

MEMO

To: Oregon Health Policy Board

From: Oregon Health Authority Executive Staff

Date: December 14, 2010

Action item: Accept the attached final report from the Health Incentives and Outcomes Committee.

About the report: The Health Incentives and Outcomes Committee was charged with: recommending and continually refining quality standards in support of a high performing health system; adopting principles for payment; and recommending transparent payment methodologies that provide incentives for cost-effective, patient-centered care and that reduce variations in cost and quality of care. The attached report contains the Committee's 2010 recommendations in response to this charge.

Summary of Committee recommendations: The Committee recommended two foundational strategies:

- Standardization of payment methodology (not raters) for hospital, ASC, and professional services paid via RBRVS; and
- Rapid transformation of the primary care system in alignment with Oregon's patient-centered primary care home standards.

These two strategies are seen as the basis for the Committee's remaining recommendations:

- Initiate use of new payment incentives and methodologies, including pay-for-performance, episode (bundled) payment, gain-sharing schemes, and the like;
- Focus statewide quality and payment efforts in areas with the greatest potential for improvement;
- Encourage the delivery system to become more patient- and family-centered; and
- Adopt a global health care spending target.

New items since presentation of draft recommendations: In response to a request to specify numerical goals for the Committee's vision of the transition from fee-for-service payment to more comprehensive models, the final report reflects the Committee's anticipation that total spending for primary care will increase while spending for specialty care and hospital services will probably decline. However, the Committee is not yet able to specify spending targets or an ideal mix of different payment methods within a given sector of care. This version of the Committee's report has also been edited to respond to Committee member feedback. Finally, the Committee has received input from the Health Equity Policy Review Committee, the Safety Net Advisory Council, and the Medicaid Advisory Committee and has responded to that input in a separate, attached memo.