

Value Based Purchasing and the Future of U.S. Health Care

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The
Economist

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Economist.com

Iran's agony
The mystery of Mrs Merkel
Asia's consumers to the rescue?
The Greeks and those marbles
Evolution and depression

Reforming health care

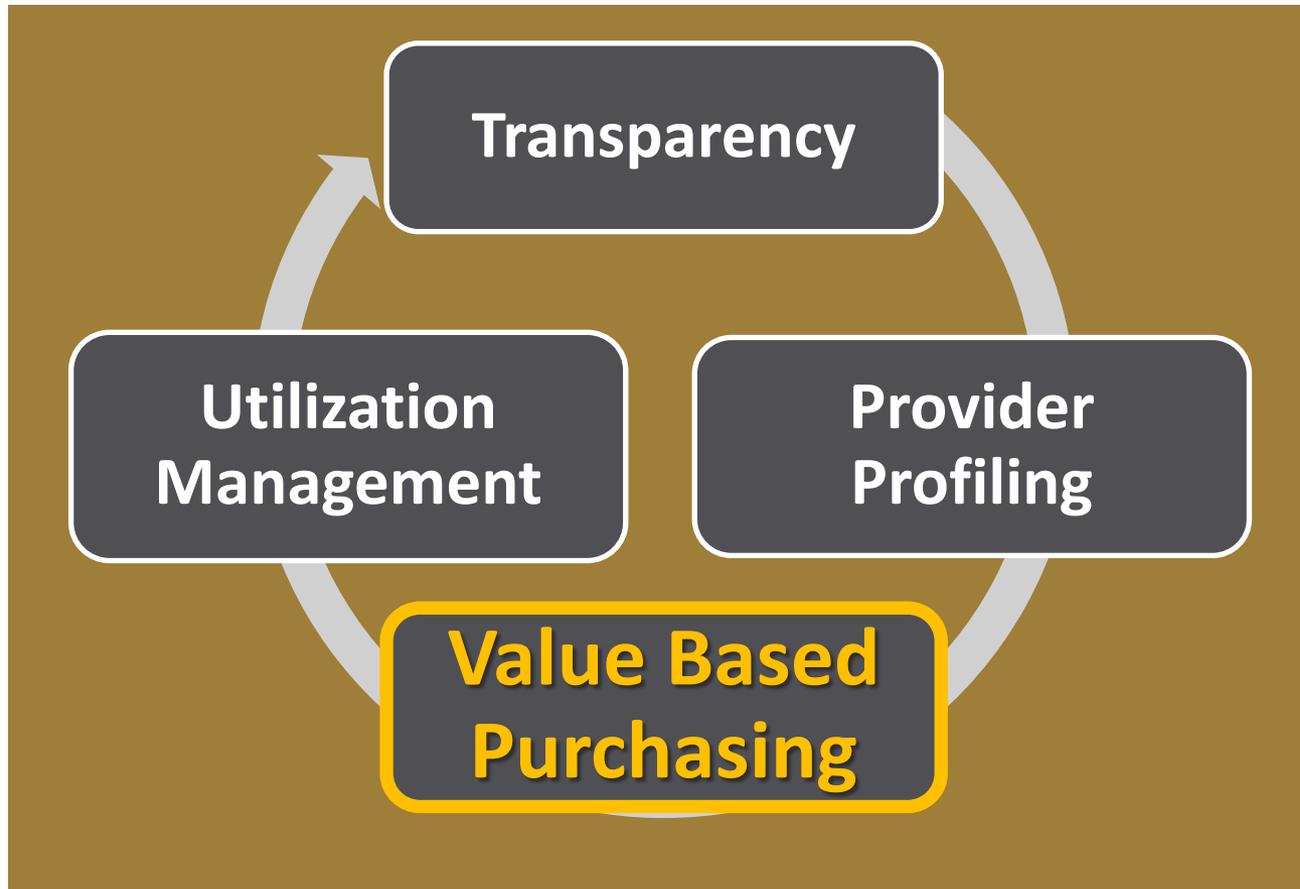
This is going to hurt



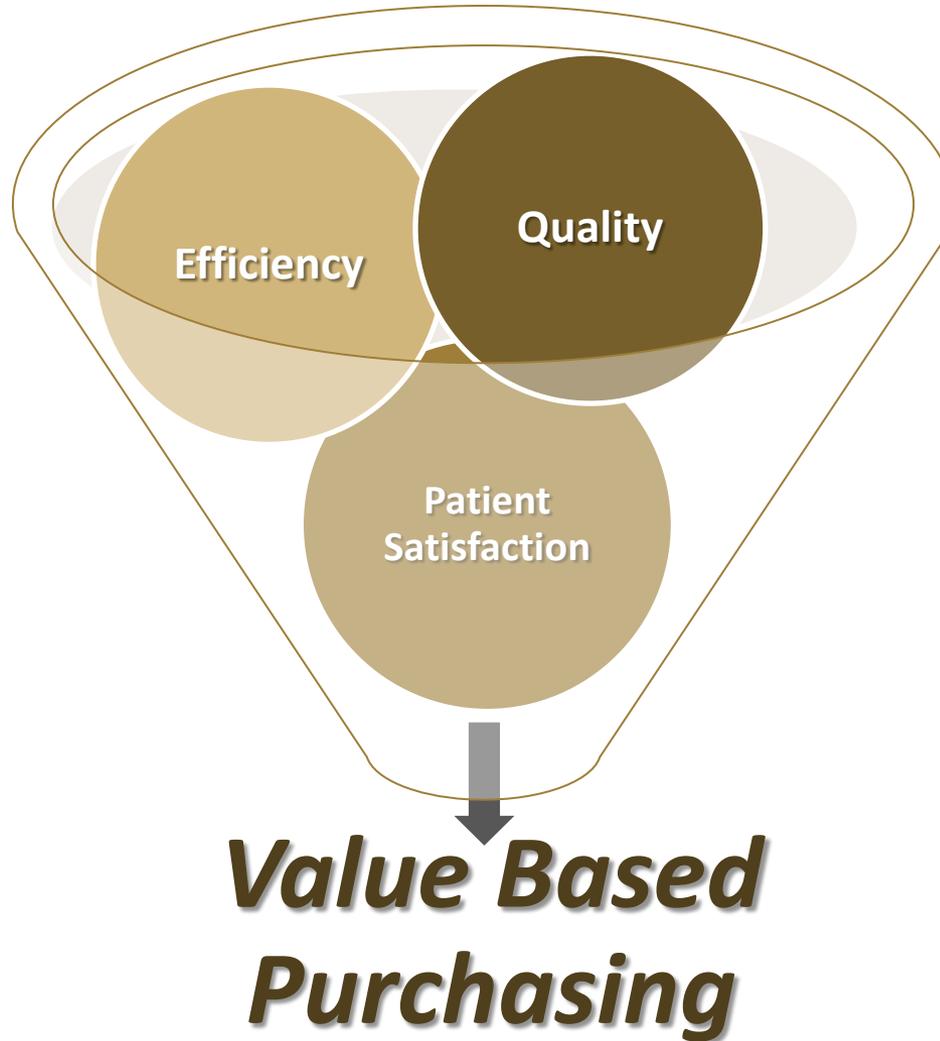
“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.”

**R. Buckminster Fuller
Engineer and Systems Theorist
(1895-1983)**

Strategic Approach Underpinning U.S. Health Care Reform



P4P to ... “*Value Based Purchasing*”



CMS Roadmap to “*Value Based Purchasing*”



PPACA (2010) Mandate for *“Value Based Purchasing”*”



How Are Value Based Purchasing Plans Structured?

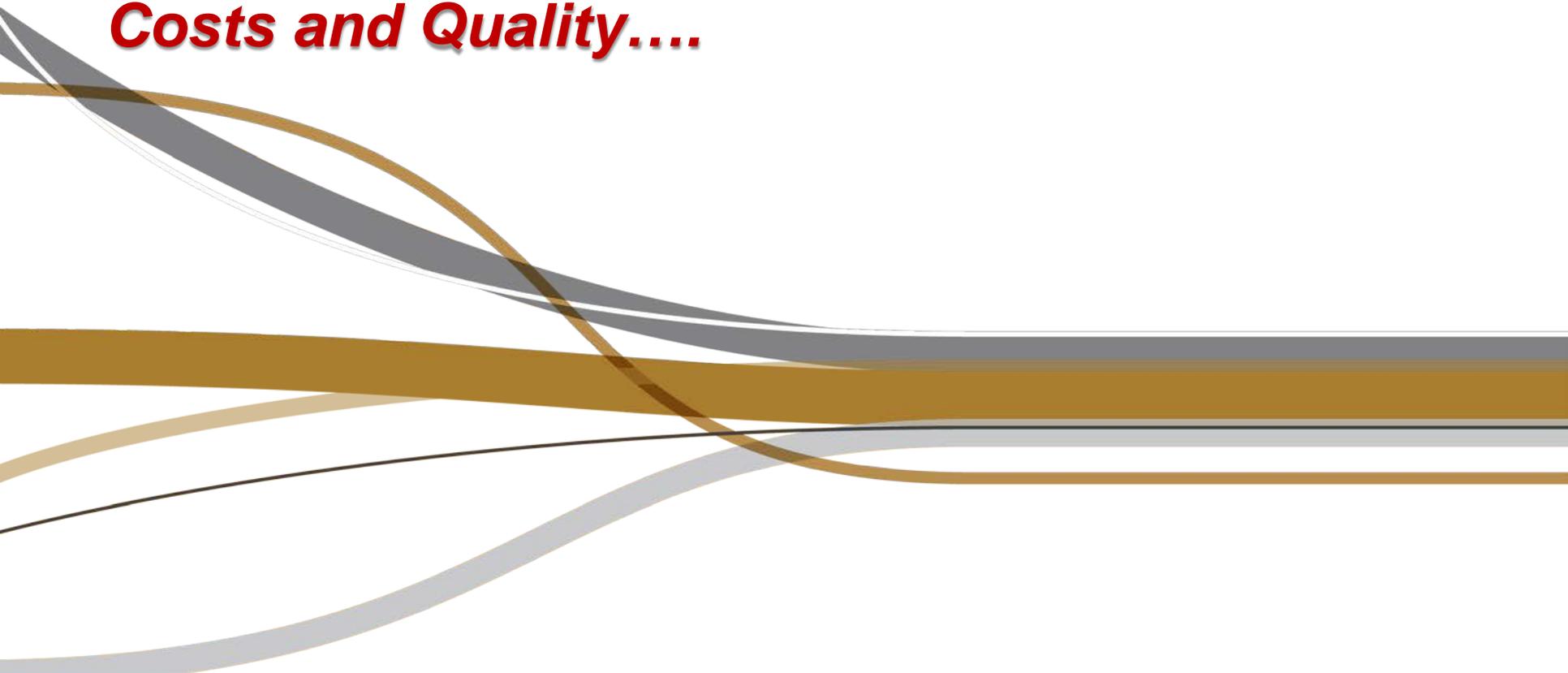
Incentives provided for

- I. Completion of processes believed to improve health outcomes
- II. Investment in structures believed to improve health outcomes (i.e. EMRs)
- III. Improvements in risk adjusted outcomes

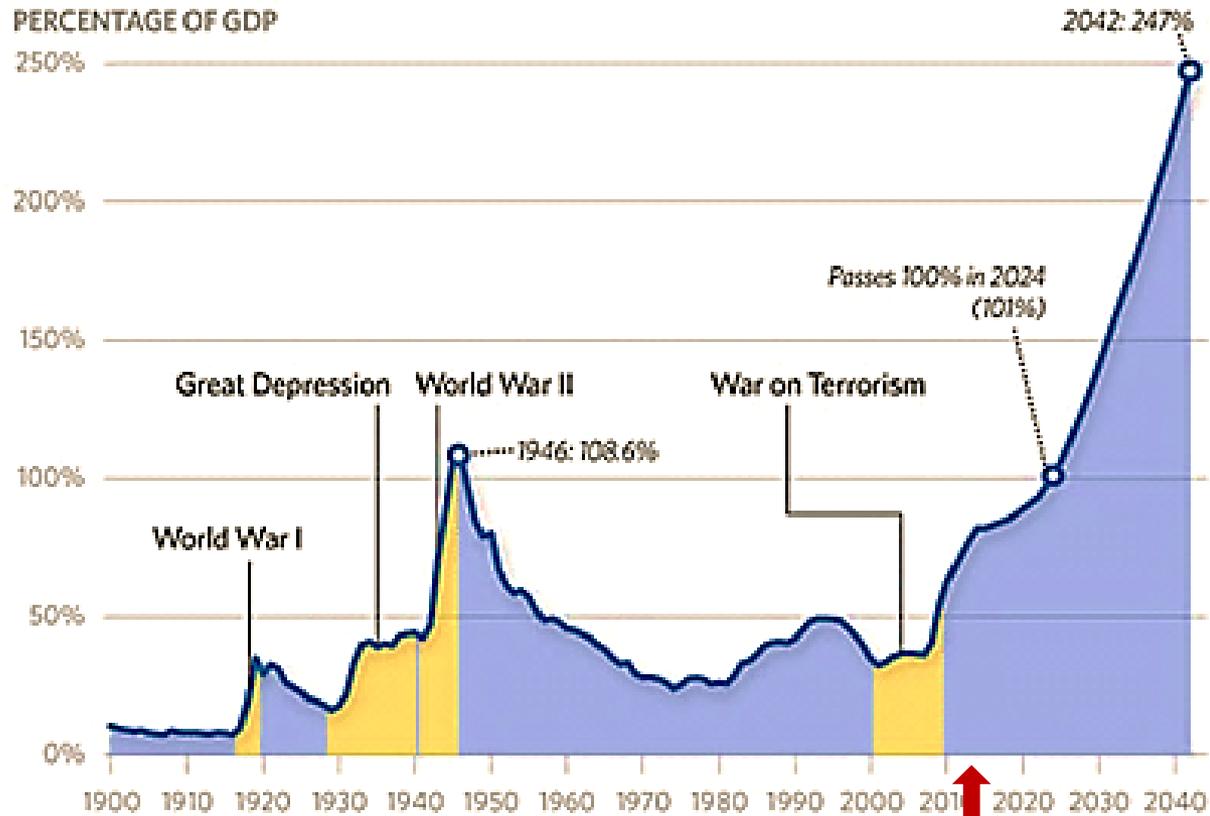
Pay for Performance (P4P)

Forces Driving Adoption of Value Based Purchasing

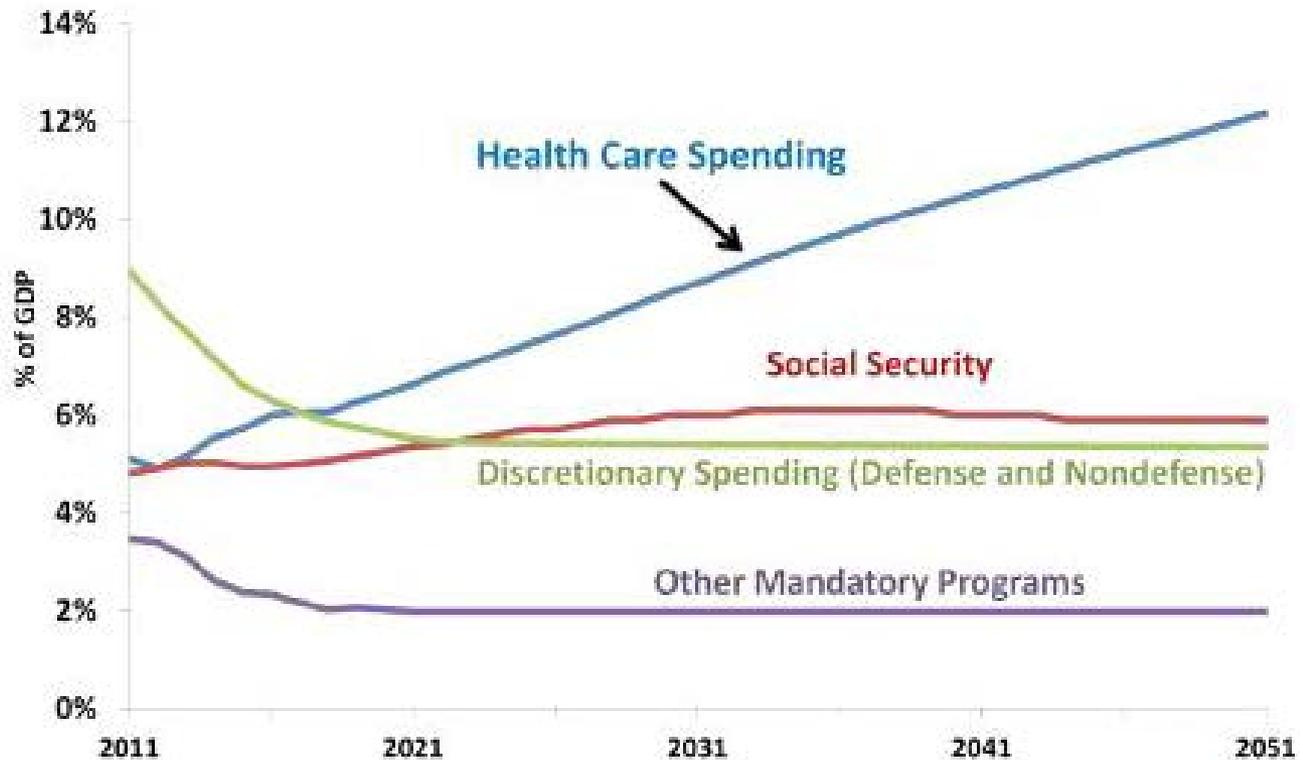
Costs and Quality....



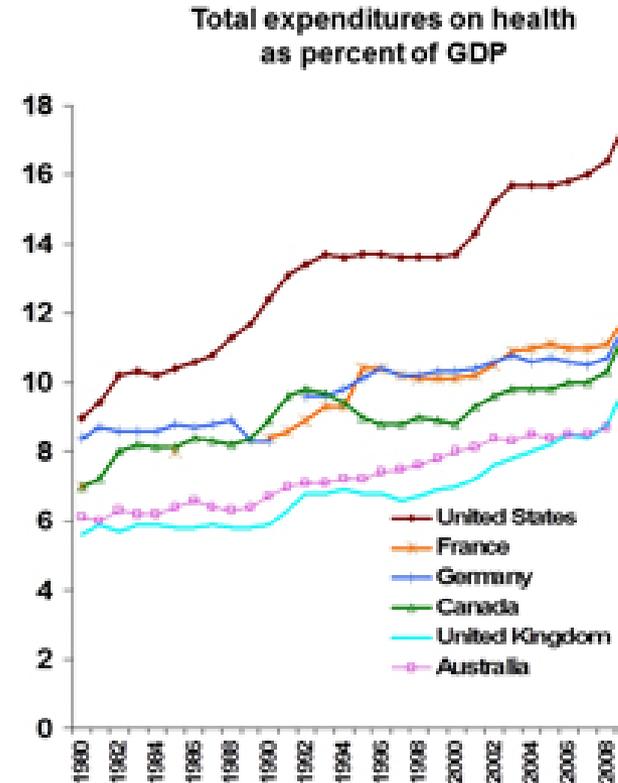
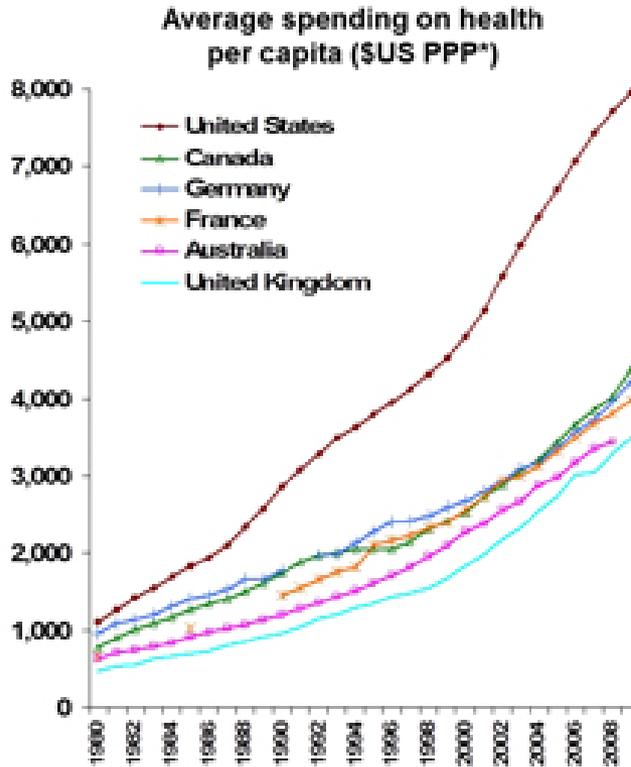
Projected Growth in Federal Debt (as % GDP)



Health Care Expenditures Drive Federal Budgetary Growth

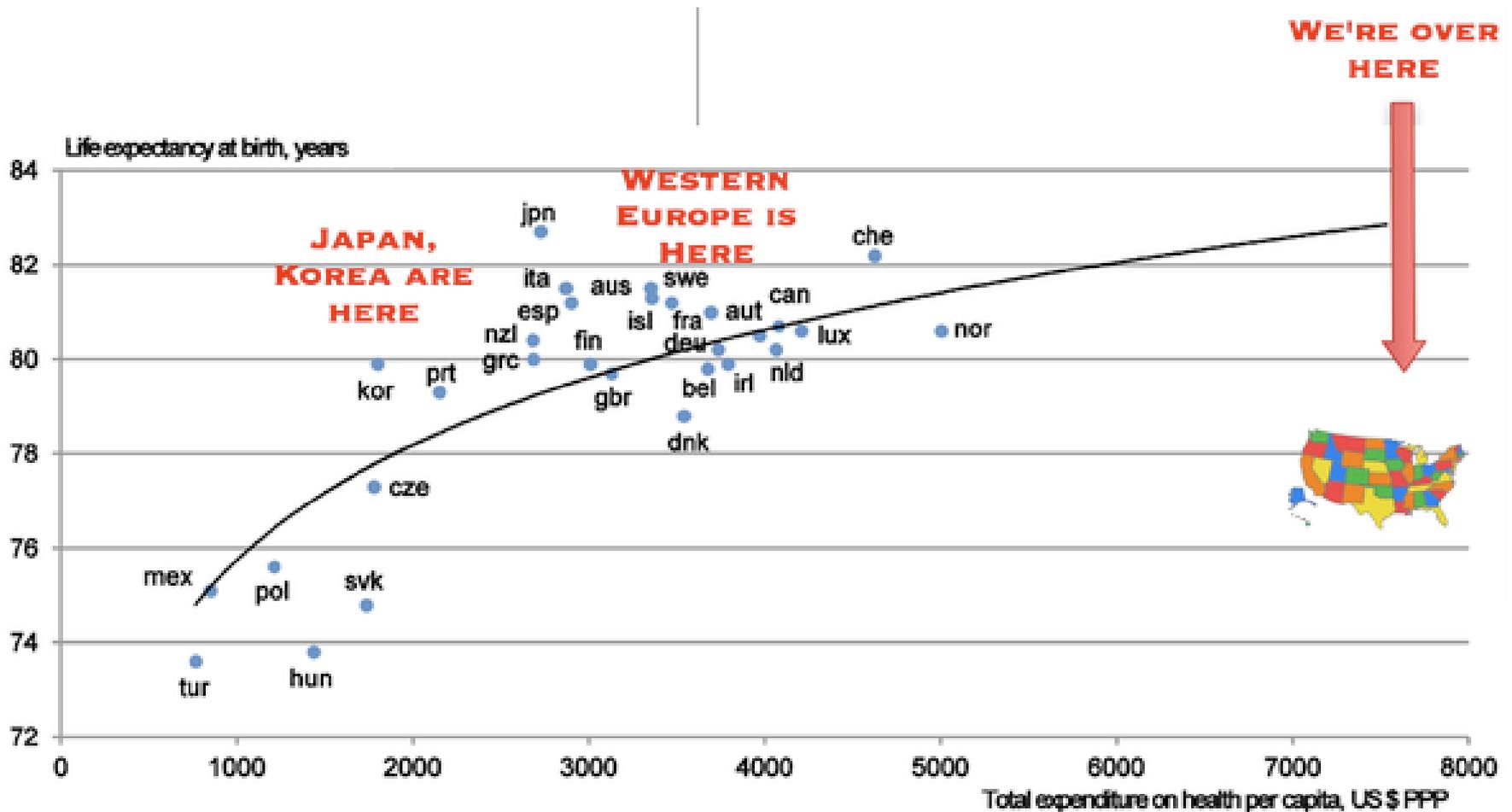


International Spending on Health (1980-2009)

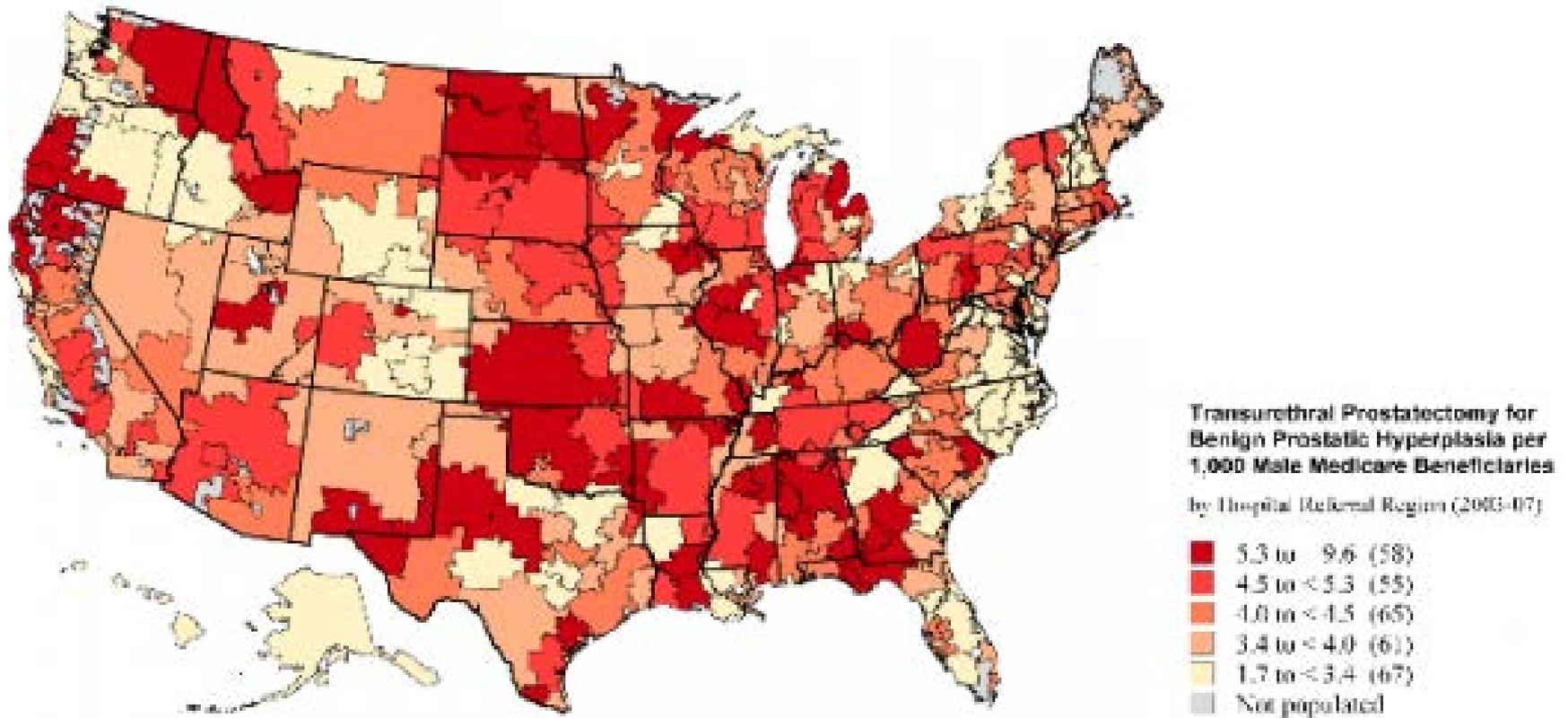


* PPP= Purchasing Power Parity.
Data: OECD Health Data 2011 (database), Version 6/2011.

Life Expectancy vs. Health Expenditures



Geographic Variations in Care TURP for Benign Prostatic Hypertrophy (per 1,000 Medicare Beneficiaries 2003-07)



Value Based Purchasing ... Beyond the Tipping Point

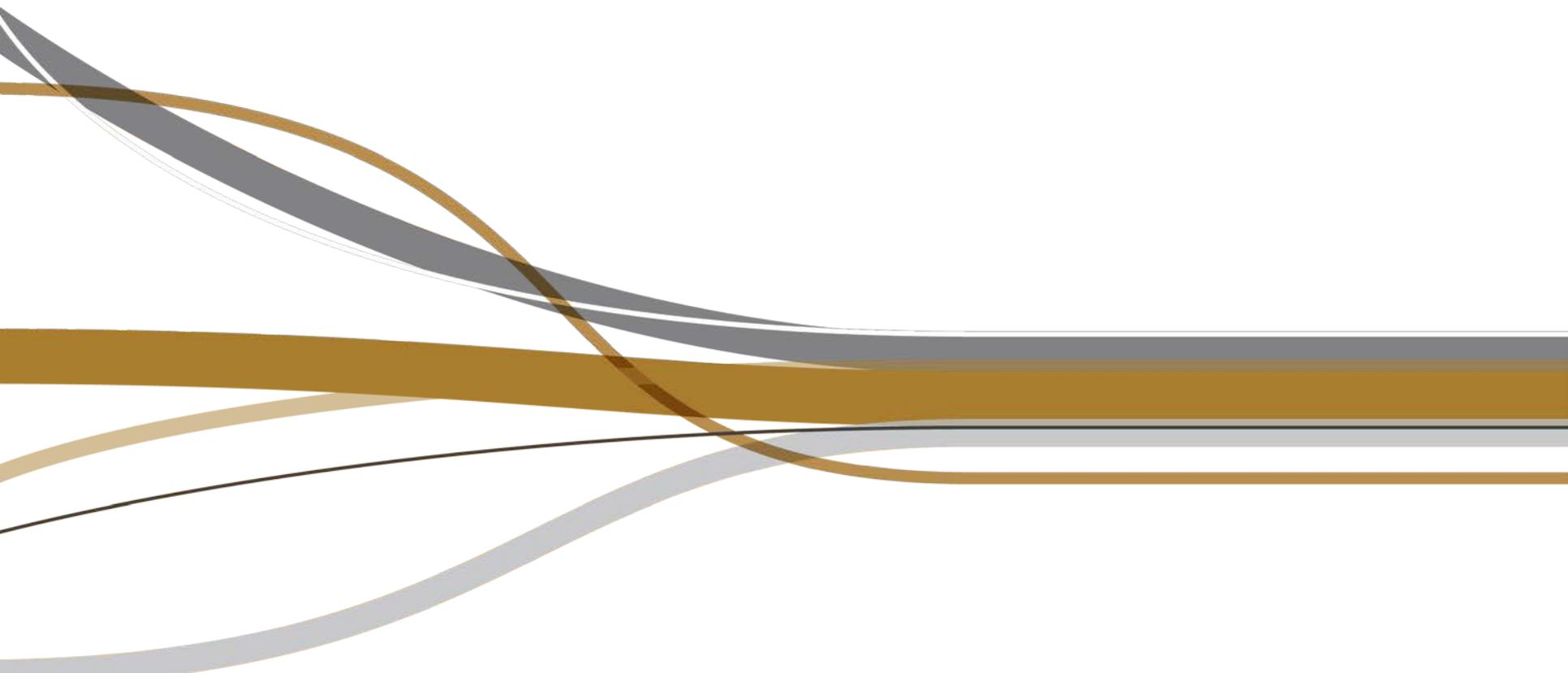


“There’s no question that pay for performance will work...”

**Thomas Scully, J.D.
Administrator CMS 2001-03**

Pay for Performance (P4P)

Empirical Evidence



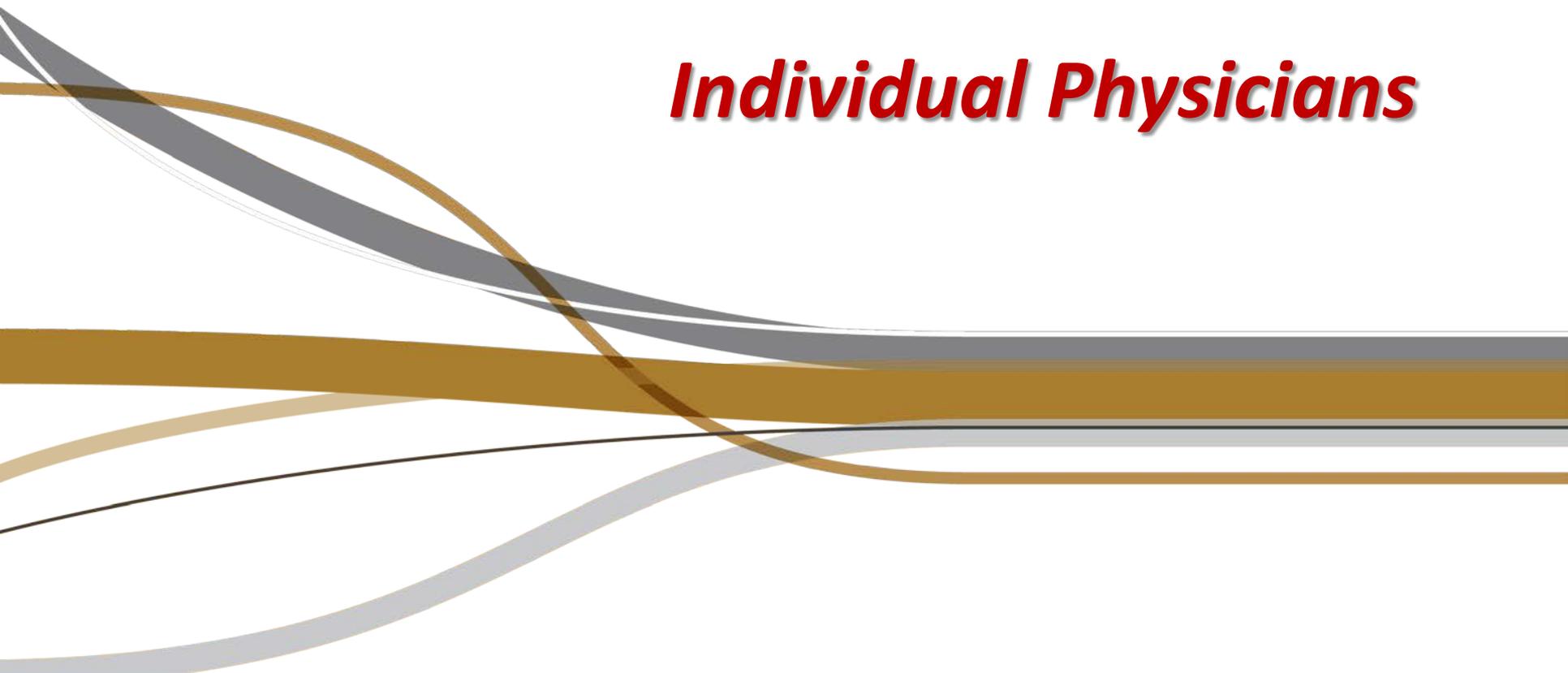
Empirical Evidence Supporting P4P

Not so much....

Pay for Performance (P4P)

Empirical Evidence

Individual Physicians





U.K. National Health Service Model Primary Care Providers

- **42 NHS primary care practices**
 - **Asthma, diabetes, and heart disease focus**
- **Primary care providers (2004-)**
- **146 metrics for “high-quality” performance**
- **Interrupted time-series analysis of quality before and after NHS implemented QOF program**



Effects of P4P on Quality of Primary Care in England

Results

- Quality improvements for most chronic conditions
- Quality decline for 2 non-linked conditions
- Continuity of care **REDUCED....**



Effects of P4P on Quality of Primary Care in England

Results

- Incentives per physician \pm \$40,000/yr
- Why variation from predicted model?
 - Improved quality of practice?
 - Improved documentation?
 - Gaming system?
 - Targets set too low?



“It has been said that politics is the second oldest profession. I have learned that it bears a striking resemblance to the first.”

Ronald Reagan

Pay for Performance (P4P)

Empirical Evidence

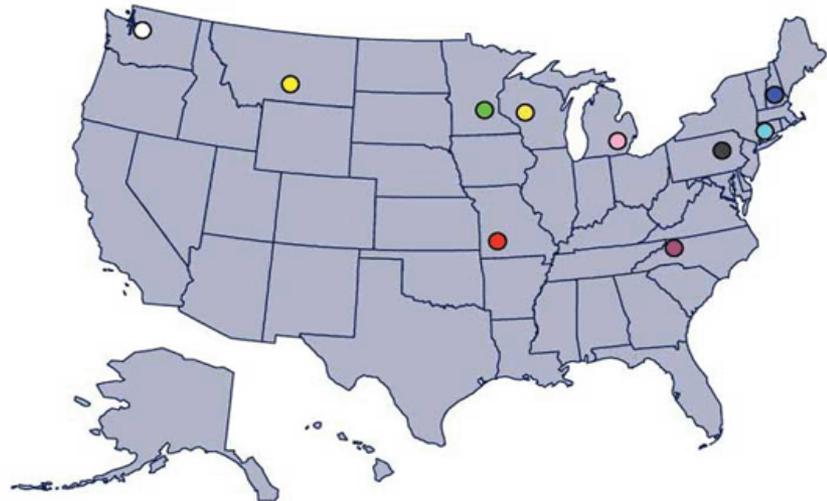
Group Practices





Lessons from *Physician Group Practice Demonstration* – A Sobering Reflection

- 10 integrated group practices
- Medicare payments + shared savings after reaching 2% threshold (2005-)



Physician Groups

- Everett, WA – Everett Clinic
- Marshfield, WI – Marshfield Clinic

Physician Networks

- Middletown, CT – Integrated Resources for Middlesex Area

Integrated Delivery Systems

- Springfield, MO – St Johns
- Danville, PA – Geisinger
- Billings, MT – Billings Clinic
- St. Louis Park, MN – Park Nicollet
- Winston-Salem, NC – Novant Forsyth

Academic Centers

- Ann Arbor, MI – University of Michigan
- Bedford, NH – Dartmouth Hitchcock



Lessons from *Physician Group Practice Demonstration* – A Sobering Reflection

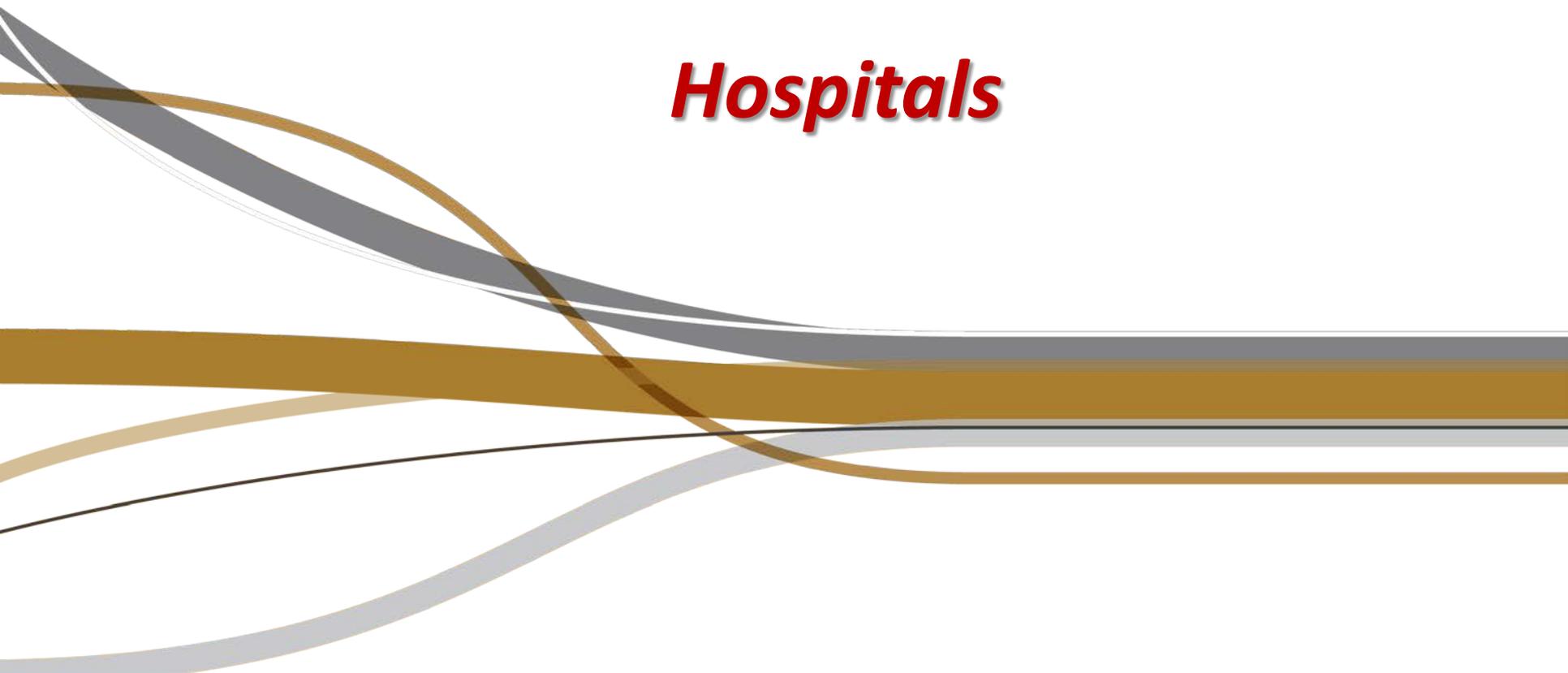
Results

- Significant achievements in 32 quality goals – most process measures
- **Concerns:**
 - **Delays to start-up**
 - **“Teaching to the test....”**
 - ***After 3 yrs, only 5/10 groups surpassed 2% savings threshold....***

Pay for Performance (P4P)

Empirical Evidence

Hospitals

The background features several overlapping, flowing lines in shades of gold, grey, and brown, creating a dynamic and abstract design.



CMS-Premier Hospital Quality Incentive Demonstration (HQID)

- Premier Healthcare Informatics members
- P4P group: 207 hospitals incentivized vs. 406 hospitals reporting data only (2003-)
- 33 quality measures/ 5 conditions (CHF, AMI, pneumonia, CABG surgery, hip/knee replacement)
- Annual composite quality measure
 - Top decile performers 2% bonus
 - 2nd decile 1% bonus
 - Year 3: Financial penalties for 2 lowest deciles



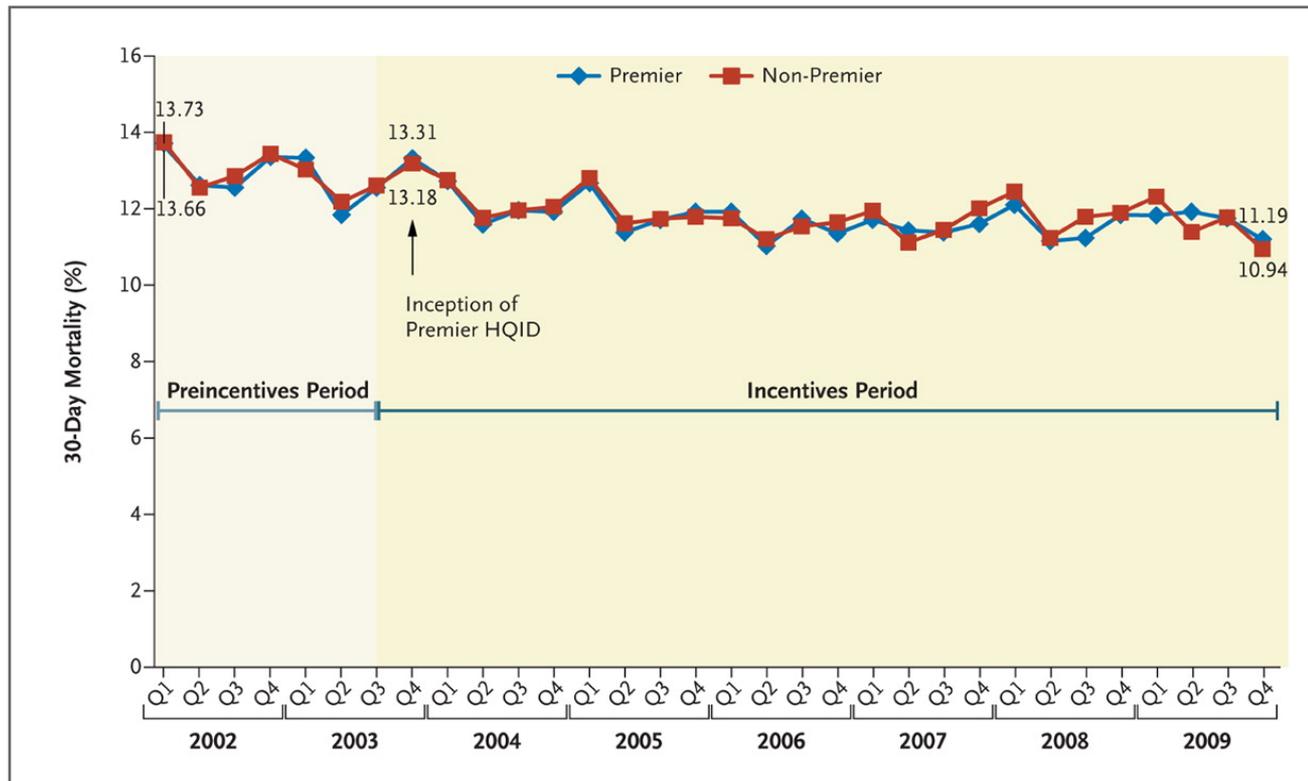
CMS-Premier Hospital Quality Incentive Demonstration (HQID)

Results

- ***“Modest quality improvement with P4P ...”***
 - 2.6-4.1% improvements over reporting alone
 - Inverse relationship with baseline performance
 - i.e. bonuses favored baseline high performers
 - Concerns
 - Risks to safety net programs
 - Administrative costs
 - Volunteer bias

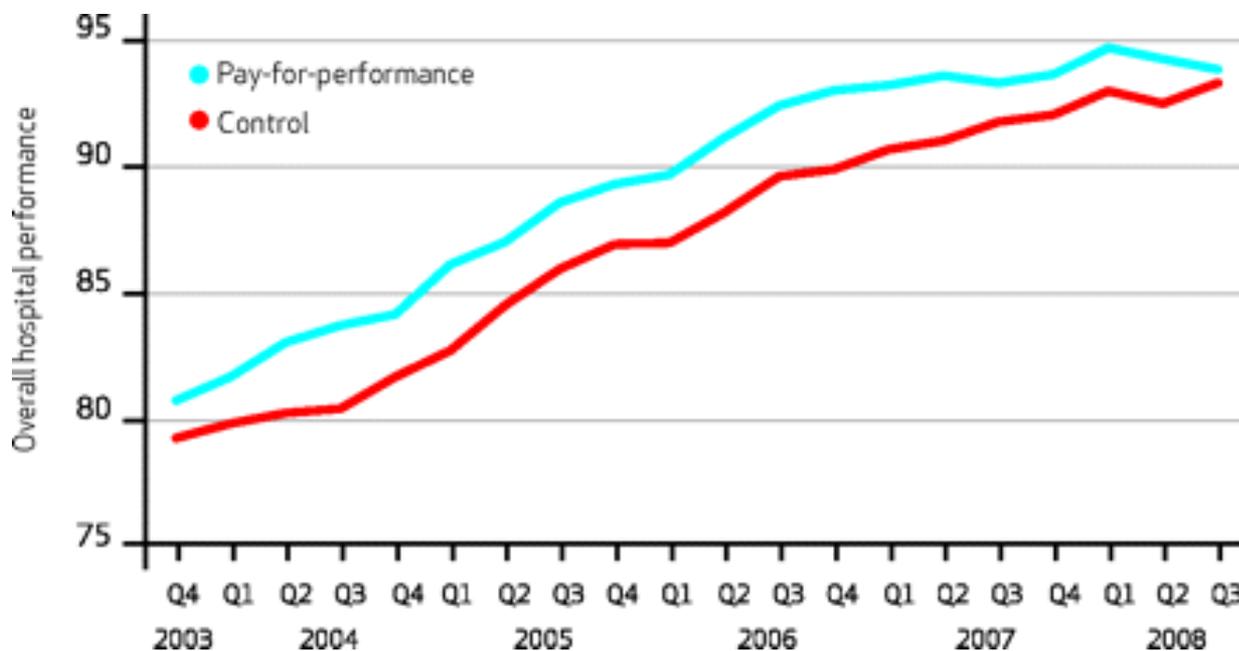


Long-Term Effect of CMS-Premier HQID Pay for Performance on Patient Outcomes



CMS Premier Quality Incentive Demonstration ... at 5 Yrs

“Effects of Pay-for-Performance No Longer Detectable”



All well and good...

but what about

COST

EFFECTIVENESS?

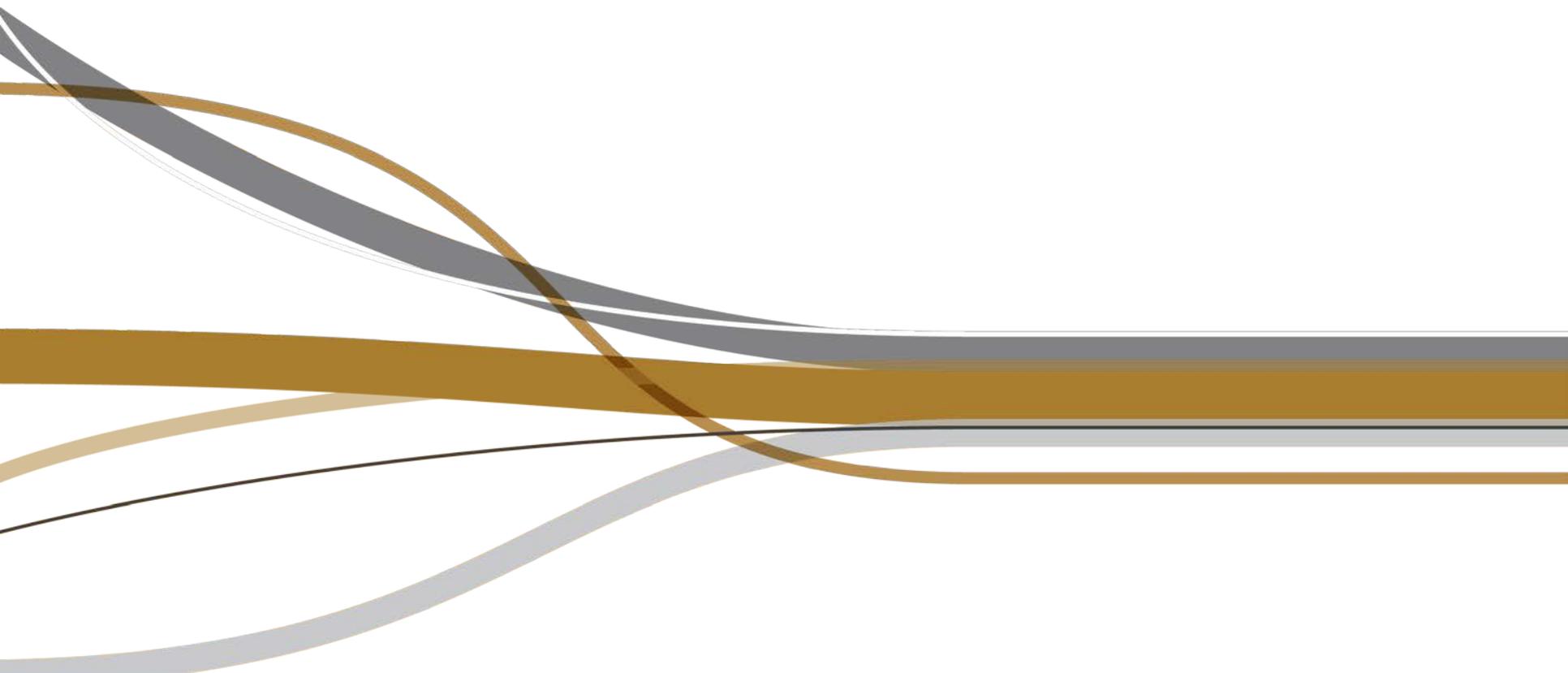


Economic Evaluation of P4P in Health Care: A Systematic Review

- 9 (of 1,644) studies met inclusion criteria
- Majority suggested “improved quality of care ... achieved with **HIGHER** costs....”
- Publication bias may overestimate benefits

Pay for Performance (P4P)

Unintended Consequences



Experience with P4P in Non-Health Care Sectors

- 1. Executive compensation**
- 2. Teacher and school reward programs**
- 3. Job training programs**
- 4. Experimental psychology research**

Experience with P4P in Non-Health Care Sectors

- **Executive compensation**

Little evidence supporting direct response to incentives

- **Teacher and school reward programs**

Observational literature suggests null or mixed effects

- **Federally funded job training programs**

Significant “gaming” effects

- **Experimental psychology research**

Improvements on simple process tasks – null or negative effects on complex (i.e. judgement/reasoning/problem solving) tasks

Unintended Consequences of Pay for Performance

- **Gaming**

- seeking incentives without pursuing targeted objectives (i.e. upcoding, adverse selection, patient deterrence,....)

- **Multitasking**

- “teaching to the test”

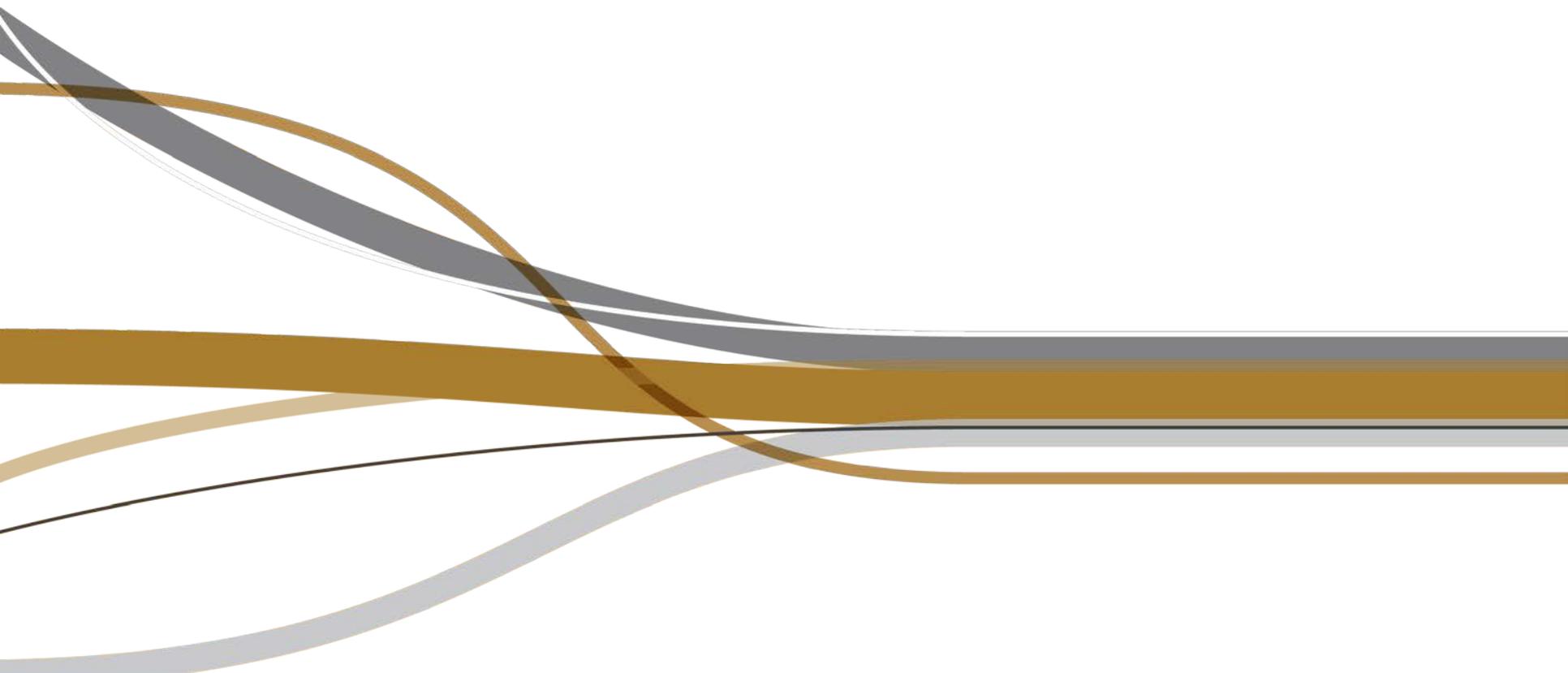
- **Deleterious competitive effects**

- **Diminished intrinsic motivation**

- professionalism
- self determination
- autonomy

Pay for Performance (P4P)

Challenges Facing “*Value Based Purchasing*”....



Challenges Facing Value Based Purchasing *Selection of Performance Metrics....*



Challenges Facing Value Based Purchasing

- **Performance metric selection**
- **Patient attribution**
- **Information technology limitations**
- **Funding sources**
- **“Unknown unknowns...”**

Can We Improve Quality by Paying for It?

Systematic Review Summary Statements

“...find **little evidence to support** effectiveness of **paying for quality**.”

Rosenthal MB MCR&R 2006

“...findings from these evaluations are quite **difficult to interpret**.”

Christianson JB Med Care Res Review 2008

“properly designed selective financial incentives can improve quality ... however, quality **improvements are likely to be relatively small**.”

Conrad DA Ann Rev Pub Health 2009

“...**evidence** that P4P improves quality or reduces cost is **scant**.”

Tanenbaum SJ J Health Politics 2009

“...**effectiveness of P4P** programs implemented to date is **highly variable**, from negative (rarely) or absent to positive or very positive.”

Van Herck P BMC Health Services Research 2010

Can We Improve Quality by Paying for It?

*“...current enthusiasm for pay for performance rests more on conceptual than empirical foundations ... past experience within the health care sector and elsewhere suggests that **paying for quality is unlikely to be a silver bullet.**”*

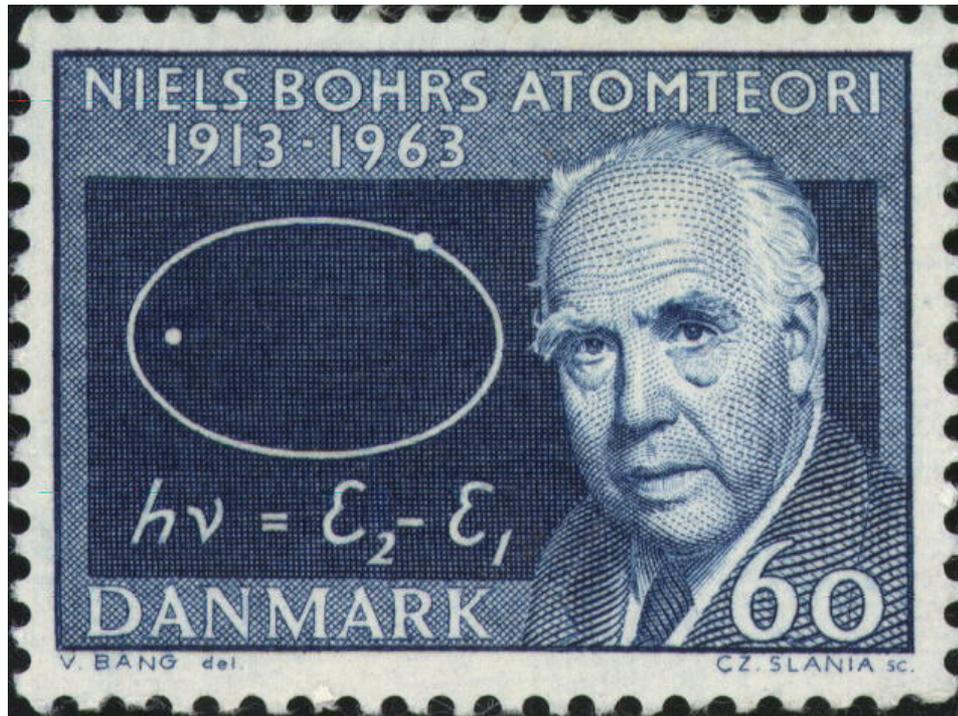
Why the Clamor for Value Based Purchasing?



“The world is full of obvious things which nobody by any chance ever observes.”

**Sir Arthur Conan Doyle
1859-1930**

Value Based Purchasing -- Where to Next?



“Prediction is very difficult... especially if it’s about the future.”

Niels Bohr

Value Based Purchasing -- Where to Next?

1. **Growth** in (1) financial incentives and (2) public reporting
2. **Expansion** into other health care sectors
3. Reported **metrics will increase**
4. Budget **deficits will constrain payments**
5. Expect **budget neutrality** – winners and losers.....
6. **“Efficiency”** measures around the corner
(i.e. cost + quality)



***“The future
ain’t what it
used to
be...”***

Yogi Berra

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