

Value Based Pay for Performance in California

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Value Based P4P is a key step in holding organizations responsible for both the quality and cost of care delivered to their members.



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ABSTRACT: Value Based Pay for Performance is a new strategic initiative that is being adopted by the California Pay for Performance Program to incorporate both cost and quality into health plan incentive payments to California physician organizations. This initiative aims to help address affordability concerns that have arisen due to the overwhelming increases in HMO premiums over the past decade. Value Based P4P gives participating physician organizations the potential to earn a quality-adjusted shared savings payment based on their performance on both cost and quality metrics. Value Based P4P is a key step in holding organizations responsible for both the quality and cost of care delivered to their members, which is aligned with the national movement towards Accountable Care Organizations, and should help create a more competitive, value-based HMO product.

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INTRODUCTION: EMBRACING COST MODERATION AS A STRATEGIC IMPERATIVE

The California Pay for Performance (P4P) Program has created a robust infrastructure to measure the quality of care delivered to HMO/POS enrollees by physician organizations in this state. Founded in 2001, this program represents the longest running U.S. example of data aggregation and standardized results reporting across diverse regions and multiple health plans. The Integrated Healthcare Association (IHA) runs the program on behalf of eight health plans representing 10 million insured persons, and is responsible for collecting data, deploying a common measure set, and reporting results for approximately 35,000 physicians in over 200 physician organizations (PO).

Since the program's inception, stakeholders have focused primarily on measuring and improving quality; however, during this time, the costs of care have continued to rise unabated. This has fueled concerns over the long-term sustainability of the HMO product in California, and focused the attention of P4P stakeholders on cost alongside quality.

In response, the P4P Program adopted improved value, which encompasses both cost and quality, as the ultimate goal of P4P between 2011 and 2015. The primary initiative for reaching this goal is Value Based Pay for Performance (Value Based P4P), which will hold POs accountable for the costs of all care provided to their HMO members, as well as the quality of this care, and will help to align POs and health plans toward a more price-competitive HMO product.

PRIMARY OBJECTIVES OF VALUE BASED P4P

The primary objectives of Value Based P4P are to reorder the priorities of the P4P Program to emphasize cost control and affordability; to continue to promote quality; to

standardize health plan efficiency measures and payment methodologies; and to increase the amount of incentives available to POs using a shared savings model.

GUIDING PRINCIPLES OF VALUE BASED P4P

Value Based P4P is guided by the following principles:

1. Savings generated by Value Based P4P are intended to contribute to lower cost trends and a more competitive, value-based HMO product.
2. Value Based P4P is intended to be available to all POs, including full risk POs, that contract for commercial HMO or POS with one or more health plan participating in P4P. Recognizing the value of alignment across health plans, all health plans and POs are encouraged to participate in Value Based P4P.
3. POs that contribute to HMO price competitiveness via low trend and/or low Total Cost of Care, and demonstrate quality, should be rewarded for their efforts to provide value.
4. Value Based P4P should not increase a health plan's total cost trend. The shared savings program design must balance the need to assure appropriate rewards for POs that successfully achieve quality and cost targets, and budget for potential overruns by other POs.

INTEGRATING QUALITY AND COST INCENTIVES

Under Value Based P4P, POs will be eligible for shared savings incentive payments based on their performance on both cost and quality metrics. Cost performance will be assessed using a Total Cost of Care measure, which captures actual payments associated with care for all commercial HMO/POS enrollees in a PO, including all covered professional, pharmacy, hospital, and ancillary care, as well as administrative payments and adjustments. Total Cost of Care performance will be assessed using both attainment, based on a PO's actual Total Cost of Care score, and trend, which measures how much a PO's Total Cost of Care has changed over the previous year. A PO's performance on Total Cost of Care attainment and

Total Cost of Care trend will be used to determine a base shared savings amount. This amount will then be adjusted based on a PO's quality composite score.

The quality composite score assesses individual measures in the Clinical, Patient Experience, and Meaningful Use of HIT domains on both attainment and relative improvement, and takes the higher of the two to calculate domain scores. Domain scores will then be summed using the recommended P4P domain weighting—currently 50% for Clinical, 20% for Patient Experience, and 30% for Meaningful Use of HIT. The quality composite score is then converted to a quality multiplier, which will serve to adjust shared savings incentive payments upwards or downwards.

ROLLING OUT VALUE BASED P4P

Implementation of Value Based P4P across California is scheduled for 2013. Health plan modeling of the proposed Value Based P4P program design will be completed in early Fall 2011 using data from 2008-2010. Based on health plan feedback, design modifications will be made and presented to the P4P Payment and Steering Committees for approval. After a period of public comment in November 2011, the program design should be finalized by the end of 2011, and health plans can begin incorporating Value Based P4P into their PO agreements.

ALIGNING QUALITY AND AFFORDABILITY: MOVING TOWARDS ACCOUNTABLE CARE

Building incentives for cost control into the existing statewide P4P infrastructure allows a common platform for implementation, so that POs are not faced with potentially conflicting measures and incentive structures from their contracted plans. Furthermore, the transition to rewarding both cost and quality through Value Based P4P is aligned with the national movement towards Accountable Care Organizations, and should help to create a more competitive, value-based HMO product.