Physician Payment Reform: Tying Payment to Performance

Design Considerations in Structuring Performance-based Incentive Programs

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The Problem We are Trying to Fix

• Current FFS payment policy rewards provision of more services without regard to quality or impact on health spending and affordability

• Congress seeks to redesign payment systems to reward quality and cost-efficiency (i.e., value)

• Tying performance to payment helps focus and redirect providers towards redesigning care processes and how they coordinate actions with other care providers to deliver better value
Transforming how Health Care Providers are Paid

Pay per Service
Fee-for-service payments based on units provided
  • No consideration of quality, efficiency, or safety in payments

Pay for Quality (late 1990s-present)
Pay-for-Performance (P4P)
  • Financial incentives for delivering better quality of care
  • Portion of pay at risk

Pay for Value (2012 and beyond)
Value-based purchasing (VBP)
  • Incentives for both cost and quality
    ➢ Accountable care organizations
    ➢ Bundled payments
    ➢ Episode-based payments

Focus of Affordable Care Act Payment Reforms

Late 1990s - present 2012 and beyond
Moving to Performance-based Payments in Medicare FFS

• Ability to move successfully forward is predicated on having:
  – Good incentive design
  – Robust set of measures; and
  – Support structure to help physicians succeed

• Thoughtful incentive program design can:
  – Ease the transition process
  – Provide a credible system of measurement
Key Design Issues

• Incentives
  – Size
  – Structure
  – Formula for converting performance score into payment

• Measures and measure properties
  – Reliability (risk of misclassifying a provider’s performance)
  – Validity (are we measuring what we intend to measure)
  – Composites

• Complexity of the reward structure

• Distribution of awards (who wins, who loses)
Design Considerations

• Encourage improvement among all physicians by using a continuous payment incentive structure
• Use fixed thresholds
• Make payments meaningful
• Begin the transition now for primary care
• Investment is needed to develop and bring measures to market
• Allow physicians to opt out if they demonstrate they have moved to VBP payment models
• Work in partnership with physicians to support their ability to improve and succeed
• Strengthen our data systems
Closing Thoughts

• VBP payment models are very new to the health system and represent a work in progress
• Public reporting of comparative performance is itself a powerful incentive for improvement
• More wholesale payment reform is required
RAND study that examine incentive systems and design lessons learned from 5 different sectors to improve the function of these systems

Goal: to inform policy makers as they contemplate how to design performance-based incentive systems to achieve desired goals.