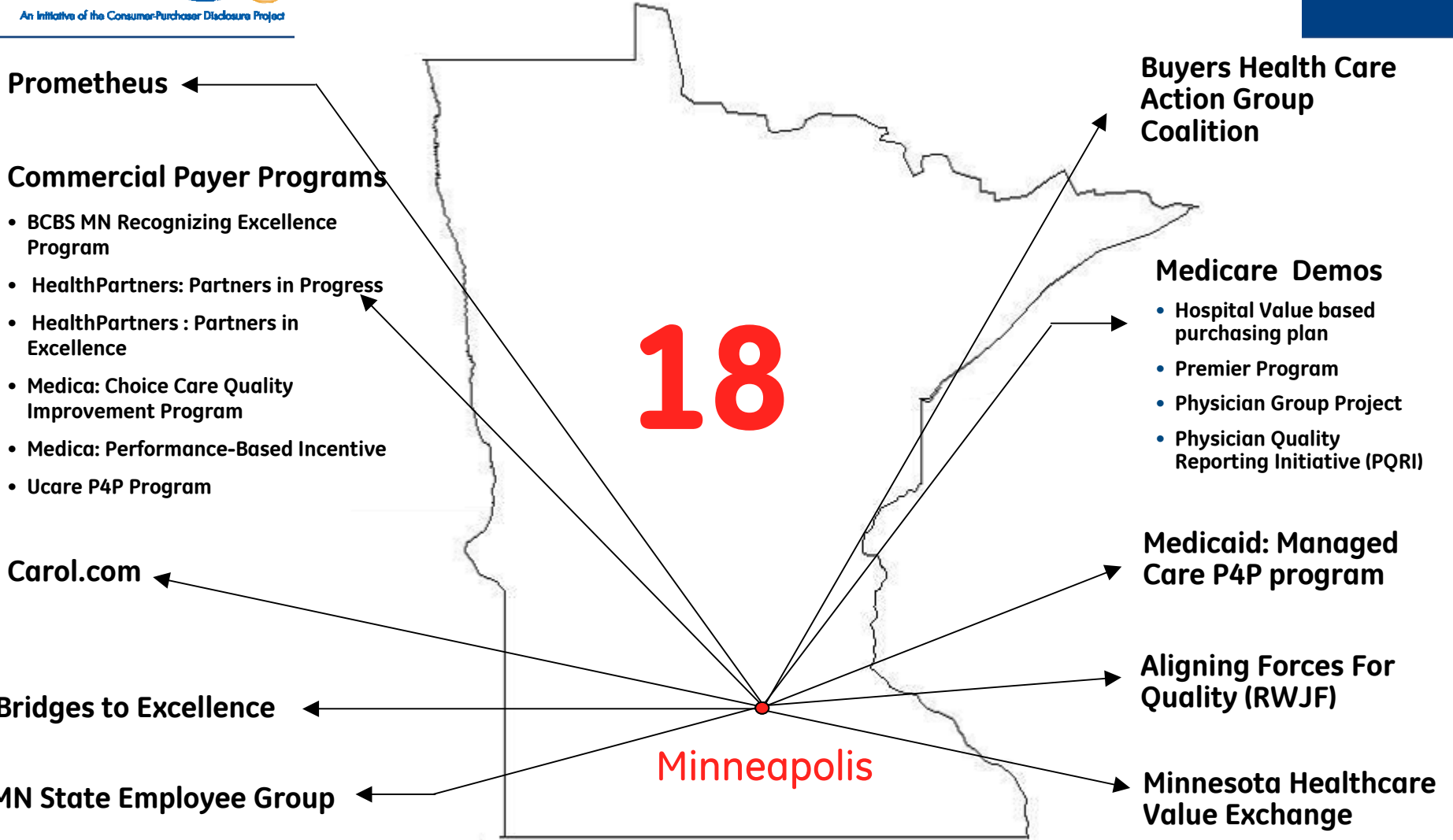
Medical Home

- Opportunity – á coordination, referral management and quality; re-admission reduction
- Unintended consequence – watered-down certification, higher cost

Policy & Private Sector Innovation

- Alignment between public-private sectors key to meaningful change ... no cost-shifting
- More knowledge needed on what works and doesn't ... and addressing the “expected” unintended consequences
- Public policy will spur private innovation ... and more chaos

Creativity . . . But Chaos, Too



Center for Payment Reform (CPR)

Assess best
practices to
inform
policy and
programs

Advocate for
effective and
aligned
payment
policies

Lead private
sector
purchaser
strategy

Platform For Change

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Payment Reform Principles

- 1 Reward value not volume
- 2 Promote coordination and incorporate patient values
- 3 Base payment decisions on independent processes with balanced stakeholder representation
- 4 Drive alignment between and within public and private health care sectors
- 5 Encourage simplified processes that are easy to understand and administer
- 6 Develop reforms on realistic goals and timelines for change

No 'One Size Fits All' Approach

Fee-For-Service

**Episode/
Condition-Based
Payment**

**Population-
Based Payment**

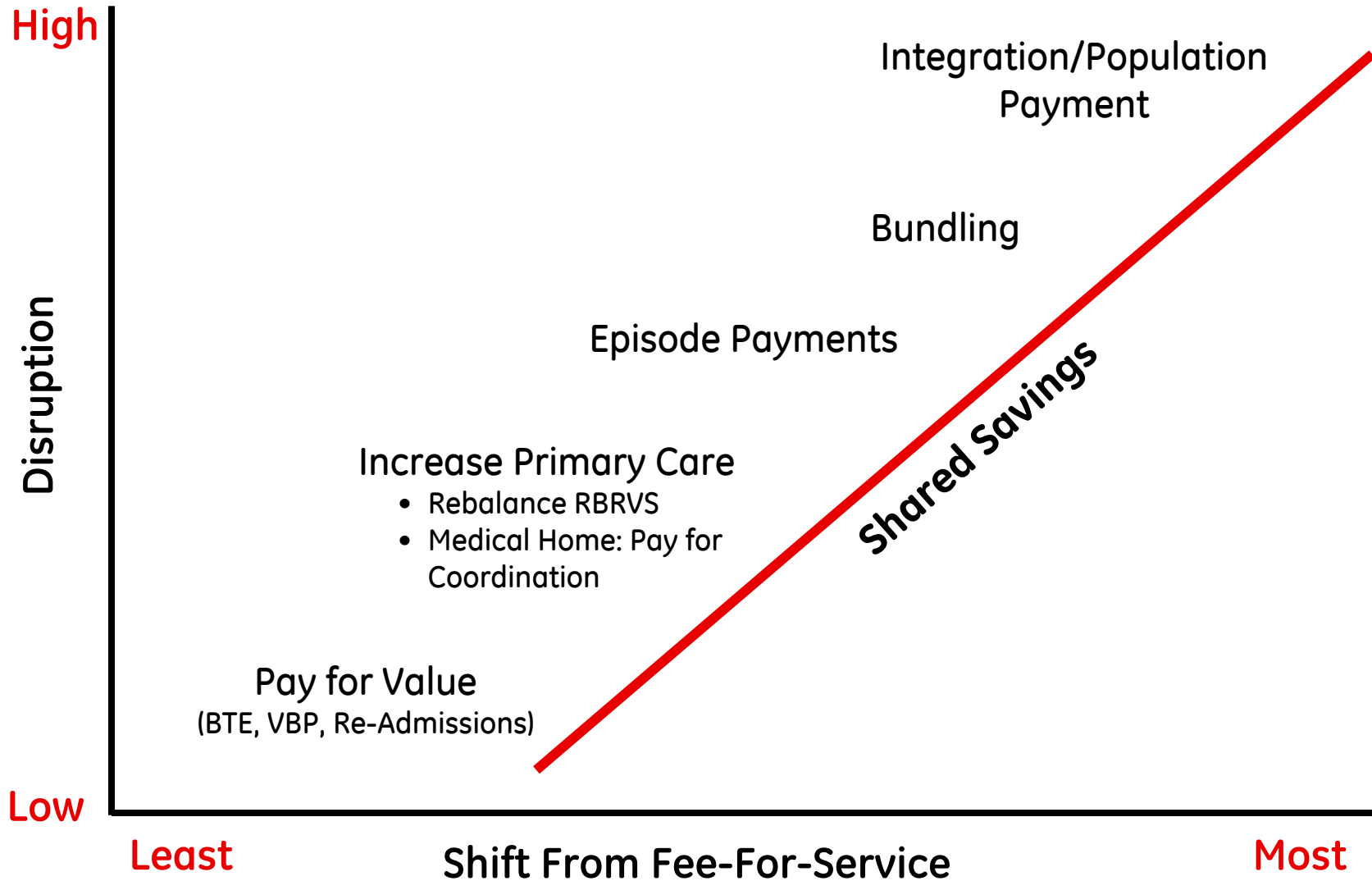
Pay-for-Performance

Each strategy can include additional rewards and/or penalties against desired quality goals, including process, structure, and outcome metrics

Reforms will vary based on market conditions

- Provider organization
- Delivery system infrastructure
- Active payment initiatives

Early Framework



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