

Incentives and Outcomes Draft Committee Recommendations

The transition from current payment mechanisms to those that will support a sustainable health care system must be grounded in transparent measurement of outcomes supportive of the Oregon Health Authority's Triple Aim goals and should be guided by the principles of equity, accountability, simplicity, transparency, affordability, and transformation.

The committee recommends six activities designed to support the transformation to a sustainable health care system for Oregon. For each activity, OHA should:

- Demonstrate the business case for the reform activity, outlining the expected health improvement outcomes and why the reform makes financial sense for the OHA and the larger health system;
- Identify concrete implementation steps, processes, and timelines; and,
- Develop measurement capacity and evaluation strategies so that the Health Policy Board, policymakers, and others can see whether their reforms are producing the intended outcomes.

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

What: Adopting a standard payment methodology is the first step Oregon must take to restructure payment for value. Standardization of payment methodologies is a vital foundation for aligning incentives in payment methods such as episodes of care and is an important measure to reduce administrative cost. Medicare offers the most reasonable payment method to adopt for hospital, ambulatory surgery, physician and professional services (except services billed by critical access hospitals or type A and B hospitals). The methods are as good as any alternative available, have broader use, and can be expected to improve moving forward.

How: A new statutory requirement should be enacted in 2011, effective in 2012 when Medicare's updated rules go into effect for the particular provider type (e.g. October 1 for hospitals). The standard payment method for Oregon would change as Medicare methods change. The statute should clearly state which elements of Medicare's payment methodologies are adopted in Oregon and what deviations, if any, are permitted.

2. Move forward decisively to transform the primary care delivery system.

What: Primary care homes, as described in the Patient Centered Primary Care Home (PCPCH) Standards Advisory Committee final report, are fundamental to achieving the triple aim and should be rolled out as aggressively as possible. This will require the involvement of all payers and primary care providers.

How:

- The Health Policy Board should adopt the PCPCH standards and the Incentive & Outcomes Committee's proposed structure for aligning payment to the tiers within those standards as the model for primary care redesign in Oregon.
- The Oregon Health Authority (OHA) should sponsor development of the measurement infrastructure necessary to implement the standards as a basis for payment.
- The OHA and other payers should immediately restructure primary care payment to align with the PCPCH standards framework. It is recognized that payers may pay different amounts for attainment of the same standards or performance levels and that practices will become robust primary care homes at varying speeds.

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.

What: The primary emphasis of the first phase of work to improve quality and reduce cost should be eliminating the most significant defects in care. 'Defects' is a broad term that includes over- and under-utilization, lack of safety, uncoordinated care, and other examples of poor quality, inefficiency or unreasonable cost. Eliminating common defects will improve patients' experience of care and should also jump start the process of driving costs out of the system.

How:

- Both subcommittees identified potential focuses. The Quality and Efficiency Subcommittee suggested readmissions, low back pain, cardiac care, health care acquired conditions, and care coordination, among others, and the Payment Reform Subcommittee identified cardiac conditions, orthopedic conditions, and cancer treatment. A focus on care of people with multiple chronic conditions may also be a promising starting point, as these individuals account for a disproportionate share of total spendingⁱ. See Appendix 1 for a side-by-side comparison of potential targets.
- Further technical work should begin immediately to finalize these initial proposals as OHA's common focus areas and to link them with payment. In selecting foci, primary emphasis should be on the potential to reduce costs and improve quality, though the potential to reduce inequities and align with national and local initiatives should also be considered.
- Payers, purchasers, providers, and patients should adopt the recommended common focus areas for measurement and payment work to increase the impact of their efforts.

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

What: When patients and families participate as full partners with health care professionals to improve their health, system performance improves. A truly patient- and

family-centered system will structure services and care to support the patient and family to be full members of the health care team on an ongoing basis. Responsibility for patient engagement should be clearly articulated and allocated among providers, patients, and plans.

How:

- Patient-centeredness is already an element of Oregon’s PCPCH standards and should be extended to other parts of the system through the design of new payment systems and other mechanisms. All six dimensions of patient- and family-centeredness should be incorporated (see Appendix 2).
- To accelerate patient engagement efforts, common measures of patient experience and engagement should be developed and deployed across the system.
- OHA should lead efforts to extend an existing learning network that provides technical assistance to organizations to help them learn how involve patients and families as advisors.

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

What: Migrate as rapidly as possible away from exclusively fee-for-service provider payment systems and toward systems that reward desired structures, processes, and outcomes and that incent providers to coordinate care, eliminate care defects, and drive unnecessary costs out of the system. To ensure successful transition to new payment methods, it will be necessary to build provider capacity to restructure their practices to respond effectively to new payment incentives. Projects should be initiated with a focus on specific diagnoses or care delivery processes where providers and payers can see opportunities for innovation and savings in order to increase the likelihood of their energetic participation.

How:

- The OHA and other payers should pilot new payment programs (or align with and expand existing ones), including pay-for-performance and episode payment, cooperating to achieve the critical mass sufficient to support and incent delivery system change.
- Payment pilot programs should test the value of service agreements and patient engagement strategies and should address a range of clinical issues based on an assessment of potential for measurable delivery system improvement.
- To accelerate widespread adoption of common priorities, OHA should provide leadership by setting priorities and measures and using them in all of its programs.
- Pilots should be designed to facilitate rigorous evaluation of the payment innovation and to provide feedback to physicians and the public on provider performance.

6. Adopt a global health care spending target.

What: To help the state stop spending an ever-greater share of public and private resources on health care, the Health Policy Board should set a spending target that limits growth of health care spending to growth in a measure of overall consumption or income such as the consumer price index. Aggressive action should be taken to keep spending within the target.

How:

- The Health Policy Board should set the spending target and monitor system performance relative to the target.
- The OHA should develop improved measures of delivery system efficiency.
- The OHA should develop benchmarks, based on rigorous examination of the evidence, for the cost of delivering high quality care efficiently.
- Payers should use these benchmarks to set cost targets and payment levels.
- The business case (in terms of expected improvement in health outcomes and system cost) should be demonstrated for all programs, services and technologies, beginning with new proposals and eventually extending to existing practices.

ⁱ Friedman, B et al, "Hospital Inpatient Costs for Adults with Multiple Chronic Conditions," *Medical Care Research and Review* 63, no. 3, 2006.