



## Integrated Healthcare Association (IHA) Overview of Principal Projects

The Integrated Healthcare Association (IHA) is a statewide leadership group that promotes quality improvement, accountability, and affordability of health care in California. IHA membership includes major health plans, physician groups, and hospital systems, plus academic, consumer, purchaser, pharmaceutical and technology representatives. IHA's principal projects include pay-for-performance, the measurement and reward of efficiency in health care, value based purchasing of medical devices, health care affordability, bundled episode of care payments, and prevention programs directed at obesity.

### **Pay for Performance (P4P)**

The IHA P4P program is the largest non-governmental physician incentive program in the United States to provide medical groups with financial rewards based upon performance against quality and efficiency benchmarks. The goal of the program is to create a compelling set of incentives that will drive breakthrough improvements in clinical quality, efficiency and the patient experience through: (1) a common set of measures; (2) a public report card; and (3) health plan incentive payments. The adoption of a common measure set of performance measures used by all health plans as the basis for reward and recognition allows the P4P stakeholders to use collective market forces to drive excellence in patient care. The aggregation of data across all participating health plans significantly improves the validity and reliability of measurement.

The physician groups benefit from being rated by one common rating system, rather than by competing and conflicting systems used by their various health plan partners. Having a standardized measure set also benefits consumers, since California consumers are able to get comparable information on the clinical performance of the 229 physician groups, and a public report card is published on the website of the state's Office of the Patient Advocate ([www.opa.ca.gov](http://www.opa.ca.gov)).

### Efficiency Measures in Pay for Performance

Responding to soaring healthcare costs and double-digit health insurance premium increases, IHA added efficiency measures to its P4P program. The new measures for the first time add information on cost and resource use alongside existing P4P quality measures. Total resources used to treat a specific patient population over a specific period of time will be compared across physician groups, and will be risk-adjusted for disease severity and patient complexity. This will give a more comprehensive assessment of physician group performance and allow an appraisal of the value of healthcare spending. The new efficiency measures support the goal

of delivering reliable, consistent, evidence-based clinical care at an affordable cost by reducing waste and thus systematically improving the quality of patient care.

### **Value Based Purchasing (VBP) of Medical Devices**

The Integrated Healthcare Association (IHA) launched Value Based Purchasing (VBP) for New Medical Technologies in June of 2006 to improve data transparency and payment methods for high-value medical devices, including orthopedic and cardiac implants, in the California health care system. This project brought together prominent hospital systems, physician organizations, and health insurance plans in the Orange County region, with the intent of subsequently applying lessons learned to the entire state.

IHA will leverage the principles developed by the IHA pay-for-performance program for the medical device project, including: improved data collection and aligned financial incentives. The first part of the project focuses on the most-common and best-available data systems in each sector (hospital, health plan, and physician group) and the relationships among them. The goal of this component is to identify opportunities for improving data quality and comparability, promoting the ability of disparate data systems to communicate with one another, and creating benchmarks for performance. The second part of the project will explore new financial incentives, potentially including payment methods for hospitals when purchasing devices from manufacturers, for health insurers when reimbursing hospital claims, for medical groups when accepting capitation responsibility from insurers, and for individual physicians when compensated under pay-for-performance mechanisms.

In May of 2008, the Blue Shield of California Foundation awarded IHA with a \$1.3 million grant to extend the medical device program into the next phase of data collection & analysis, medical device collaboration, and development of a new payment methodology.

### **Affordability Initiative**

In 2008, the IHA Board authorized the formation of a Steering Committee to identify and implement strategies to improve the affordability of California's health insurance products.

The Steering Committee defined the objective of the Affordability Initiative as increasing the efficiency of delivery systems in California through stakeholder collaboration, for the purpose of delivering more affordable health insurance products. The initiative's scope is limited to commercial insurance programs, and will include efforts to develop consistent, standard methodologies and incentives across the healthcare industry in order to reduce redundancy and complexity. Efficiencies will be sought in both administrative and medical management components of insurance products.

The Affordability Initiative is informed by five guiding principles:

1. Operate a shared governance model based upon clarity of purpose, shared goals, and open dialogue
2. Incorporate all stakeholder groups, including health plans, physician groups, hospitals, purchasers, and consumers; do not limit participation to IHA members

3. Pursue consistent methods across stakeholders to maximize results
4. Share savings resulting from the initiative with consumers and purchasers to create more affordable health insurance products
5. Focus on efforts to improve cost efficiency that enhance, rather than restrict, access to medical care.

### **Bundled Episode of Care Pilot**

There is growing interest in the health care industry and health policy world in the concept of paying for medical treatment on the basis of the “episode of care” rather than the individual test, procedure, or visit (fee-for-service) or the population-based continuum of care (capitation). Establishing a single budget or fee for care that involves multiple providers (and provider types) may address quality and efficiency problems that are rewarded by current payment systems, which increase reimbursement with increased volumes of services. Pricing mechanisms that bundle and fix the price of the components of a complex episode of care also represent a critical first step in providing consumers with transparent price and quality metrics, tools needed to make an informed, value-based selection of a provider team.

The potential of episode payment to achieve both quality and cost improvements was initially shown in the early 1990s by Medicare’s Coronary Artery Bypass Graft Demonstration project. During its five-year run, this demonstration saved Medicare \$42 million on coronary bypass patients treated in the demonstration hospitals, an average discount of roughly 10% from expected spending, including a 90-day post-discharge period.<sup>1</sup>

The Integrated Healthcare Association (IHA) is implementing a pilot to test the feasibility of bundling payments to hospitals, surgeons, consulting physicians and ancillary providers, for selected inpatient surgical procedures. The pilot will cover commercial populations within the existing California delivery system and regulatory environment. The pilot expects to:

1. Encourage financial alignment that will support delivery system and process re-engineering to improve patient care quality and efficiency.
2. Allow for shared savings among health plans, providers, employers, and patients to the extent bundled reimbursement improves quality and efficiency.
3. Develop and test solutions to bundled payment implementation issues.

The pilot will focus initially on commercial PPO patient populations in Los Angeles and Orange Counties, but IHA intends to expand the pilot to HMO populations and to service areas across California in later phases. Pilot participants explicitly intend to pay for the procedures on an actual vs. virtually-bundled basis; therefore, they must commit to building the administrative and contracting infrastructure to bill for services on a bundled basis and to disperse payments among participating providers.

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<sup>1</sup> Health Care Financing Administration. *Medicare Participating Heart Bypass Center Demonstration, Extramural Research Report*. September 1998.

IHA's role in the project is to develop a coalition of willing hospitals, health plans, and physician groups that participate in each phase of the project. IHA will develop the framework for episode payment (episode definition, data analysis methodology, and standard quality measures) and support collaborative resolution of operational issues. Decisions will be made by consensus where possible; however, IHA will make the final proposal on cross-sector issues. Final parameters, including episode price, will be incorporated into existing contracts between health plans and providers. IHA will not intervene in price negotiations, nor attempt to identify or set a market price for the bundles. IHA does not intend to aggregate data across health plans, share charge or reimbursement information across competing health plans or providers, or publically report identifiable charge or quality metrics. Project workgroups have finished the definitional phase of the project (episode definition, contracting model, and data analysis plan), and are now beginning full-scale implementation efforts, with a target of going live with episode payment beginning in August 2010.

### **Prevention of Obesity**

IHA developed the Healthy Alternatives Vending Machine Program to combat obesity by urging employers to offer nutritious, low-fat and low-sugar alternatives in worksite vending machines. The IHA policy, initially introduced and adopted in 2005 by 20 member organizations, is aimed at creating environments at the workplace that make it easy to make healthy food choices. The Healthy Alternatives initiative has already given at least 200,000 employees at 500 worksites in California, along with 6.5 million Kaiser Permanente members at Kaiser facilities across the state, access to healthier options in vending machines. The success of this program within the health care community prompted IHA to urge top employers to adopt IHA's turnkey Healthy Alternatives program.