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September 26, 2002

FOR IMMEDIATE RELEASE

CALIFORNIA HEALTHCARE FOUNDATION AWARDS GRANTS TO HELP ESTABLISH AND EVALUATE PILOT PROGRAMS

Integrated Healthcare Association Part of National Initiative to Base Health Care Payments on Quality

Oakland and Walnut Creek, CA -- The Integrated Healthcare Association (IHA), a statewide leadership group active in health policy and managed care issues, has been awarded two grants totaling \$1,232,735 from the California HealthCare Foundation (CHCF) to conduct pilot programs demonstrating how financial and non-financial incentives can help health care providers improve quality.

The IHA pilot programs are part of a national initiative called Rewarding Results, which is administered by the National Health Care Purchasing Institute. The \$4.9 million grant program, made possible by The Robert Wood Johnson Foundation and CHCF, with additional support from the Commonwealth Fund, will test ways to implement recommendations the Institute of Medicine made in its report *Crossing the Quality Chasm*. In addition, the federal Agency for Healthcare Research and Quality has awarded \$1.5 million to Boston University researchers to conduct a comprehensive national evaluation of all six Rewarding Results projects.

“This effort represents a critical step toward creating a quality-driven health care system based on measuring, disclosing, and rewarding results,” said Mark D. Smith, M.D., M.B.A., president and CEO of the California HealthCare Foundation. “Working closely with their

provider communities and using nationally-recognized measures of quality, these projects will develop and test a variety of incentives.”

The first pilot is IHA’s Pay for Performance, a groundbreaking initiative announced in January to change the way six of the largest HMOs in California evaluate and reward their contracted physician groups. Under the grant, a common set of performance measures will be developed for physician groups based on six areas of clinical performance (weighted at 50 percent), patient satisfaction (40 percent), and information technology investment (10 percent). The major non-financial incentive will be a widely disseminated public scorecard in 2004 showing actual physician group performance.

Financial incentives will be paid by the six participating health plans directly to their contracted medical groups based on these performance measures, but consistent with health plan-specific bonus programs, according to IHA Executive Director Beau Carter. Participating plans are Aetna, Blue Cross of California, Blue Shield of California, CIGNA HealthCare of California, Health Net, and PacifiCare, which together serve some eight million California commercial HMO enrollees.

“Pay for Performance delivers a long-awaited business case for medical group performance,” said Steve McDermott, president and CEO of Hill Physicians Medical Group and 2000-2001 chair of the IHA Board of Directors during the development of Pay for Performance. “If the health plans can sustain significant levels of financial incentives, we should see major improvement in health care quality and patient satisfaction in the next three to five years, and a long-term improvement in overall public health.”

In addition to the grant, the initiative partners will contribute more than \$4 million to support the pilot project over the next three years, over and above the incentive payments to medical groups. “Pay for Performance is the latest and by far the most significant, collaborative California effort among purchasers, health plans, and providers,” said Thomas Davies, Healthcare Manager for Verizon, Western United States and chair of the Pay for Performance Steering Committee. “In addition to the obvious benefits to physician groups,

it will give purchasers better value for their premium dollar, health plans a stronger set of physician group partners, and consumers a timely, public guide to quality providers.”

Under the second pilot project, IHA will work in partnership with the eight Local Initiative health plans that serve low-income families and children enrolled in the State’s Medi-Cal (Medicaid) and Healthy Families programs to develop financial and non-financial incentives for providers who serve the one million children enrolled in the plans. The rewards will target well-baby visits, well-adolescent visits, identification and management of childhood obesity, and timely submission of electronic data.

The partner plans are the Alameda Alliance for Health, Contra Costa Health Plan, Inland Empire Health Plan, Kern Health Plan, L.A. Care Health Plan, Health Plan of San Joaquin, San Francisco Health Plan, and Santa Clara Family Health Plan.

“As public health plans, we are colleagues, not competitors, but until now we have not had the ability to participate in a structured quality improvement initiative. We are eager to get started, totally committed to learning from each other, and excited about the prospects for significant success,” said Leona Butler, CEO of Santa Clara Family Health Plan and IHA board member.

In addition to the grant, IHA has committed \$189,886 of its own funds to support the initiative. “This grant not only provides the opportunity to collaborate on incentives to improve the quality of care for low income children and adolescents, but also enables us to break new ground in designing a performance measure and incentive program dealing with childhood obesity,” said Helen DuPlessis, M.D., M.P.H., chief medical officer of L.A. Care Health Plan and IHA Board member.

Rewarding Results grantees were recommended by an advisory panel of leading health care experts representing health care professionals, employers, and researchers in a nationwide competition, which attracted 57 applications.

Organizations involved in the Rewarding Results initiative:

*The **Integrated Healthcare Association** is a California leadership group of health plans, physician groups, and health care systems, plus 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. For more information, visit www.iha.org.*

*The **California HealthCare Foundation**, based in Oakland, is an independent philanthropy committed to improving California's health care delivery and financing systems. CHCF's work focuses on informing health policy decisions, advancing efficient business practices, improving the quality and efficiency of care delivery, and promoting informed health care and coverage decisions. For more information, visit www.chcf.org.*

***National Health Care Purchasing Institute**, sponsored by The Robert Wood Johnson Foundation, helps Fortune 500 companies, Medicare, and other health care purchasers learn and share ways to improve quality. NHCPI's efforts focus on rewarding high-quality care and empowering consumers and purchasers through public disclosure of physician and hospital performance. The Institute is part of AcademyHealth, a leading nonprofit, nonpartisan health policy and research organization in Washington, DC (www.academyhealth.org).*

***The Robert Wood Johnson Foundation**, based in Princeton, NJ, is the nation's largest philanthropy devoted exclusively to health and health care. It concentrates its grantmaking in four goal areas: to assure that all Americans have access to basic health care at reasonable cost; to improve care and support for people with chronic health conditions; to promote healthy communities and lifestyles; and to reduce the personal, social and economic harm caused by substance abuse -- tobacco, alcohol, and illicit drugs. Visit www.rwjf.org.*

*NHCPI's partner, **Agency for Healthcare Research and Quality**, is the lead U.S. Department of Health and Human Services agency charged with supporting research designed to improve the quality of health care, reduce its cost, improve patient safety, address medical errors, and broaden access to essential health services. AHRQ sponsors and conducts research that provides evidence-based information on health care outcomes, quality, and its cost, use and access. For more information, visit www.ahrq.org.*

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