CENTER *for* STUDYING HEALTH SYSTEM CHANGE

Providing Insights that Contribute to Better Health Policy

Health Plans' Use of Quality Incentives and Information:

Findings from the 2002-03 Community Tracking Study Site Visits

Testimony on Behalf of the Center for Studying Health System Change

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BACKGROUND
Potential Advantages of Incentives

- Encourage quality improvement and quality-based competition among providers
- Reduce unnecessary utilization and costs
- Attract high-quality providers
- Align interests of provider, health plan, purchaser, consumer
- Reduce need to monitor health care delivery prospectively or concurrently

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BACKGROUND
Potential Disadvantages of Incentives

- May require higher payments to attract risk-averse providers
- May distort service mix away from services and procedures not “incentivized”
- May encourage patient selection
- May entail substantial costs to administer

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Overview of Major Developments During 2002-2003

- New or expanded efforts identified in most markets:
  - Provider profiling and feedback on quality
  - Public dissemination of provider quality measures
  - Experimentation with financial incentives
  - Use of quality information for network tiering
- Adaptation to PPO and traditional products
- Continued challenges: cost, complexity, provider acceptance

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The Community Tracking Study (CTS) Site Visits

- Visit 12 randomly selected communities every two years
  - Tracking markets longitudinally since 1996
  - Nationally representative sample
- Conduct 70-100 interviews in each site
  - Broad cross-section of health care stakeholders
  - Triangulate results
- Round 4 visits: September 2002-May 2003

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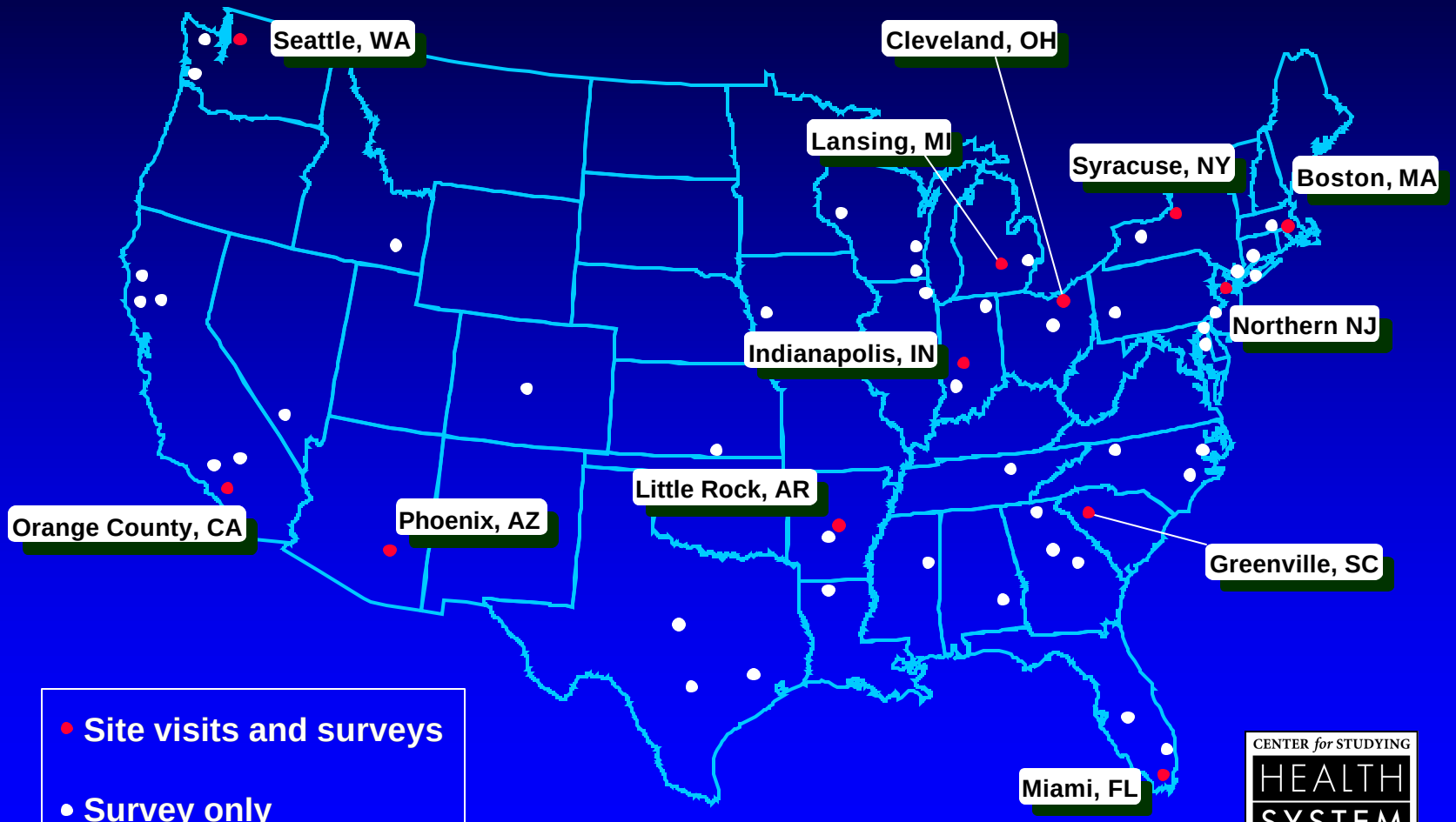
The CTS Sites



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Why Health Plan Interest in Quality Incentives?

- Decline of risk contracting with providers
- Loosening of utilization management
- Migration of membership to PPO products
- Movement to large, inclusive provider networks

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Why Health Plan Interest in Quality Incentives?

- Pressure to constrain medical costs
- Demand from organized purchasing groups in some markets
- Pressure to stabilize networks and improve provider relationships

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Key Findings in 2002-03: Use of Quality Information & Incentives

Use of Quality Information/Incentives	Plans (n=45)	Markets (n=12)
Provider profiling	28	12
Public dissemination	5	3
Financial incentives	15	7
Non-financial		
Network tiering	1	1
Exemptions from UM	2	2

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Key Findings in 2002-03:
I. Provider Profiling on Quality

Rationale

- Identify poor performers and encourage improvement

Key Developments

- Adding quality measures to existing profiling systems for utilization/cost
- Implementing profiling in PPO products
- Consulting with outlier providers

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Key Findings in 2002-03:
I. Provider Profiling on Quality

Types Quality Measures in Use

- Provider-specific HEDIS measures
- Inappropriate prescribing patterns (e.g. antibiotics)
- Adherence to disease management guidelines
- Patient satisfaction, complaints
- Hospital volume, mortality, readmissions, adverse events
- Compliance with Leapfrog criteria

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Key Findings in 2002-03: II. Dissemination of Quality Measures

Rationale

- Steer members to high-quality providers

Key Developments

- Releasing hospital information to physicians to inform admitting decisions
- Releasing information to consumers to inform choice of provider
- Releasing information to purchasers to inform choice of network, product

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Key Findings in 2002-03: III. Use of Financial Incentives

Rationale

- Encourage quality improvement

Key Developments

- Physicians: withholds, bonuses, and shared-savings
- Hospitals: quality-based payment updates
- Incentive amounts vary from 2-10% of total payments
- Mostly pilot programs, demonstrations

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Key Findings in 2002-03: IV. Non-Financial Incentives

Rationale

- Encourage quality improvement

Key Developments

- Exemptions from prior authorization
- Tiered networks based in part on quality
- “Centers of Excellence” designation

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Key Findings in 2002-03:
Continuing Challenges and Issues

- Data availability, quality, risk adjustment
- Provider acceptance
- Cost of incentives
- Complexity of administration
- Consumer awareness, understanding, use

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Conclusions and Policy Implications

- Plans are early in their experimentation with quality information & incentives
- Potential rewards: cost savings, quality improvement
- Potential risks: new costs and added complexity

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Remaining Questions and Concerns

- Strength of incentives?
- Unintended effects?
- Interaction of cost and quality incentives?
- Interaction of quality incentives and member cost-sharing?
- Coordination of incentives offered by competing health plans?

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