

Telehealth Leadership Conference

Paying for Value to Improve Quality

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March 7, 2006



Overview

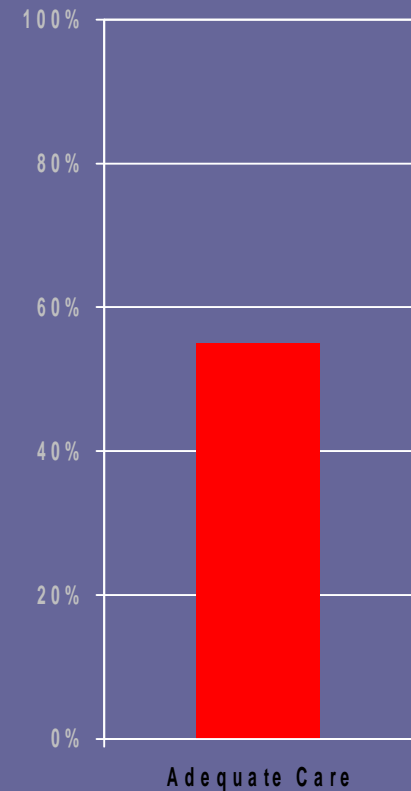
- **Quality problems are pervasive.**
- **Consumers bear the costs of poor quality.**
- **Current payment policies do not support better performance.**
- **Aligning payment with performance makes sense.**
- **Must confront the challenges to achieve better results.**

Quality Problems Are Pervasive

- Underuse of necessary care
- Overuse of services that are not beneficial
- Misuse (medical mistakes)

POOR CARE

- RAND Study:
Only 55% of recommended care was received, regardless of whether care needed was preventive, acute, or chronic



Elizabeth McGlynn, et al, "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine*, Vol 348(26):2635-2645, June 26, 2003.

POOR CARE IS COSTLY

- 57,000 deaths per year attributed to failure to provide recommended care
- Missed care opportunities cost more than *\$1 billion a year*:
 - Beta-blocker treatment **\$11m/yr**
 - Cholesterol mgmt/control **\$94m/yr**
 - High blood-pressure control **\$1.2b/yr**

Elizabeth McGlynn, et al, "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine*, Vol 348(26):2635-2645, June 26, 2003.

POOR CARE IS COSTLY

§ Cost impact: “30% of all direct health care outlays today are the result of poor-quality care, consisting primarily of overuse, misuse, and waste.”

§ “. . . poor quality cost employers \$1900-\$2250 per covered employee each year.”

Source: Midwest Business Group on Health in collaboration with Juran Institute, Inc. and the Severyn Group, Inc., “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership, 2003 Executive Summary

ERRORS

- More than 1 million patients per year injured as a result of *error*.
- 400,000 estimated deaths per year as a result of *errors* --
close to a quarter in hospitals.
- About two-thirds are preventable.

CAUSES OF ERRORS

- Communication problems
- Pharmaceutical mishaps
 - Prescribing
 - Transmitting – writing out, phoning
 - Filling Rx
 - Administering doses
- Effects of fatigue or understaffing
- Lack of training or procedural skill
- Equipment design

I.T.

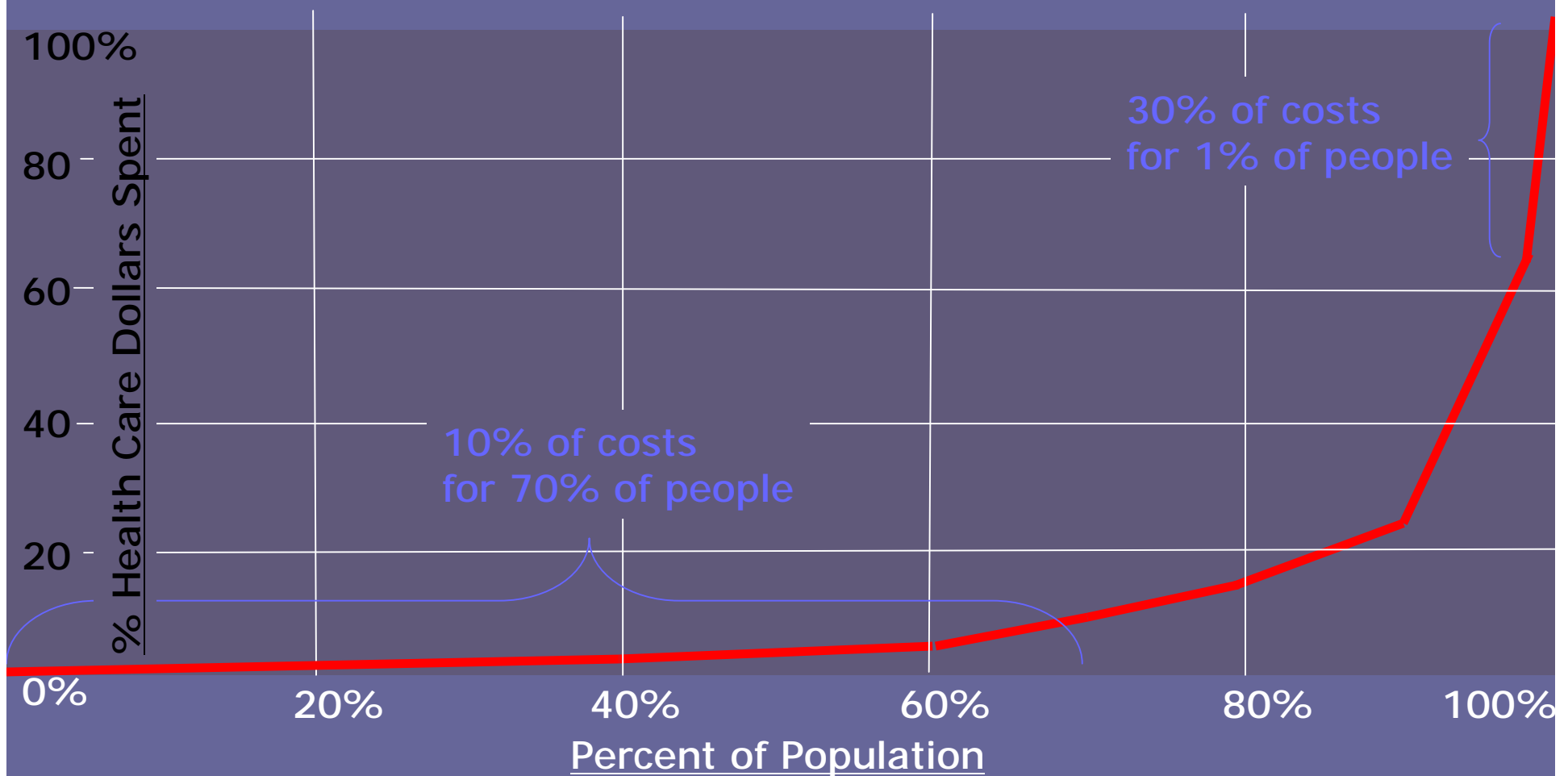
The Quality Challenge

- **Consumers still mostly unaware of poor quality, yet bear consequences.**
- **Business and Medicare share the brunt of untimely loss of life, disabling illness.**

Measurement, Transparency, & Incentives Keys to Quality

- I.T. key to measurement
- I.T. key to transparency
- I.T. key to payment reform
(P4P)

Chronically ill account for high percent of total costs



Chronic Care is Major Opportunity to Lower Costs

Requires:

- Close coordination
- Periodic interaction
- Patient involvement
- Behavior modification

I.T.

Challenges

Aligning Payment with Performance

Current payment approaches do not support good performance.

Operationalizing P4P

- National excellence?
- Market leadership?
- Attained quality?
- Quality improvement?
- Which measures should be used to assess performance?
- How much should the reward be?
- Who should pay for better care?

Lack of Measures Constrains Meaningful Implementation of P4P

- **Provider-specific measures (the level of analysis most meaningful to consumers) are limited by sample size constraints, lack of adequate risk adjustment.**
- **Lack of evidence-based measures to comprehensively assess performance.**

Potential perverse effects?

- Cause providers to shun sicker patients?
- Focus quality efforts only on what is measured?
- Divert attention from QI projects?
- Divert resources from necessary medical care?
- Stimulate negative responses (e.g., challenge the data, gaming, inappropriate resource allocation).

Gaining public confidence

- P4P programs should be transparent.
- Measures used to determine bonus payments should be published and readily available to consumers and others.

The Payoff

- **Measuring and reporting are part of a continuing process of improvement.**
- **Recognizing and rewarding better value works to all stakeholders' advantage.**

A safer, more cost-efficient, more effective health system

- Lowering costs for business, consumers, and government
- Supporting a healthier, less at-risk workforce
- Shortening down-time due to medical appointments and procedures

Next Steps:

1. **A national health information infrastructure**
3. **Pay for value**
4. **Strengthen business and consumer support for reporting and transparency**
5. **Research to develop more comprehensive way to assess performance.**