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FOR IMMEDIATE RELEASE

**CALIFORNIA HEALTH PLANS ANNOUNCE FIRST STATEWIDE, MULTI-PLAN INITIATIVE TO  
REWARD PHYSICIAN GROUPS FOR QUALITY CARE**

Unprecedented Collaboration by Six Leading Health Plans Will Improve Health Care  
Delivery and Create Systemic Improvements that Benefit All Consumers

WALNUT CREEK, CA – The Integrated Healthcare Association (IHA), a statewide leadership group active in health policy and managed care issues, today unveiled a groundbreaking initiative that will change the way six of the largest HMOs in California evaluate and reward their contracted physician groups. The six health plans – Aetna, Blue Cross of California, Blue Shield of California, CIGNA Healthcare of California, Inc., Health Net, and PacifiCare – serve more than 8 million Californians. Under the new Pay for Performance initiative, they will utilize a common scorecard to measure the performance of their physician groups and pay incentives based on that performance. Some health plans will begin implementing the new system in 2002. By 2003, all six HMOs will have this Pay for Performance process in place.

“These health plans are showing real leadership,” noted Beau Carter, executive director of the IHA, which spearheaded the development of the effort. “In an otherwise highly competitive marketplace, where health plans naturally want to differentiate themselves, these plans have seen this as the right thing to do: measure and reward quality of service and quality of care. Pay for Performance will improve the quality of health care for millions of Californians, focus national attention on a new paradigm of promoting accountability for results and rewarding excellence, and re-establish the partnership between health plans and physician groups in managing care.”

The new Pay for Performance system will utilize a common scorecard for the physician groups, representing a balance of prevention, chronic care management, and patient satisfaction measures. An independent entity will validate the data and publish the results. The individual health plans will then provide incentive payments to the physician groups based on this performance, with the amount and nature of the payment varying by plan. All physician groups will be eligible for the performance-based payments and will be rewarded for year-to-year improvements as well as current performance.

“We have finally created a business case for quality at the physician group level,” said Steve McDermott, president and CEO of Hill Physicians Medical Group and chair of the IHA board of directors. “We now have an opportunity for significant financial rewards if we do a good job. Our patients will be healthier, and our physicians will be happier. Physician groups are eager to get started.”

The Pay for Performance initiative has been under development for more than a year. IHA member GlaxoSmithKline provided funding for the collaborative design process, which included employer, health plan, and physician group executives.

“This is a major breakthrough,” said Peter Lee, president and CEO of the Pacific Business Group on Health. “Purchasers are very interested in making standardized, comparative quality data available to consumers and in rewarding better quality. This initiative does both in ways that are significant for both patients and doctors.”

Pay for Performance will be managed by a Steering Committee of business, HMO, physician group, and consumer representatives under the umbrella of the IHA. A Technical Committee working on constant improvement of the specific performance measures also includes experts from the National Committee on Quality Assurance (NCQA), the UC Berkeley Center for Health Research, and the UCSF Institute for Health Policy Studies.

*IHA ([www.iha.org](http://www.iha.org)) is a statewide leadership group of health plans, physician groups, and health care systems, plus at-large academic, purchaser, consumer, and pharmaceutical industry representatives, committed to policy development, public dialogue, and special projects associated with the continuing evolution of managed health care.*