PAYMENT REFORM

The Problem

- Healthcare providers have no incentive to meet the goals of purchasers: best health outcomes, most efficiently delivered
    - Current measurement systems are insufficient to identify best providers and therefore move patients to most efficient care with best outcomes
- Providers are not rewarded for offering the highest quality care at the lowest price
    - Current payment systems aren't designed to reward best outcomes or efficiency
- Purchasers pay a high price for error, inefficiency, and poor outcomes
- Payors are waiting for purchasers to act - to demand real measurements of quality, seek high performers, and expect their payment to align with quality

Challenges

- Measuring outcomes and efficiency
- Rewarding best outcomes and most efficient care with new payment policies

Possible Purchaser Actions

- Work with provider groups and payors to develop systems which measure real quality (outcomes of care, safety, and efficiency), real costs of care, and current payment incentives
- Develop innovative shared savings models to realign incentives, remove barriers, and reward high performers
- Collaborate with providers and payors in regional demonstrations using new payment/savings models to reward quality and efficiency
- Help advocate for state and federal support for regional demonstrations

Results to be Anticipated

- Better measures and hence transparency of real quality and misaligned rewards
- Providers and plans that add value rewarded with higher volume and revenue
- Increased motivation to increase value
- Lower costs for providing better care
- Southwestern Pennsylvania is a leader in both quality and cost of care

Best Practice Example

Virginia Mason Medical Center in Seattle partnered with Aetna, Starbucks, Costco, Nordstrom and King County government to pay more for higher value services and less for lower value services, which reduce employer costs and returned employee to work faster.

For more information on payment reform contact Michael Forlenza at 412-594-2579 or forlenza@jhf.org.
650 Smithfield Street, Suite 2400, Pittsburgh, PA 15222