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**Integrated Healthcare Association Awarded AHRQ Grant for Statewide  
Bundled Episode Payment and Gainsharing Demonstration Project**

**OAKLAND, Calif., Feb. 14, 2011** – The Integrated Healthcare Association (IHA) has been awarded a three year, \$2.9 million grant by the Agency for Healthcare Research and Quality (AHRQ) to demonstrate bundled episode payments for physicians, hospitals and other providers and to evaluate their effectiveness compared to current payment methods in California. In contrast to traditional payment methods for healthcare, such as fee-for-service, bundled payments require physicians and hospitals to share financial accountability for patient outcomes as well as the efficiency of care delivery.

“Creating a more effective and affordable healthcare system requires that physicians and hospitals – along with health plans, patients and consumers – share in the savings when their efforts improve quality and reduce waste, readmissions and inefficiency,” said Richard Afable, MD, MPH, president and chief executive officer of Hoag Memorial Hospital Presbyterian. “By studying the best ways to implement bundled payments in California’s complex healthcare system, we’ll provide valuable lessons for the rest of the country.”

Building on an existing small pilot funded by the California HealthCare Foundation in Los Angeles and Orange counties, the demonstration funded by AHRQ will expand the project statewide and will eventually involve 20 teams of physicians, hospitals, surgery centers and other providers. Participants include:

- Physician Organizations: Brown & Toland Medical Group, HealthCare Partners, Monarch HealthCare, St. Joseph Heritage Healthcare

- Hospitals: Cedars-Sinai, Hoag Memorial Hospital Presbyterian, Huntington Hospital, Mission Hospital, Saddleback Memorial Medical Center, St. Joseph Hospital, St. Jude Medical Center, Tenet California, UCLA Medical Center
- Ambulatory Surgery Centers: Monterey Peninsula Surgery Centers
- Health Plans: Aetna, Blue Shield of California, Cigna and HealthNet

The initial episodes of clinical care to be studied are total knee and hip replacement, cardiac catheterization with stents, and knee arthroscopy with meniscectomy.

“Episode payment is an idea that is worth experimenting with, and one that needs to be tried,” said Ronald Kaufman, MD, MBA, FACP, FACHE, chief medical officer of Tenet Healthcare California/Nebraska Region. “It’s challenging to implement this payment methodology in the setting of community hospitals with independent physicians in California. Participation in the IHA pilot gives us the opportunity to work through the medical care and financial risk management and administrative issues in a collaborative environment with others interested in improving healthcare quality and efficiency.”

“This project will test our ability to solve the myriad of difficult details necessary to implement and administer episode bundled payment. It is important work necessary to move new payment methods in healthcare from concept to reality. The AHRQ funding provides a new opportunity for us to also test the scalability of the concept, and to rigorously evaluate the impact of this payment reform on care quality and efficiency,” said Tom Williams, Dr PH, MBA, executive director of IHA.

The IHA grant is one of several awarded by AHRQ to study the comparative effectiveness of delivery system reforms. Other awardees included Michigan State University, the University of Utah, and University of California at Los Angeles. More information about this grant and other AHRQ “Recovery Act Awards for Research Awards” is available at:

<http://www.ahrq.gov/fund/recoveryawards/osawresearch.htm>

**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](http://www.IHA.org).

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