



## History of Pay for Performance in California

During the late 1990s, there was consumer backlash against managed care efforts to contain costs, and the lack of choice and access in HMO benefit plans. In a move well received by physician groups, purchasers, consumers and regulators, several California health plans began shifting to quality based bonus payments to replace traditional utilization incentives. These plans, and a key employer purchasing coalition ([PBGH](#)), also started publishing report cards comparing physician groups and announcing top performing groups.

Despite the best intentions of these organizations, the multiple public scorecards and differing sets of measures and methodologies between health plans provoked physician ire. Physician groups were concerned that multiple measure sets instead of a single, standardized set diluted physician group focus on quality improvement efforts, and that often the multiple public scorecards would present inconsistent performance rankings for physician groups. Early efforts by individual health plans to measure and report quality also faced the challenge of obtaining sufficient sample size ( $n > 30$  patients) to lend credibility to both publicly reported results and financial incentive payments, because no single, non-staff model health plan had more than 25% of the managed care membership of any physician group.

### **Award Winning IHA P4P Program Emerges**

By early 2000, there was momentum for consolidating the disparate health plan and purchaser P4P efforts in California. In July 2000, under the umbrella of IHA, healthcare stakeholders met to address and coordinate statewide efforts to measure and improve clinical quality, patient experience, use of information technology, and public reporting of provider performance results.

IHA stakeholders believed that incremental P4P programs to date in California had been self-contained without meaningful incentives to accomplish significant changes in behavior for breakthrough improvement. In response to these concerns, stakeholders had three goals:

- Create a new statewide initiative that would measure physician groups' performance based on a common set of key measures that relied on national standards or evidence based medical practices
- Develop incentive payments by health plans to physician organizations based upon performance

- Aggregate patients from different health plans to increase samples size for credible public reporting, thereby helping consumers make informed provider selection choices

The planning phase and design of actual measures for a statewide P4P initiative were completed in late 2001. By January 2002, IHA stakeholders had developed a compelling vision for a collaborative initiative and a blueprint to secure health plan sponsorship. Funding and leadership by the California HealthCare Foundation ([www.chcf.org](http://www.chcf.org)) were important contributions to the formation and early operation of the program. Leading physician groups then appealed to major California health plans to adopt a uniform set of quality performance measures and a single public report card. After a great deal of consensus-building, six health plans endorsed the IHA initiative: Aetna, Blue Cross of California, Blue Shield of California, CIGNA HealthCare of California, Health Net, and PacifiCare (now UnitedHealthcare). The group was later joined by Western Health Advantage and Kaiser Permanente (public reporting only).