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**Integrated Healthcare Association Awarded Robert Wood Johnson Foundation Grant
to Design Performance Based Contracting Program for Physician Groups**

OAKLAND, Calif., January 25, 2011 – The Integrated Healthcare Association (IHA) has been awarded an 18-month, \$281,000 grant by the Robert Wood Johnson Foundation (RWJF) to facilitate development of a performance based contracting program that will enable California’s health plans to fairly and consistently measure the performance of physician group services for patients and then to use that information to support value-based performance payments.

IHA will collaborate with the RAND Corporation to develop a method for combining quality and cost measures that will reflect how efficiently and effectively physician groups organize and deliver all services for their patients. Each group’s performance would be adjusted to account for differences in their patient populations, such as age or the severity of illnesses. Under a performance based contracting program, health plans would determine annual performance payments to physician groups based both on the total cost of care and quality outcomes for each group’s patient population.

“Building on the foundation of our pay for performance program, this effort will merge both quality and cost measures to create a more comprehensive view of performance,” said Tom Williams, executive director of IHA. “Carefully constructed, the results will enable physician groups to differentiate themselves and for health plans to make value based contracting decisions that benefit consumers and reward high-performing providers.”

The performance based contracting methodology being developed by IHA in conjunction with its stakeholders and RAND will use existing P4P measures (e.g. clinical quality, patient

satisfaction, and use of information technology) and additional health plan information to determine a physician group's total cost of care. Various scenarios will be modeled to assess its impact on purchasing and policy questions, such as:

- How can different design features influence which groups will “win” or “lose”?
- What methods can be used to structure incentives to reduce the likelihood of misclassifying a physician group's performance?
- How can performance based contracting be structured to increase the incentives for improving either cost or quality deficiencies, while maintaining a group's strengths?
- Are different patient populations differentially affected by the various scenarios?

“The IHA effort will be one of the nation's first to take value-based performance principles in healthcare and put them into actual practice on a large scale across multiple health plans,” said Juan Davila, senior vice president of network management at Blue Shield of California. “It is a new world for providers and health plans, one in which they must work collaboratively to foster better and more efficient care, replacing the traditional inefficient volume-based system with a patient-centered system focused on value.”

It is expected that the performance based contracting system can be put into place by health plans beginning in 2012. California's major plans -- Aetna, Anthem Blue Cross, Blue Shield of California, CIGNA, Health Net, PacifiCare/UnitedHealthcare, Western Health Advantage, Kaiser Permanente (reporting only) -- currently participate in the IHA sponsored pay for performance program. They contract with over 221 physician groups that are responsible for over 10 million lives.

IHA was one of only 12 projects selected among 278 proposals submitted seeking a portion of the \$3.1 million in RWJF grants to support novel approaches that address issues in value-based purchasing, quality improvement support, public reporting of provider performance, and data collection and aggregation for performance measurement.

About the Integrated Healthcare Association

The Integrated Healthcare Association (IHA) is a not-for-profit multi-stakeholder leadership group that promotes quality improvement, accountability and affordability of health care in California. IHA administers regional and statewide programs, serves as an incubator for pilot programs and projects, and actively convenes all healthcare parties for cross sector collaboration on health care topics. IHA principal projects include the California pay for performance program (the largest private physician incentive program in the U.S.), the measurement and reward of efficiency in health care, value based purchasing of medical devices, health care affordability, bundled episode of care payments, and accountable care organizations. For more information, please visit: www.IHA.org.

About the Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation focuses on the pressing health and health care issues facing our country. As the nation's largest philanthropy devoted exclusively to improving the health and health care of all Americans, the Foundation works with a diverse group of organizations and individuals to identify solutions and achieve comprehensive, meaningful and timely change. For more than 35 years the Foundation has brought experience, commitment, and a rigorous, balanced approach to the problems that affect the health and health care of those it serves. When it comes to helping Americans lead healthier lives and get the care they need, the Foundation expects to make a difference in your lifetime.

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