

PAY FOR PERFORMANCE For California Commercial HMO and POS

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Total payment for IHA measures for commercial HMO and POS	\$1.62 M \$0.55 PMPM avg	\$26.5 M \$1.59 PMPM avg	\$14.43 M \$1.01 PMPM avg	\$3.3 M \$1.35 PMPM avg	\$7.0 M \$0.49 PMPM avg This includes 10% "bonus" for groups providing MD-level incentives	\$0.76M ¹ \$0.05PMPM	\$375,718 \$0.58 PMPM avg
Total payment for non-IHA performance measures for commercial HMO and POS	\$3.8 M \$1.29 PMPM avg See Other Performance Measures section below	\$39.5 M \$2.37 PMPM avg See Other Performance Measures section below	\$13.97 M \$0.99 PMPM avg See Other Performance Measures section below	\$2.85 M \$1.17 PMPM avg See Other Performance Measures section below	\$12.0 M \$0.83 PMPM avg See Other Performance Measures section below	\$13.39 M \$0.82 PMPM See Other Performance Measures section below	\$31,879 \$0.05 PMPM avg See Other Performance Measures section below
Total performance payments for commercial HMO & POS	\$5.42 M total for all measures \$1.84 PMPM avg Annual payout	\$66 M total for all measures \$3.96 PMPM avg Annual payout	\$28.41 M total for all measures \$2.00 PMPM avg Annual payout	\$6.15 M total for all measures \$2.52 PMPM avg Annual payout	\$19.0 M total for all measures \$1.32 PMPM avg Annual payout	\$14.15 M total for all measures \$0.87 PMPM avg Quarterly payout ¹	\$407,598 total for all measures \$0.63 PMPM avg Annual payout

¹ This document reports payments made based on performance in 2004. Due to PacifiCare's quarterly payments based on a rolling 12 months, payments for 2004 performance were made from October 2004 to April 2005. A percentage of each quarterly payment, reflecting the proportion of the measurement period that fell in 2004, was applied to calculate the total amount. In order to align with the standard P4P payment timeline, in April 2005 PacifiCare made its last quarterly payment and will start annual incentive payments in 2006. Consequently, this report contains the equivalent of only 1 ½ quarters full payment.

PAYMENT METHODOLOGY
For California Commercial HMO and POS
2005 Payouts for Measurement Year 2004

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Used absolute threshold to qualify for determining payment	No	No	No	No	No	<p>Yes, thresholds were established based on previous year's performance</p> <p>For Clinical and Service quality measures, paid 50% of the PMPM on a measure if group scored between 75th and 85th percentile; paid 100% of the PMPM on a measure if group scored at or above 85th percentile</p> <p>For Hospital quality measures, paid 50% of the PMPM if group had 55-65% of elective admissions to high performance hospital; paid 100% of the PMPM if group had 65% or more elective admissions to high performance hospitals</p> <p>Maximum PMPM = NA</p>	No

PAYMENT METHODOLOGY (CONTINUED)

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Used relative percentile ranking for determining payment	<p>Yes, for each measure, only groups performing in top IHA quartiles were eligible for payment</p> <p>The total budgeted amount was divided among the measures based on the weighting. For each measure, the full allocation was paid out to groups in the top quartile</p> <p>Payment calculated proportionally by membership</p>	<p>Yes, groups in the 20th to 100th percentiles received payment based on a sliding scale.</p> <p>Maximum payment potential of \$4.50 PMPM (\$0.90 maximum for clinical and \$0.90 maximum for patient experience)</p>	<p>Yes, based on percentile rankings.</p> <p>Clinical: paid 100% of max if $\geq 75^{\text{th}}$ percentile; 50% of max if 50th to 74th percentile; 25% of max if 30th-49th percentile</p> <p>Patient experience: paid 100% of max if "above average" score on CAS, 50% if "average" and \$0 if "below average"</p> <p>IT: paid 100% of max if met 4 qualifying activities (2 in each measure)</p> <p>Maximum PMPM set at \$2.00 (\$0.80 maximum for clinical, \$0.80 maximum for patient experience, and \$0.40 maximum for IT)</p>	<p>Yes, for each measure, groups were rank ordered and groups in the 50th percentile or higher were paid on a sliding scale</p> <p>The total budgeted amount was divided among the measures. For each measure, the full allocation was paid out to groups in the top 50th percentile. The PMPM amount increased for each higher ranking. Top performing group received \$1.77 PMPM.</p> <p>No qualifying thresholds outside of the IHA encounter requirement</p>	<p>Yes, for each measure, groups in the 50th, 70th, 85th and 95th percentiles were paid based on a sliding scale</p> <p>Primary Financial Award = (Earned Points / 400 Total Possible Points) x \$1.15 x Avg Membership x 12 months</p>	No	<p>Yes, percentile ranking based on sliding scale</p> <p>Clinical: 100% awarded for results at 75th percentile or higher; 50% awarded for results at the 50th to 74th percentile. Zero if below 50th percentile</p> <p>Patient experience: 100% awarded for "above average." 50% awarded for "average." Zero for "below average" rating</p> <p>IT: 100% for 2 activities in each of 2 measures; 75% for 2 activities in one measure and 1 activity in the other measure; 50% awarded for 1 activity in each measure</p> <p>Maximum PMPM of \$1.00 (\$0.35 maximum for clinical, \$0.35 maximum for patient experience, \$0.20 maximum for IT)</p>

PAYMENT METHODOLOGY (CONTINUED)

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Criteria for medical group to be eligible for incentive payment	<p>Meet IHA 3.25 PMPY encounter threshold</p> <p>Participate in CAS</p> <p>Signed delegation agreements</p> <p>Valid signed contract in measurement year and at payout</p> <p>Be in good standing with Aetna on all contract provisions</p>	<p>Signed contract; all criteria clearly outlined in the contract</p>	<p>Encounter threshold of 2.7 E&M visits PMPY</p> <p>Signed contract in measurement year and at time of payout</p>	<p>Used IHA 3.25 PMPY encounter threshold to qualify for clinical measures</p> <p>Must participate in CAS</p> <p>Group must be effective with Cigna for entire measurement year</p>	<p>Encounter threshold of 2.85 E&M visits PMPY to be eligible for 100% of calculated award. Groups between 2.7 and 2.85 E&M visits PMPY received 50% of their calculated award.</p> <p>Open to all POS in HMO and POS network.</p> <p>Signed contract in measurement year and at time of payout</p>	<p>Minimum commercial membership of 1,000 or Medicare membership of 100 if commercial criterion not met</p> <p>Need to sign up for QIP</p>	<p>Used IHA 3.25 PMPY encounter threshold</p>

ADOPTION OF UNIFORM INTEGRATED HEALTHCARE ASSOCIATION (IHA) MEASUREMENT SET

For California Commercial HMO and POS
2005 Payouts for Measurement Year 2004

Clinical Measures

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net (160 of 400 pts)	PacifiCare	Western Health Advantage
Childhood Immunizations (VZV and MMR)	Yes – 2.86% each	Yes—3.57% each	Yes –2.86% each	Yes –2.86% each	Yes – 2.22% each (17.78 pts combined)	Yes – 5% (Modified HEDIS method)	Yes – 2.5% each
Cervical Cancer Screening	Yes – 5.71%	Yes – 7.14%	Yes – 5.71%	Yes – 5.71%	Yes – 4.44% (17.78 pts)	Yes – 5%	Yes – 5%
Breast Cancer Screening	Yes – 5.71%	Yes – 7.14%	Yes – 5.71%	Yes – 5.71%	Yes – 4.44% (17.78 pts)	Yes – 5%	Yes – 5%
Asthma Management	Yes – 5.71%	Yes – 7.14%	Yes – 5.71%	Yes – 5.71%	Yes – 4.44% (17.78 points)	Yes – 5%	Yes – 5%
HbA1c Screening	Yes – 5.71%	Yes – 7.14%	Yes – 5.71%	Yes – 5.71%	Yes – 4.44% (17.78 pts)	Yes – 5%	Yes – 5%
LDL Screening	Yes – 5.71%	Yes – 7.14%	Yes – 5.71%	Yes – 5.71%	Yes – 4.44% (17.78 points)	Yes – 5%	Yes – 5%
Chlamydia Screening	Yes – 5.71%	Yes – 7.14%	Yes - 5.71%	Yes –5.71%	Yes – 4.44% (17.78 pts)	No	Yes – 5%
Other clinical measures	None	None	None	None	Yes HbA1c control – 4.44% (17.78 pts) LDL control – 4.44% (17.78 pts)	Yes Anti-depressant Medication Management (Effective Continuation Phase Treatment) – 5% Potentially Avoidable Hospitalizations – 5% Inpatient Readmission – 5% Use of Preferred Antibiotics – 5%	None

ADOPTION OF UNIFORM IHA MEASUREMENT SET (CONTINUED)

Clinical Measures (continued)

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Total # Clinical Measures	7	7	7	7	9	10 total, 6 of which overlap with IHA	7
Other comments:	Use IHA weighting (40% clinical)	Accounts for 20% of total BCC payout; 50% of payout for IHA measures	Use IHA weighting (40% clinical)	Use IHA weighting (40% clinical)	Use IHA weighting (40% clinical)	Will continue to have additional clinical measures	Used own weighting; 35% of total WHA payout

Patient Experience Measures

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net (160 of 400 pts)	PacifiCare	Western Health Advantage
Specialty care	Yes – 10% (5% problem seeing specialist, 5% rating of specialist)	Yes – 12.5%	Yes – 10%	Yes – 10%	Yes – 10% (40 pts)	No	Yes – 10%
Timely access to care	Yes – 10%	Yes – 12.5%	Yes – 10%	Yes – 10%	Yes – 10% (40 pts)	No	Yes – 10%
Doctor - patient communication	Yes – 10%	Yes – 12.5%	Yes – 10%	Yes – 10%	Yes – 10% (40 pts)	No	Yes – 10%
Overall ratings of care	Yes – 10% (5% rating of all health care, 5% rating of personal doctor)	Yes – 12.5%	Yes – 10%	Yes – 10%	Yes – 10% (40 pts)	No	Yes – 10%

ADOPTION OF UNIFORM IHA MEASUREMENT SET (CONTINUED)

Patient Experience Measures (continued)

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net (160 of 400 pts)	PacifiCare	Western Health Advantage
Other patient experience measures	None	None	None	None	None	Yes Satisfaction with Medical Group – 5% Satisfaction with PCP – 5% Satisfaction w/ Specialist – 5% Satisfaction with Referral – 5% Satisfaction with PCP Communication – 5% Primary Care Access Complaints – 5%	None
Total # of patient experience measures	4 measures based on 16 CAS questions	4 measures based on 16 CAS questions	4 measures based on 16 CAS questions	4 measures based on 16 CAS questions	4 measures based on 16 CAS questions	6 measures – Used own measures ²	4 measures based on 16 CAS questions
Other comments:	Used IHA weighting (40% CAS)	Accounts for 20% of total BCC payout; 50% of payout for IHA measures	Used IHA weighting (40% CAS)	Used IHA weighting (40% CAS)	Used IHA weighting; while 40% was assigned, actual payout was 20% due to poor performance by groups	Patient experience scores from plan's member survey ²	Used own weighting; 35% of total WHA payout

² Starting in MY 2005, PacifiCare will use the Patient Assessment Survey (PAS, formerly CAS) and the IHA Patient Experience measures. Two additional measures will also be used to measure members' satisfaction with their access to primary care and with how their appeals were handled.

ADOPTION OF UNIFORM IHA MEASUREMENT SET (CONTINUED)

Information Technology Measures

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net (80 of 400 pts)	PacifiCare	Western Health Advantage
Integrate clinical electronic data sets for population management	Yes	No	Yes	Yes	Yes	No	Yes
Support clinical decision making at point of care	Yes	No	Yes	Yes	Yes	No	Yes
Other IT measures	None	None	None	None	None	None	None
Other comments:	Used IHA weighting (20% IT)	Did not reward IT domain (0%)	Used IHA weighting (20% IT; 4 activities weighted equally at 5% each)	Used IHA weighting (20% IT; 4 activities weighted equally at 5% each)	Used IHA weighting; while 20% was assigned, actual payout was 40% for performance that significantly exceeded previous year	Did not reward IT domain	Used IHA weighting (20% IT)

ADOPTION OF UNIFORM IHA MEASUREMENT SET (CONTINUED)

Other Performance Measures

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Note:	<p>Shared risk – engage physician groups in managing hospital care to further mutual aim of affordable, accessible health care. Physician groups shared in benefits and savings produced.</p> <p>\$3.8 M paid in 2005</p>	<p>For 2004, the BCC performance incentive measures were as follows:</p> <ol style="list-style-type: none"> 1) Annual audit – 8% 2) Grievances and appeals – 16% 3) Member satisfaction (CAS) – 20% (align with IHA) 4) Clinical measures – 20% (align with IHA) 5) PCP quality measurement and bonus system – 8% 6) Encounter data – 8% 7) Generic Drug Use – 20% (\$13 M paid) 	<p>All provider groups participated in the IHA Pay for Performance Program. In addition, some groups participated in programs with the following measures:</p> <ol style="list-style-type: none"> 1) Managing hospital and out-of-network care (Shared Savings Program) 2) Maintaining Hospitalist Program 3) Managing utilization <p>\$10.3 M paid for the shared savings program</p> <p>\$3.7 M paid for the Maintaining Hospitalist Program and managing utilization</p>	<p>Annual encounter data submissions and quarterly open panel rewards.</p> <ol style="list-style-type: none"> 1) Encounter submissions for E&M, Lab, Radiology – groups earned up to \$0.15 PMPM (\$0.05 PMPM for each component) if they met the threshold 2) Open panel – groups earned \$0.10 PMPM for having >90% PCP Open Panel (group must have minimum of 10 PCPs to qualify for this reward) <p>Shared Risk – Engaged physician groups in managing hospital care, outpatient facilities, Home Health, etc. to further mutual aim of affordable accessible health care. Physician groups shared in benefits and savings produced. \$2.1 M paid in 2005</p>	<p>Additional bonus of 10% if group documented it provided MD-level quality incentives. Final Financial Award = Primary Financial Award x 1.10</p> <p>Generic substitution – Rewarded groups that showed improvement in generic prescribing above other groups. Payments based on portion of savings accrued. Of the 100 groups invited to participate in 2005, 79 accepted.</p> <p>Shared Risk – Engaged physician groups in managing hospital care to further mutual aim of affordable, accessible health care. Physician groups shared in benefits and savings produced.</p> <p>\$12 M paid for Generic Substitution and Shared Risk</p>	<p>PacifiCare’s QIP also includes four composite measures from its Hospital Quality Index:</p> <ul style="list-style-type: none"> Appropriate Care – 5% Patient Safety – 5% Patient Satisfaction – 5% Utilization – 5% <p>\$1.65M paid for these QIP measures.</p> <p>Used equal weighting across all 20 measures (10 clinical, 6 patient experience, 4 hospital)</p> <p><u>Other Incentive Programs:</u></p> <ol style="list-style-type: none"> 1) Pharmacy Incentive Program \$7.33M paid 2) Hospital and Other Incentive Programs \$3.61M paid 3) Mammography Program \$.80M paid 	<p>Four “administrative quality data” metrics, weighted at 10% of the total (each weighted 25% of the 10% total)</p> <ol style="list-style-type: none"> 1) % of PCP practices open to new WHA members 2) encounter data submission timeliness and completeness 3) timeliness of notification of physician terminations 4) % of eligible members enrolled in Q-Med disease management program

**USE OF AGGREGATED DATASET
For California Commercial HMO and POS
2005 Payouts for Measurement Year 2004**

	Aetna	Blue Cross	Blue Shield	CIGNA	Health Net	PacifiCare	Western Health Advantage
Used aggregated dataset exclusively for IHA measures	Yes	Yes	Yes	Yes, for IHA measures	Yes, for IHA measures	No	Yes
Used aggregated dataset and own plan data							
Did not use aggregated dataset; only used own plan data				Yes, for other measures	Yes, for other measures	Yes	

Glossary

Absolute threshold – A certain score that a physician group must meet or exceed to be eligible for incentive payment.

Aggregated dataset – The dataset created by combining the scores from each plan or self-reporting group for each measure into a single score for each physician group for that measure.

IHA measures – The measures included in the uniform measurement set.

Non-IHA performance measures – All contractually arranged incentive programs - other than IHA's P4P measure set and payments - that involve potential payment to contracted physician groups for commercial HMO/POS members for a particular calendar year. This could include payments based on utilization measures and administrative servicing measures, as well as clinical quality and patient satisfaction measures that are different than the IHA measure set. Some examples include shared risk; generic substitution; grievances and appeals; voluntary member transfers for quality issues; encounter submission; open panel; compliance with NCQA and state law utilization standards; patient safety; Individual physician quality incentive program (for MY2004 or earlier only); care management

Own plan data – Data outside of the P4P aggregated dataset that the plan has access to, including encounters, claims, survey responses, administrative databases, etc.

Pay for Performance – The practice of paying a physician or physician group based on their performance on an agreed upon set of standard measures.

Relative percentile ranking – The performance of all physician groups is ranked, with only the top certain percent being eligible for incentive payment.

Uniform measurement set – The set of clinical, patient experience and IT measures that are agreed upon by the Technical and Steering Committees and released to the stakeholders as the official measurements to be used for P4P for a specified year.