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Paying for Performance: You Get What You Pay For, So Why Not Pay For What You Want?

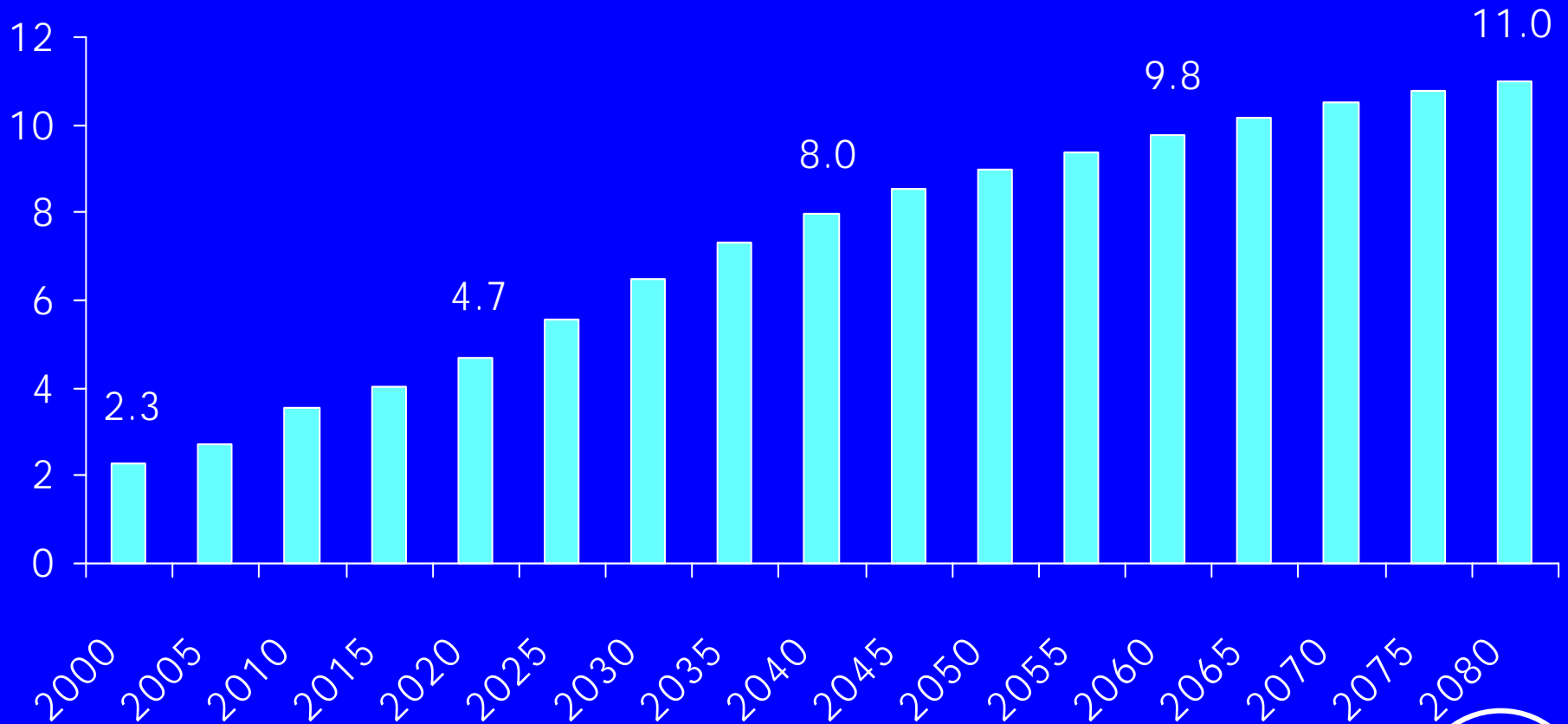
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National Institute of Health Policy
Health Policy Seminar
Washington, DC
April 15, 2008

Projections of Medicare Expenditures As a Percentage of GDP

Medicare's unfunded obligations through 2080 = \$38.9 trillion (5.5% of GDP)

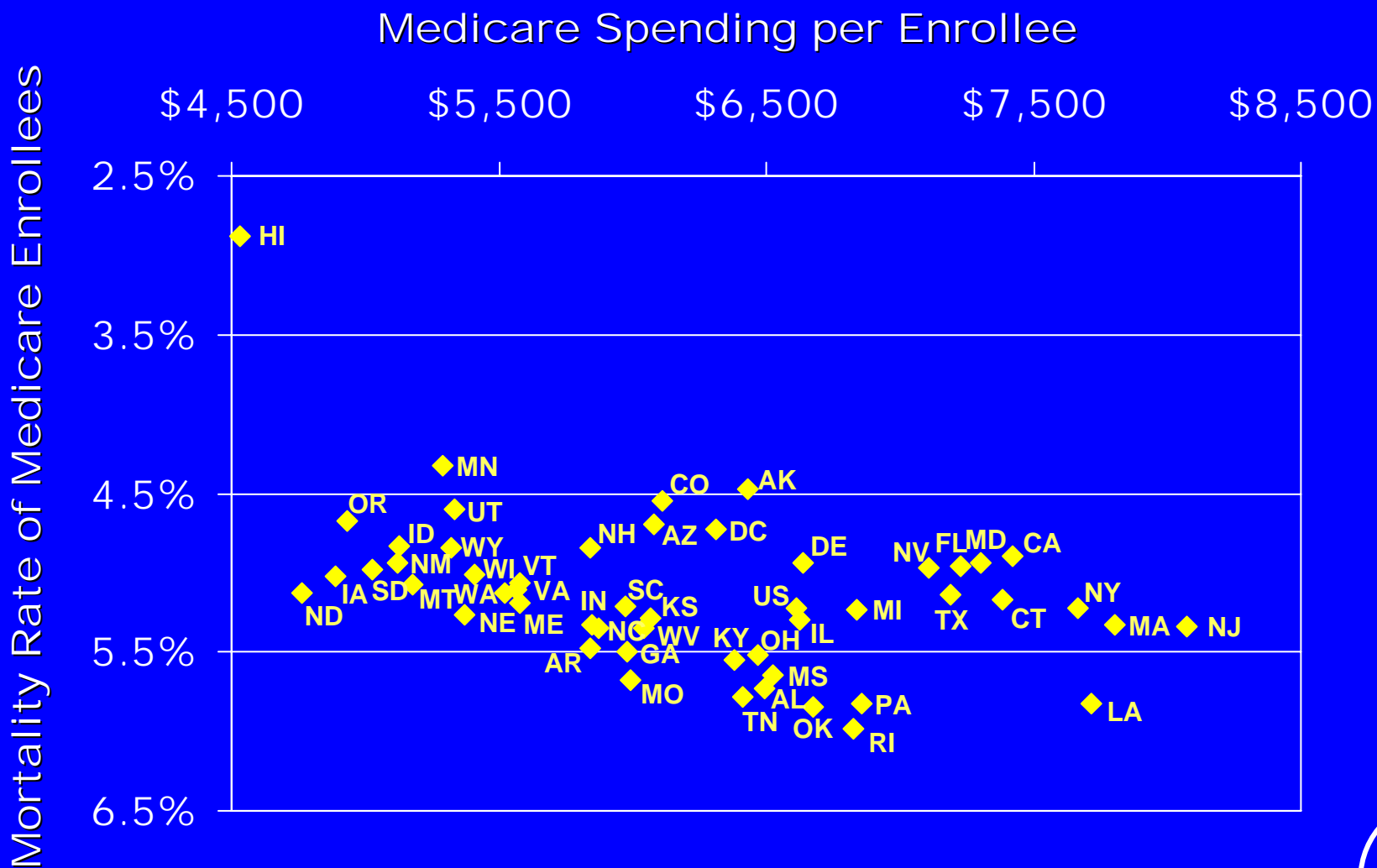
Percent of GDP



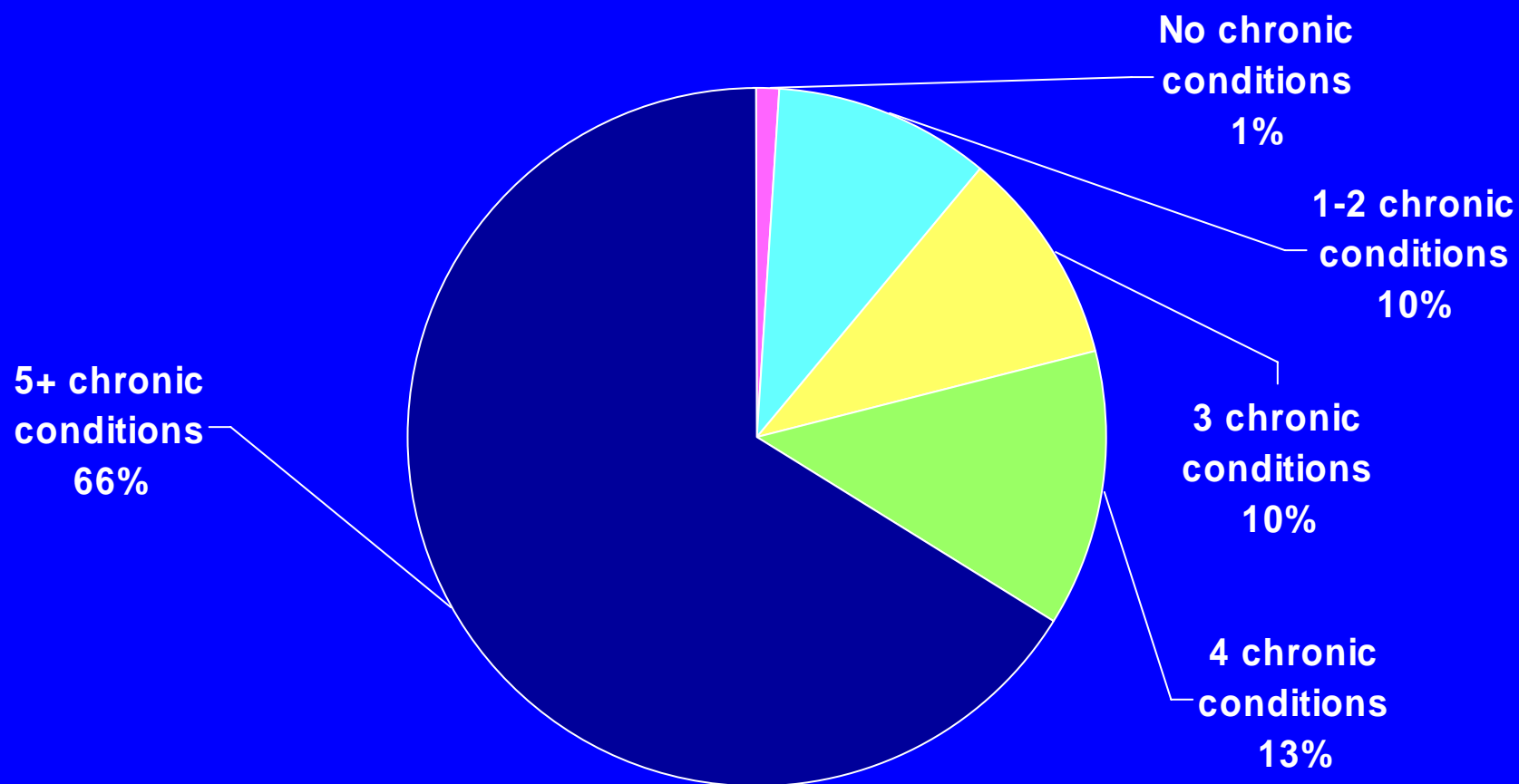
Source: Medicare Trustees' Report 2006.



Medicare Spending Per Enrollee and Mortality Rate By State, 2003



Two-Thirds of Medicare Spending is for People With Five or More Chronic Conditions



Source: G. Anderson and J. Horvath, *Chronic Conditions: Making the Case for Ongoing Care* (Baltimore, MD: Partnership for Solutions, December 2002)



Why Pay for Performance?

- Align payment with system objectives--pay for what you want provider to do
- Reward providers who improve quality and effectiveness
- Encourage system improvements
- Allocate limited resources more appropriately

Measuring Performance

- Quality--Mix of structure, process, outcome measures
- Efficiency
- More or fewer measures?
- Clarity and consistency
- Relationship to desired outcomes
- Consensus
- Availability of data

Encouraging Better Performance

- Vehicles for encouraging performance
 - Information collection
 - Information dissemination
 - Financial rewards
- What to reward?
 - Relative performance
 - Absolute threshold
 - Improvement

Financing and Other Support

- How to finance incentives?
 - New money or old?
 - Across-the-board reduction to create pool
 - Offsetting penalties
 - Offsetting savings, gain sharing
- Importance of technical assistance-- providing infrastructure for improvement

Medicare Initiatives to Improve Performance

- Chronic Care Initiatives
 - Medicare Case Management Demonstration
 - Medicare Coordinated Care Demonstration
 - Medicare Disease Management Demonstration
 - Medicare Health Support
 - Care Management for High-Cost Beneficiaries Demonstration
 - Medicare Advantage Special Needs Plans
 - ESRD Managed Care Demonstration
 - ESRD Disease Management Demonstration



Medicare Initiatives to Improve Performance

- Initiatives Focused on the Reporting of Performance Measures
 - Nursing Home Quality Initiative
 - Home Health Quality Initiative
 - Hospital Quality Initiative
 - ESRD Quality Initiative
 - Physician-Focused Quality Initiative



Medicare Initiatives to Improve Performance

- Financial Incentives to Improve Provider Performance
 - Hospital Quality Incentive Demonstration
 - Physician Group Practice Demonstration
 - Medicare Care Management Performance Demonstration
 - Nursing Home Value-Based Purchasing Demonstration
 - Home Health Pay-for-Performance Demonstration



Medicare Initiatives to Improve Performance

- Financial Incentives to Improve Provider Performance
 - Participating Heart Bypass Center Demonstration
 - Medicare Partnerships for Quality Cardiovascular Services and Quality Total Joint Replacement Services
 - Medicare Health Care Quality Demonstration
 - Physician Hospital Collaboration Demonstration
 - Medicare Hospital Gainsharing Demonstration



Deficit Reduction Act of 2005

- Extends hospital reporting requirements for full payment
- Increases penalty for not reporting
- Requires expansion of the list of required measures
- Allows replacement of outmoded measures
- Makes the data submitted by hospitals available to the public



Deficit Reduction Act of 2005

- Reporting on process, structure, outcome, patients' perspectives on care, efficiency, and costs
- Value-based purchasing program for Medicare hospital payments beginning FY 2009
- Reporting of secondary diagnosis at the time of admission beginning with FY 2008



Deficit Reduction Act of 2005

- No additional payment resulting from complications and co-morbidities that could reasonably have been prevented through the application of evidence-based guidelines beginning with at least two conditions in FY 2009
- Gain sharing demonstration program



Tax Relief and Health Care Act of 2006

- System for physicians to report measures of quality, beginning July 2007
- Physician assistance and quality initiative fund for 2008



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