Value Based Pay for Performance in California

Using Alternative Payment Models to Promote Health Care Quality and Affordability

Integrated Healthcare Association

Historically, physicians have received the same payment regardless of the quality and cost of patient care. To alter this equation, the Integrated Healthcare Association (IHA), working with California health plans and physician organizations, launched a statewide pay for performance (P4P) initiative in 2001 that initially focused solely on improving quality. Now, by merging quality, cost, and resource use measures into a single incentive program across multiple health plans, IHA's Value Based P4P program is one of the largest alternative payment models in the country. Since 2001, more than $500 million has been awarded as incentive payments. Today, participation in Value Based P4P includes 10 health plans and 200-plus California physician organizations caring for about 9 million Californians enrolled in commercial health maintenance organization (HMO) and point of service (POS) products.

VALUE BASED P4P—CALIFORNIA STYLE

Across the United States and California, health care costs and quality vary a great deal. Many experts believe piecemeal, volume-based fee-for-service payment encourages fragmented and inefficient care that not only costs more but is lower quality. Public and private payers are developing alternative payment models to encourage providers to integrate care and be accountable for both the quality and cost of patient care. Many alternative payment models, including IHA's Value Based P4P program, share savings—known as upside risk—between payers and providers tied to the cost and quality of patient care. Based on both quality and cost benchmarks for enrollees in commercial HMO and POS products in California, IHA's Value Based P4P program has four key components:

- A common set of measures and benchmarks.
- Health plan incentive payments.
- Public reporting.
- Public recognition awards.

COMMON MEASURES

The adoption of a common set of performance measures and benchmarks by all health plans and physician organizations helps harness collective market forces to drive improvements in patient care. Additionally, combining data across participating health plans significantly improves measurement reliability and validity and decreases reporting burden for physician organizations by eliminating competing and conflicting health plan rating systems. The IHA Value Based P4P common measure set relies on evidence-based measures in four areas:

- **Clinical Quality**
  Measurement focuses on five priority areas: prevention, cardiovascular, diabetes, musculoskeletal, and respiratory conditions and includes process and outcome measures, using standardized national measures when possible.
- **Patient Experience**
  Patient ratings of care received from their doctor and other providers in the physician organization—for example, communication with their doctor, timely access to care, coordination of care and overall ratings of care—based on the national Clinician & Group CAHPS survey tool.
- **Meaningful Use of Health Information Technology (HIT)**
  To align with federal electronic health record (EHR) initiatives, IHA's Value Based P4P methodology has measured and given credit for meeting requirements established by Medicare and Medicaid EHR Incentive Programs. As the Meaningful Use program transitions to Advancing Care Information, the VBP4P program continues to promote HIT adoption and use. Beginning in Measurement Year 2016, the MUHIT domain will focus solely on electronic clinical quality measures (e-measures). These measures reflect an organization's ability to collect and report on EHR-derived performance measures across its primary care physicians.
- **Resource Use and Total Cost of Care**
  Appropriate resource use measures are based on inpatient readmissions, inpatient and outpatient utilization, emergency department visits, and generic prescribing. Since 2011, a measure of total cost of care, based on actual health plan payments for each HMO/POS enrollee's care, including professional, pharmacy, hospital, and ancillary services and consumer cost-sharing, has been calculated and risk adjusted for each physician organization.

HEALTH PLAN INCENTIVE PAYMENTS

Working with health plan and physician organization representatives, IHA developed a recommended design for Value Based P4P incentive payments; each health plan is free to adapt the design and is solely responsible for making any payments. The incentive design incorporates all of the measurement areas: clinical, patient experience, meaningful use of HIT, resource use, and total cost of care.

At its core the Value Based P4P incentive design is based on shared savings, adjusted for quality performance. Savings are generated by improvements in resource use: inpatient care (including readmissions), emergency department use, outpatient procedures, and generic prescribing. Any net savings are shared between the health plan and the physician organization. Without shared savings, there are no incentive payments. Further, to be eligible to earn any share of savings, physician organizations must first meet quality standards, as well as demonstrate a total cost of care trend of no more than the consumer price index, or CPI, plus 2 percentage points.

The first health plan paid incentives using the value-based design in 2014, with three additional health plans implementing the design in 2015. For 2017, nearly all participating health plans have committed to implementing the design. During initial implementation, some physician organizations raised concerns that resource use reductions were the only path to incentives, because high-performing physician organizations—those producing strong quality results with low resource use— received no financial incentive for maintaining their outstanding performance. As a result, an attainment incentive was added to the approved design in 2015 to reward physician organizations that reach targeted levels of resource use—even if no savings are generated.

PUBLIC REPORTING

Standardized measures also allow consumers to compare the performance of participating physician organizations. IHA partners with the California Office of the Patient Advocate to publicly report Value Based P4P results annually. The online quality report card compares physician organization performance within a county, showing overall performance and topic areas, as well as scores on individual clinical quality, patient experience, and total cost of care measures.

P4P PUBLIC RECOGNITION AWARDS

Public recognition is a key component of the Value Based P4P program. Each year, IHA recognizes top-performing physician organizations as well as those demonstrating the greatest year-to-year improvement regionally. The Excellence in Healthcare Award recognizes physician organizations that achieve top marks on quality and patient experience measures while effectively managing costs. To earn this recognition, physician organizations must perform in the top 50 percent in all three major Value Based P4P measurement areas: clinical quality, patient experience, and total cost of care. And, in memory of his contributions and dedication to quality improvement, the Ronald P. Bangasser, M.D., Memorial Award for Quality Improvement recognizes the physician organization in each of eight California regions that demonstrated the greatest relative year-over-year improvement in quality performance.

ABOUT IHA

Based in Oakland, Calif., the nonprofit Integrated Healthcare Association (IHA) convenes diverse stakeholders—including physicians, hospitals and health systems, purchasers, and health plans—committed to high-value, integrated care that improves quality and affordability for patients across California and the nation.

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