



***Pay for Performance: The National
Landscape***

Leah Binder, MGA, MA
CEO of the Leapfrog Group

2:00pm – 3:15pm
Tuesday, November 18



Pay for Performance: The National Landscape
Press Ganey National Client Conference
Leah Binder, CEO
www.leapfroggroup.org

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Untenable in Any Economy

- Rapid escalation in cost (9-20+%/yr)
- Companies unable to absorb growing medical cost through product price increases
- Individual companies have limited purchasing power to effect change in system

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Value is Questionable

How Many More Studies will it Take?
A Collection of Evidence That Our Health Care
System Can Do Better
New England Healthcare Institute 2008

Avoidable Adverse Events

- Studies from Harvard Medical School: Adverse events account for 5% of total health care spending (\$100 billion) and half were avoidable
- 5-10% of all inpatients acquire one or more infections, resulting in estimated 90,000 deaths and \$4.5-\$5.7 billion per year.

Unexplained Utilization

- Variation in patterns of care—between high and low regions approaching 30% of total health care spending, or \$690 billion
- 40% of all emergency visits are for non-emergent conditions

The Clash of Mindsets

Business

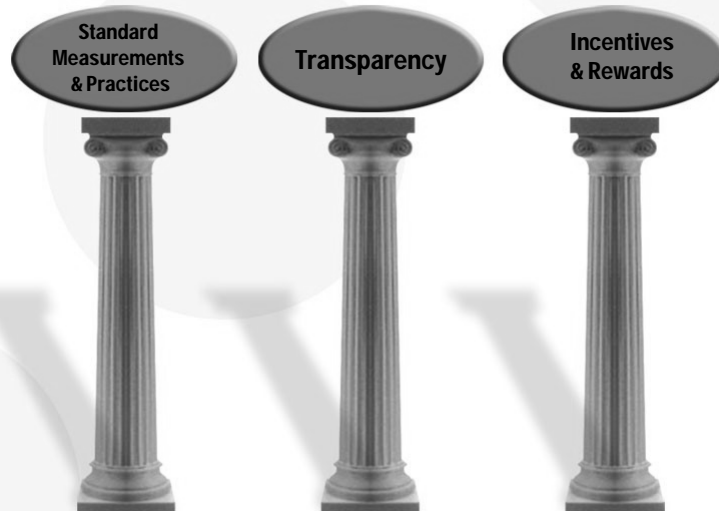
- Competition is good
- Value is the aim
- ROI is premier
- Employees #1

Healthcare

- Not selling widgets
- Can't measure value
- Can't measure ROI
- Pay for care even if it harms the patient

- Founded by Business Roundtable and other purchasers
- IOM Report of 1999 galvanizing force

Pillars for Improving Quality





The Leapfrog Hospital Survey

1. Computer physician order entry (CPOE)
2. Staffing ICUs with intensivists
3. Evidence-based hospital referral (EHR) for patients needing high-risk care to hospitals with the best track record and experience
4. Safety Score of other National Quality Forum (NQF) -endorsed Safe Practices

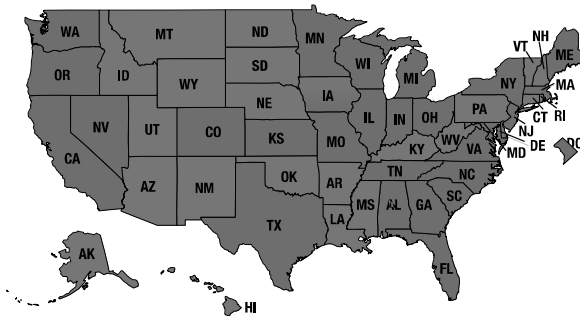
Beyond

- "Never events" policy
- Hospital acquired conditions

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Leapfrog's Regional Roll-Outs: *Painting the USA Green 2001-2007*



Regions drive survey data collection:

1. Recognize hospitals for participation and good performance
2. Use various financial incentives and rewards to drive further improvements

Regional Roll-Outs!
(Regions in Green)

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Leapfrog Initiatives Become Mainstream

- Never events policies (CMS, health plans)
- Report cards/ Hospital Compare website
- Harmonizing of health plan measures
- P4P

2006 Longitudinal Survey Results with 2007 Market Updates

December 2007



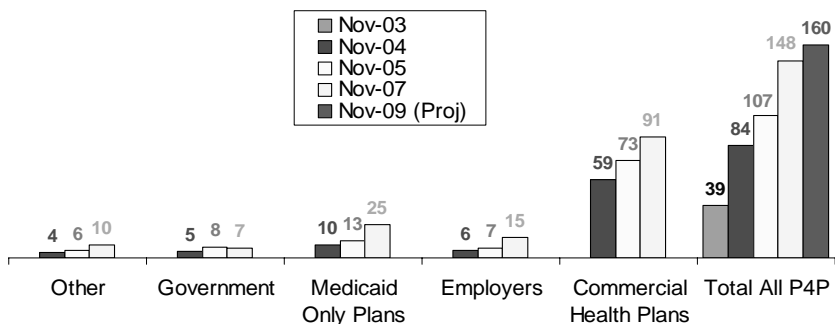
Authors:
Geoffrey Baker
Suzanne Delbanco

The Leapfrog Group
www.leapfroggroup.org

Med-Vantage, Inc.
www.medvantage.com

This survey evaluates the trends and implications for provider Pay-for-Performance (“P4P”) incentive programs in health care. This is the third annual survey with selected longitudinal results since 2003.

- 75 web-based survey respondents representing 185M subscribers with 35M subscribers in P4P programs.
- Conducted in Q1, 2007 for 2006 results
- Empirical research in December 2007 to supplement findings



Note: For "Other" in 2007, we included disease management programs and vendors with P4P incentives under the primary program sponsor (Medicaid) and 10 projected implementations

Multiple Incentive Models

| Which of the following TYPES of P4P or incentive programs does your organization operate? | Response Total | Response Percent |
|--|----------------|------------------|
| Physicians—payment of financial incentives to individual physicians, small physician practices or organized physician groups (IPAs and medical groups) | 68 | 91% |
| Hospitals—payment of financial incentives to hospitals | 26 | 35% |
| Health Plans—payment of financial incentives to health plans | 2 | 3% |
| Consumer health plan choice—premium or benefit differential for choosing high-value health plans | 1 | 1% |
| Consumer hospital choice—benefit (e.g. co-pay or coinsurance) differential for choosing high-value hospitals | 3 | 4% |
| Consumer physician choice—benefit (e.g. co-pay or coinsurance) differential for choosing high-value physicians | 8 | 11% |
| Consumer pharmaceutical choice—benefit (e.g. co-pay or coinsurance) differential for choosing high-value pharmaceuticals | 11 | 15% |
| Consumer healthy behavior choice—incentives for participating in health promotion or health management activities | 16 | 21% |
| Total Respondents | 75 | |

Reasons for Implementing P4P Programs

| Criteria for Implementing P4P | Mean 2006 (n=62) | Mean 2005 (n=60) | Mean 2004 (n=50) |
|--|------------------|------------------|------------------|
| Improve patients' clinical outcomes | 4.63 | 4.36 | 4.60 |
| Improve member experience (e.g., patient satisfaction) | 4.00 | N/A | N/A |
| Differentiate in the market, convey positive image | 4.00 | 3.62 | 3.64 |
| Drive standardization of performance measures | 3.93 | N/A | N/A |
| Align with other initiatives (e.g., disease management, high performance networks, consumer-directed benefit designs, consumer-directed provider report cards) | 3.75 | 3.57 | 4.02 |
| Reduce medical errors/improve patient safety | 3.63 | 3.3 | 3.68 |
| Improve bottom line, lower cost | 3.53 | 3.24 | 3.28 |
| Improve data collection and reporting from providers | 3.53 | 2.99 | 3.44 |
| Respond to employer pressures | 3.14 | 2.74 | 2.87 |

Using a scale from 1-5, where 1 equals NOT important and 5 equals VERY important

Impact of P4P Programs on Hospitals

| What results, if any, do you attribute to your pay-for-performance program? | 2006 Percent (n=9) |
|--|--------------------|
| Performance on clinical measures has improved | 67% |
| Performance on patient surveys has improved | 22% |
| Cost performance has improved: either a positive Return on Investment (ROI), a net cost savings, or the trend in cost increases has slowed | 11% |
| Consumers have shifted to high performing hospitals | 0% |
| Hospitals have invested in QI or electronic systems | 11% |
| None of the above have taken place | 0% |
| Too early to tell the effects | 33% |
| Anecdotal improvements to hospital administration interest in quality | 11% |

Level of Improvement Resulting from P4P Program Intervention

| HOW MUCH Improvement have you experienced? | 2006 Percent (n=26) |
|--|---------------------|
| Clinical performance improved but not significantly | 31% |
| Clinical performance improved significantly | 65% |
| Patient survey results improved but not significantly | 12% |
| Patient survey results improved significantly | 12% |
| There has been a net cost savings | 15% |
| The trend in cost increases has slowed | 19% |
| The program has demonstrated a positive return on investment (ROI) | 15% |

- Rewards quality and efficiency from Leapfrog Hospital Survey 2008
- Recognition and rewards
- Achievement and improvement
- Nationally branded with customizable features

- Gainsharing with providers
- Copay and deductible differentials in benefits packages
- More profound reimbursement incentives

- Better balance: healthcare doesn't produce widgets, but good business practices are still necessary and P4P can work
- Employees will be paying out of pocket more, and will expect better value
- Good performance deserves to be rewarded
- Needed: more national standards for P4P, standardized outcomes measures, boldness