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## Incentives & Outcomes Committee Draft Recommendations

Oregon Health Policy Board Meeting  
October 12, 2010



### Committee Charter

- Make recommendations to the Board about and continually refine statewide health care quality standards
- Adopt principles for payment
- Develop recommendations to the Board for transparent payment methodologies that provide incentives for cost-effective, patient-centered care and reduce variations in cost and quality of care



## Guiding Principles for Provider Payment

- Equity
- Accountability
- Transformation
- Cost Containment
- Simplicity
- Transparency



## Committee Process: Quality & Efficiency

- Identified measurement priorities and potential indicators for payment reform work while attempting to balance:
  - Feasibility
  - Alignment with local and national partners
  - Provider burden vs. potential benefit of measurement
  - Value in having a mix of quality measure types
- Priorities and indicators identified within and across settings of care in the following areas:
  - Patient- and family-centeredness
  - Quality, effectiveness, and safety
  - Cost and efficiency
  - (Population health left primary for Health Improvement Plan Committee)



## Committee Process: Payment Reform

- Developed guiding principles for payment reform
- Developed transition paths for payment reform across primary care, hospital, and specialty care
- Identified strategies for payment reform across settings and sectors, broadly:
  - Simplify payment by standardizing underlying fee-for-service payment methods that are building blocks for new payment methods
  - Develop and implement payment methods that reward providers who coordinate care across sites of care and increase patient involvement and achieve efficiency and quality improvement
  - Build feedback loop for continuous improvement



## Full Committee Recommendations

1. Standardize payment methods (but not rates) to Medicare.
2. Transform primary care delivery system.
3. Focus measurement and payment efforts where the potential for improvement is greatest.
4. Encourage the delivery system to become more patient- and family-centered.
5. Initiate use of new payment incentives and methodologies.
6. Set a global health care spending target.



## Recommendation #1

**Objective: Reduce administrative costs and create an aligned foundation for new payment methods through standardization of payment methodologies**

**Recommendation: Standardize payment methods (but not rates) to Medicare**

**Implementation Steps:**

- Enact statute in 2011 specifying the elements of Medicare's payment methodologies that are adopted
- Standardize in 2012 when Medicare annual update rules take effect (for example, October 1 for hospitals)
- Change standard payment method in Oregon as Medicare methods change

**Outcomes**

*Improve the lifelong health of all Oregonians*

Reduce administrative costs  
*Lower or contain the cost of care so it is affordable to everyone*

Increase transparency of patient costs for services  
*Increase the quality, reliability, and availability of care for all Oregonians*

## Recommendation #2

**Objective: Improve care coordination and health outcomes and align incentives for providing the right care, at the right time, in the right place.**

**Recommendation: Move forward decisively to transform the primary care delivery system.**

**Implementation Steps:**

- Adopt the Patient-Centered Primary Care Home Standards and proposed structure for aligning payment to tiers
- Sponsor development of measurement and evaluation infrastructure for implementing models as basis for payment
- Restructure primary care payment for OHA and other payers, aligning with standards framework

**Outcomes**

Improved health outcomes through increased care coordination  
*Improve the lifelong health of all Oregonians*

Reduce duplicative or unnecessary services  
*Lower or contain the cost of care so it is affordable to everyone*

Shift reimbursement away from FFS system to outcomes-based payment  
*Increase the quality, reliability, and availability of care for all Oregonians*

## Recommendation #3

**Objective:** Improve delivery system performance in areas of high impact first.

**Recommendation:** Focus measurement and payment efforts in areas of significant cost impact or significant defects in the quality of care, where the potential for improvement is greatest.

**Implementation Steps:**

- Obtain technical expertise to support OHA in selection of clinical conditions (like coronary artery disease or diabetes) and process issues (like health care acquired infections) to recommend for focused attention
- Develop specific payment tools addressed to selected conditions and process issues
- Align focus among payers, purchasers, providers, and patients

**Outcomes**

Progress on issues that make the most difference for the most people, with emphasis on eliminating disparities

*Improve the lifelong health of all Oregonians*

Progress on issues that produce the greatest savings

*Lower or contain the cost of care so it is affordable to everyone*

Progress on issues that produce greatest quality improvement

*Increase the quality, reliability, and availability of care for all Oregonians*

## Recommendation #4

**Objective:** Create a delivery system structured to meet patient needs and support patients to be informed and active members of the health care team.

**Recommendation:** Patient and family engagement are critical. Encourage the delivery system to become more patient- and family-centered.

**Implementation Steps:**

- Build patient and family engagement into the design of new payment systems
- Develop common measures of patient experience and engagement to be deployed across the system
- Lead (OHA) an effort to use learning networks to provide technical assistance on involving patients and families

**Outcomes**

Improve health through patient activation

*Improve the lifelong health of all Oregonians*

Reduce over-utilization when treatment choices reflect patient values – not fee-for-service incentives

*Lower or contain the cost of care so it is affordable to everyone*

Improve the patient experience of care through attention to all domains of patient and family-centeredness

*Increase the quality, reliability, and availability of care for all Oregonians*

## Recommendation #5

**Objective:** Create an environment where health care providers work together across settings to provide evidence-based care that produces the best outcomes for patients and avoids unnecessary expense.

**Recommendation:** Initiate use of new payment incentives and methodologies, including pay-for-performance, episode (bundled) payment, gain-sharing schemes, and the like.

**Implementation Steps:**

- Pilot and rigorously evaluate P4P and episode payment programs, with payers cooperating to achieve critical mass
- Test the value of service agreements and patient engagement strategies
- Give feedback to physicians and information to the public on provider performance
- Set priorities and measures across all OHA programs

**Outcomes**

Improve health by providing the right services

*Improve the lifelong health of all Oregonians*

Reduce costs by eliminating complications and waste

*Lower or contain the cost of care so it is affordable to everyone*

Shift reimbursement away from FFS system to outcomes-based payment

*Increase the quality, reliability, and availability of care for all Oregonians*

## Recommendation #6

**Objective:** Stop consuming an ever-greater share of public and private resources on health care expenditures

**Recommendation:** Adopt a global health care spending target and act aggressively to keep spending within the target.

**Implementation Steps:**

- Adopt a spending target that limits health care spending growth to growth in a measure such as the consumer price index and monitors system performance relative to the target (target to be set by Health Policy Board)
- Develop improved measures of delivery system efficiency
- Develop benchmarks for the cost of delivering high quality care efficiently and use them in payment

**Outcomes**

Protect resources to spend for education, nutrition, housing and other determinants of health

*Improve the lifelong health of all Oregonians*

Articulate explicit decisions about spending priorities

*Lower or contain the cost of care so it is affordable to everyone*

Remove cost as a barrier to access

*Increase the quality, reliability, and availability of care for all Oregonians*

## Linking Cost and Quality - example

**Overall Objective:** To create a more sustainable health care system in which payment rewards care consistent with Oregon's triple aim goals.

**Tactic Objective:** Decrease hospital readmissions

**Measurement Tactics:**

- Require reporting of 3 CMS condition-specific readmission measures
- Develop OR standard for overall readmission measure

**Payment Method Tactics:**

- Consider discontinuing reimbursement for health care acquired conditions
- Episode-based payments that cover up to 90-days post discharge

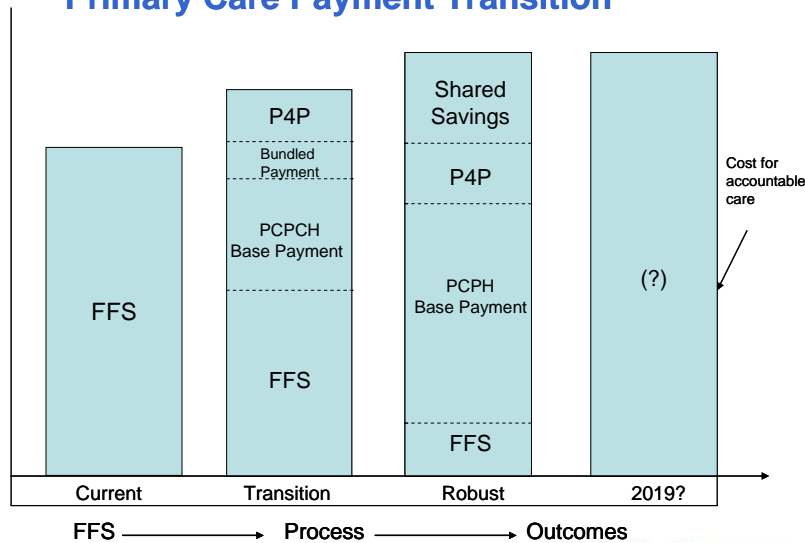
**Outcomes**

Improved health outcomes by giving appropriate, coordinated care  
*Improve the lifelong health of all Oregonians*

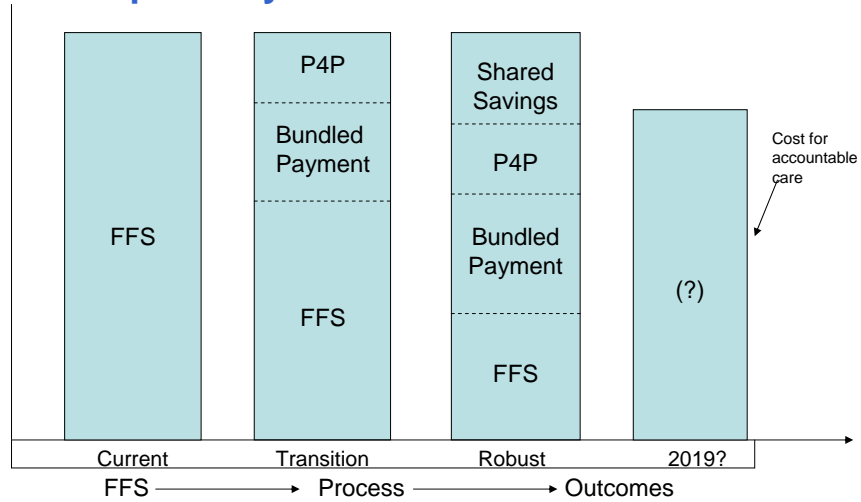
Lower cost of care by avoiding ED visits and hospital stays  
*Lower or contain the cost of care so it is affordable to everyone*

Increased patient satisfaction when complications don't occur  
*Increase the quality, reliability, and availability of care for all Oregonians*

## Primary Care Payment Transition

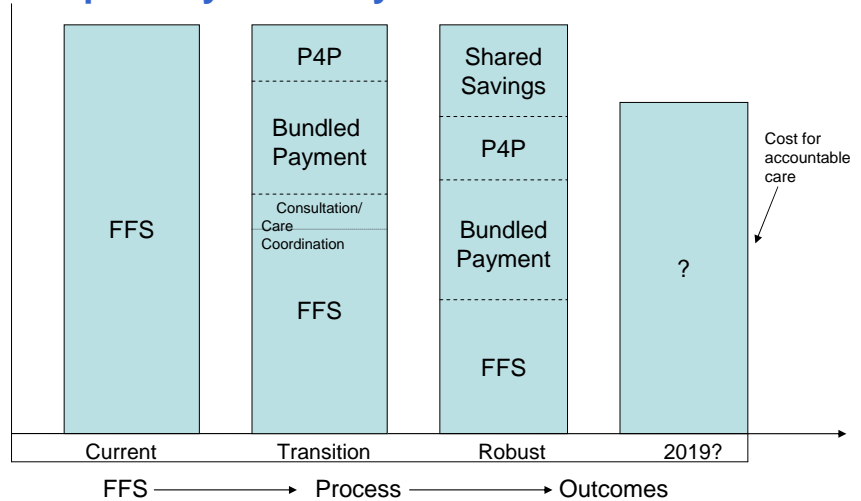


## Hospital Payment Transition



Oregon Health Authority

## Specialty Care Payment Transition



Oregon Health Authority

## Now is a Unique Moment for Delivery System Reform: The Triple Win

**Today's Fee-For-Service Health Care System**

**Fragmented - High Cost - Often Inappropriate - Often Unavailable Care**

**Comprehensive Reform**

**Payment Reform**

**Coverage Expansion**

**Savings**

**High Quality, Appropriate Care**

**Increased Appropriate Expenditures**

**Purchasers**

**Providers**

**Patients**

**Impact:**

Triple Win

**Lower PMPM**

**P4P & Shared Savings**

**The Right Care at the Right Time**

**Reduced Cost Shift**

**Increased Appropriate Utilization**

**Increased Affordability**

## Staff Recommended Implementation Timeline

2010	2011	2012	2013	2014	2015	2016	2017
Convene payment standardization workgroup	Introduce standardization bill	Standards effective		Continuous evaluation and refinement			
Adopt PCPCH Standards and payment	Develop cost-benefit and savings measurement methods			Make recommendation on standardizing additional payments			
OHA participates in Health Leadership Council pilot	Develop PCPCH Learning Collab.		Require PCPCH adoption across OHA and plan for statewide adoption				
Develop measurement, evaluation systems and infrastructure	Obtain technical consultation on recommended areas of focus	Foster multi-payer alignment on common focus areas	Incorporate common metrics into OHA contracts	Continuous evaluation, revision, and expansion of priority areas of focus			
Plan PCPCH implementation across OHA	Develop rec. for standard experience of care measure		Require experience of care measurement across OHA	Evaluate effectiveness of patient engagement efforts			
	Extend learning network on patient and family involvement		Extend focus on patient engagement beyond primary care				
	Establish P4P metrics and benchmarks across OHA	Align and expand P4P across OHA	Foster multi-payer P4P alignment	Develop web-based data collection tool			
	Define 5 - 10 service bundles			Continuous evaluation and refinement			
	Make case for non-payment of HAC and develop rules and contracts		Pilot episode payments	Consider standardizing P4P and bundles across Oregon			
		Develop pilot evaluation protocols		Develop cost of care benchmarks across all settings			
	Develop better efficiency measures		Develop efficiency benchmarks	Set cost targets and payment levels			

- Recommendation #1
- Recommendation #2
- Recommendation #3
- Recommendation #4
- Recommendation #5
- Recommendation #6

## OHPR Staff Recommendations for OHA Implementation Steps

**Recommendation #1: Standardize payment methods (but not rates) to Medicare for hospital inpatient and outpatient, ASCs, and physician and professional services.**

- 2010: - Convene payment standardization work group
- 2011: - Introduce legislative measure  
- Develop cost/benefit and administrative savings measurement methods
- 2012: - Standardization effective according to Medicare schedule (e.g. October 1 for hospitals).
- 2014: - Evaluate the program
- 2015: - Make recommendations on standardizing additional provider payments

**Recommendation #2: Move forward decisively to transform the primary care delivery system.**

- 2010: - Adopt PCPCH standards and proposed payment structure  
- Participate in Health Leadership Council multi-payer pilot  
- Develop measurement and evaluation systems and infrastructure for standards  
- Initiate design of primary care homes across OHA populations
- 2011: - Develop learning collaborative to prepare for primary care redesign  
- Begin PCPCH implementation in OHA programs
- 2013: - Evaluate medical home pilots and refine PCPCH program as necessary  
- Require PCPCH implementation across OHA and develop strategy for statewide adoption

## OHPR Staff Recommendations for OHA Implementation Steps

**Recommendation #3: Focus measurement and payment efforts in areas of significant cost impact or significant defects in the quality of care, where the potential for improvement is greatest.**

- 2011: - Obtain technical consultation on common focus areas and measures  
- Actively foster multi-payer alignment on common focus areas
- 2013: - Incorporate common metrics into OHA contracts
- 2014: - Continually assess, revise, and expand priorities for efforts

**Recommendation #4: Patient and family engagement are critical. Encourage the delivery system to become more patient- and family-centered.**

- 2011: - Develop recommendation on patient experience of care and engagement standardization
- 2012: - Extend an existing learning network to increase patient- and family-centered care
- 2013: - Require patient experience of care/engagement measurement across OHA  
- Extend focus on patient and family engagement beyond primary care
- 2014: - Develop web-based tool for collection of patient experience of care/engagement data  
- Evaluate effectiveness of patient and family engagement efforts



## OHPR Staff Recommendations for OHA Implementation Steps

**Recommendation #5: Initiate use of new payment incentives and methodologies, including pay-for-performance, episode (bundled) payment, gain-sharing schemes, and the like.**

- 2011:
- Establish P4P metrics and benchmarks to be used across OHA
  - Define 5-10 bundles for services where there is high opportunity for improvement
  - Develop business case for discontinuing payment for hospital acquired conditions
  - Develop rules for non-payment for hospital acquired conditions that include physicians and hospitals
- 2012:
- Develop contract language and administrative rules for non-payment for hospital acquired conditions
  - Align and expand P4P programs within and across the OHA
  - Actively foster multi-payer alignment on metrics used in OHA for P4P programs
  - Develop a payment reform pilot evaluation protocol
  - Establish a method for aggregating and disseminating data on provider performance
- 2013:
- Pilot multi-payer episode payments
- 2014:
- Evaluate experimental programs
  - Consider standardizing P4P metrics and episode bundles
- 2015:
- Develop benchmarks for efficiency and the total cost of care across all settings

**Recommendation #6: To stop spending an ever-greater share of public and private resources on healthcare, adopt a global health care spending target.**

- 2011-13:
- Develop improved efficiency measures for hospital, specialty, and primary care
  - Develop cost benchmarks for delivering high quality care efficiently
- 2015:
- Evaluate ROI, patient and provider satisfaction, improvement in health outcomes and refine performance measurement systems as necessary
  - Use benchmarks to set cost targets and payment levels

