The Quality-Payment Connection: Is There Really Anything New?

Alice G. Gosfield, Esq., Partner, Alice G. Gosfield and Associates, PC

Today's new calls for quality improvement with containment of escalating costs will only intensify as the effects of the economic crisis filter throughout the economy. But what is really so new about asking whether we are getting the right health care for our expenditures at all levels of the health care system?

The difference between current versions of 'value purchasing,' and older ones which blossomed in the early nineties, is the far more intense focus on quality performance, as measured and reported in transparent mechanisms. The theory is that an engaged and literate healthcare consumer population will use increasing volumes of performance data to make good health care choices when they select the providers from whom they will obtain care.

This hoped for health care quality market has yet to emerge in any meaningful way, even as employers force more cost-sensitive decisions from their covered populations with consumer-driven health plans and high deductible benefit programs. At the same time, continuing reports from the Commonwealth Fund and the Agency for Healthcare Research and Quality on the sustained, far less than optimal quality performance of the American health care system, reemphasizes the fact that there is significant misuse, overuse and under use far and wide in health care delivery. There is an increasing public and payor realization that this means that not all providers are delivering the same quality of care; and their local hospital may not be doing such a good job.

There is a very clear recognition that existing payment systems are producing inadequate quality results. Hospitals paid on DRGs maximize their revenues at the lower resource deployment end of the delivery continuum where physicians paid fee-for-service make more money by doing more. Can quality really improve in such a context?

Pay for performance (P4P) is a rapidly expanding, moderately tepid approach to change. Hospital pay for performance in Medicare has demonstrated some improved results. Physician P4P is far more prevalent in the private sector and while the results are equivocal, there is some evidence that physicians change their behavior to earn bonuses if there is at least 10% of their payment at risk. There are many reasons why P4P is transitional at best[1], but the most significant is that all of these programs are small bonus add-ons to an underlying payment system which drives to the wrong quality performance. Without changing the basic foundation of payment, the effect of these small incentives can only be blunted by the need for maximizing revenue in the existing system.

There is, however, one truly new development. The PROMETHEUS Payment® model[2] has been designed within the private sector as a voluntary program to pay providers to deliver what science says patients should receive to treat their specific condition. The acronym of the name states the point of the program's design: **P**rovider payment **R**eform for **O**utcomes, **M**argins, **E**vidence, **T**ransparency, **H**assle-reduction, **E**xcellence, **U**nderstandability, and **S**ustainability.

The model does not pay for hospital admissions, physician visits, or specific laboratory tests, per se. Instead, the program uses Evidence-informed Case Rates® (ECR®) – budgets for all providers treating a patient for a specific condition. The rate is severity adjusted and encompasses what good, national clinical practice guidelines say is proper quality care. A scorecard measures outcomes and the patient experience of care. The model isolates from basic care for a condition, dollars are associated with payment for services in treating potentially avoidable complications (PACs). In that way, the ECR model can add more money to be paid to providers as the complexity of the patient's condition exacerbates; but by identifying dollars associated with PACs, unlike the 'never events' policies, the PROMETHEUS model gives half those monies to providers in the ECR in the hope they will prevent the complications in the first place. The remainder represents savings of many millions of dollars per condition.

To work, the program requires nothing more than willing health plans and willing providers. The complexity of the design of the ECRs, the mechanism to allocate expenditures among the otherwise independent providers who choose to be paid this way, and how that data links to the scorecard to determine the totality of payment has all been designed already. The first 10 ECRs may well cover 30% of healthcare expenditures. PROMETHEUS Payment will be launched in two pilot sites January, 2009, with two more to follow shortly thereafter. In addition, ad hoc tests of the program, without being full pilot sites. are also being implemented.

Continued on next page

Continued from previous page

What PROMETHEUS Payment asks of providers is pretty much what they should be doing anyway ---- delivering optimal quality of the combination of services, resources and know-how that good guidelines say should be delivered to patients for their specific clinical conditions. Without new organizational or legal structures, the system can pay in a far more clinically relevant way, producing better quality with potentially more money to providers and far greater savings to the system. It has to be better than what we have now!

[1] Gosfield, "P4P: Transitional At Best", Managed Care (Jan. 2005) http://www.managedcaremag.com/archives/0501/0501.p4p_gosfield.html

[2] www.prometheuspayment.org

Alice G. Gosfield, Esq. is an attorney in private practice in Philadelphia with Alice G. Gosfield and Associates, PC. She is the founding Chairman of the Board and member of the design team for PROMETHEUS Payment Inc. Her practice has been limited to health law and health care regulation since 1973 and she was voted one of the top thirty health lawyers in the USA in 2007. She has been the President of the National Health Lawyers Association (now the American Health Lawyers Association) and Chairman of the Board of the National Committee for Quality Assurance (NCQA). For more information go to www.gosfield.com

Calling All Volunteers

Have you ever thought about becoming more involved with the Hudson Valley NY HFMA Chapter, but didn't know where you would fit in? Below is a list of our committees. If you have knowledge, talent or an interest in any of these areas, please contact Chapter President Perry Santullo at psantullo@qualitybillingservice.com about how you could enjoy the satisfaction of working with your peers for the betterment of the Chapter.

Finance/Managed Care/Reimbursement
Patient Financial Services/Revenue Cycle
Long-Term Care
Annual Institute
Newsletter
Sponsorship
Website
Membership
Social

Hudson Valley NY Chapter HFMA Annual Institute - Not to be Missed!

On behalf of the Annual Institute Planning Committee, I am pleased to share with you just some of the excitement that is building around our 2009 Annual Institute - Revolution or Evolution: Connecting Quality & Payment Reform.

The Hudson Valley NY Chapter of HFMA's Annual Institute will be held on **Thursday, March 26, 2009** at the newly renovated Double Tree Hotel in Tarrytown, NY. The purpose of our Annual Institute is to provide high quality education and networking opportunities to chapter members and other individuals involved in healthcare financial management throughout the Hudson Valley Region, and we think we are doing just that based on the quality of our speakers and following program highlights:

- Alice G. Gosfield, Esq., a specialist on matters involving health law and health care regulation, the first Chairman of the Board of PROMETHEUS Payment, Inc. and the Chairman of the Board of Directors of the National Committee for Quality Assurance from 1998 through 2002, will share insight as to how we got to this moment of intense focus on the nexus of quality and payment.
- Foster Gesten, MD. Medical Director, Office of Managed Care, New York State Department of Health, provides clinical direction and leadership for a team of professionals engaged in quality oversight, performance measurement, and clinical improvement within health plans in New York. Dr. Gesten will provide insight as to the quality improvement and payment reform initiatives being considered and implemented by the NYS DOH.
- Allan P. DeKaye, MBA, FHFMA, President & CEO, DEKAYE Consulting, Inc. will moderate a panel of Speakers, CFOs and CMOs discussing the challenges and rewards of quality improvement and payment reform.
- Daniel Sisto, President, HANYS and Neil Abitabilo, President, NorMet will provide an update of NYS regulatory, budget, and legislative activity impacting healthcare finance.

The day-long event will include Concurrent Break-Out Sessions with topics and speakers focused on Finance, Revenue Cycle, and Long Term Care. Sponsor Exhibits and Networking Opportunities are planned throughout the day topped off with our very special Closing Reception.