Quality-based Purchasing in Health Care: Patterns and Perspectives from the Field

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Market Failure and the Role of Health Care Purchasing

- Market failure is central to health care industry studies
- Information problems pervasive: most agree that one consequence is too little quality
- Purchasers of health insurance (i.e., employers, who sponsor coverage for about 2/3 of the non-elderly) and health care (i.e., insurers) have become increasingly aware of the need to improve quality of care

Quality of Care

- Gaps in care persist – national data published in 2003 showed that about half of recommended outpatient care was delivered even among insured
- Patient safety problems in the hospital abound
  - 7,000 people die every year from medication errors alone
  - 2 million suffer from hospital-acquired infections, many of which are preventable

Quality-based Purchasing (QBP)

- Explicit efforts by employers and health plans to: improve quality of care delivered to employees/enrollees and foster quality competition
  - Quality measurement, reporting, pay for performance
  - Quality improvement projects
  - Patient-centered interventions (e.g., health coaching, disease management)

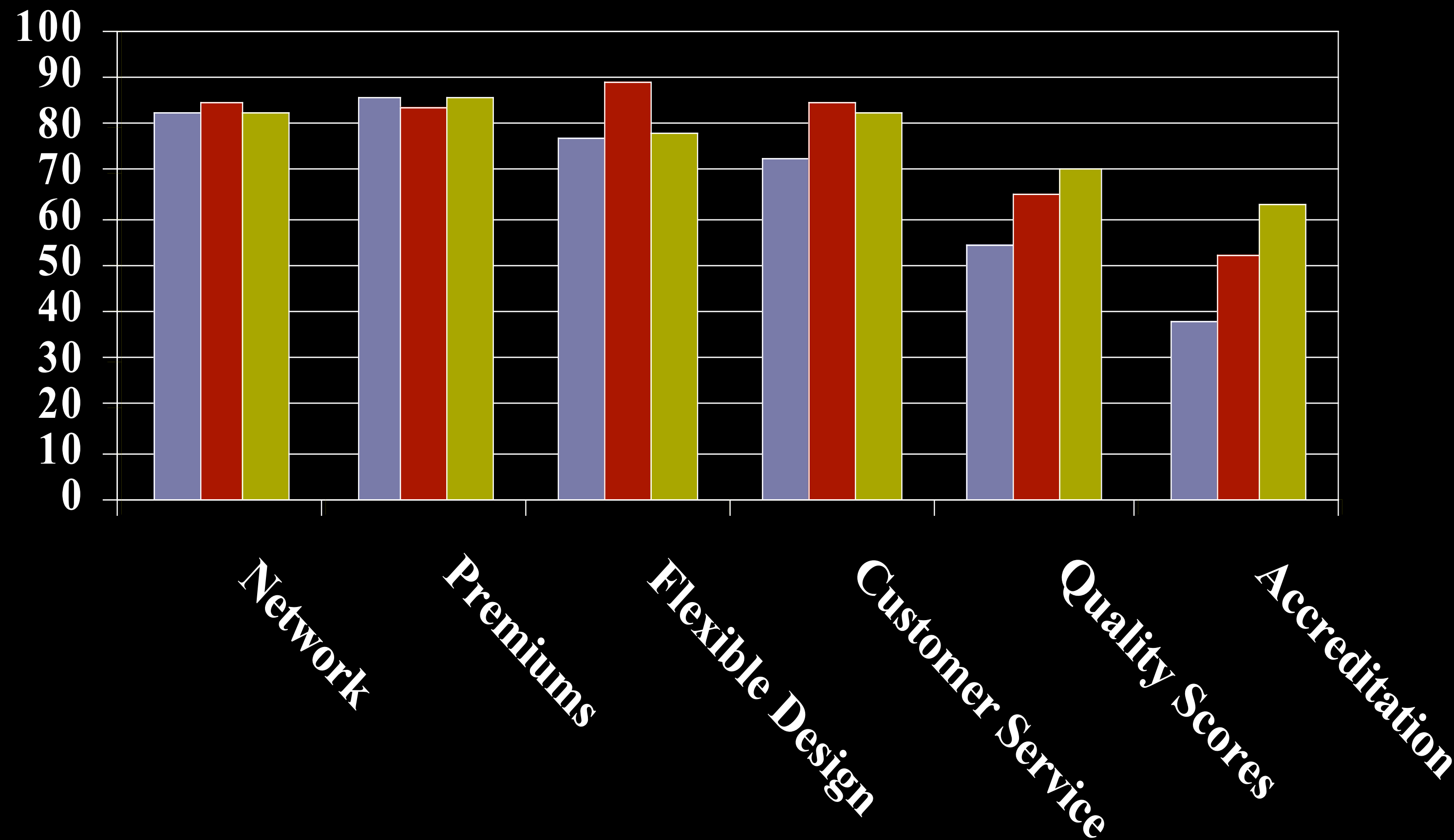
Employers' Use of QBP Strategies

- How concerned are employers about quality?
- Efforts directed at health plans
- Efforts directed at hospitals and physicians
- Views on usefulness of alternative approaches

Study Overview

- Sample of 40 metropolitan areas with at least 100,000 HMO enrollees
- 25 largest employers in market
- All HMOs with commercial product

Employers' Ratings of Health Plan Characteristics as Moderately/Very Important



QBP Efforts Directed at Health Plans (% using strategy, by size of employer)

	All employers	<1,000	1,001-5,000	>5,000
Used quality report cards	12	6	9	18
Bonuses/ penalties for quality	8	3	7	13
Employees pay higher premium for low quality plan	5	4	2	10
Required quality improvement programs	16	9	12	22

QBP Efforts Directed at Providers (% using strategy, by size of employer)

	All employers	<1,000	1,001-5,000	>5,000
Examined provider performance on quality measures	12	4	19	19
Provided report cards to employees	4	1	7	7
Employees pay more for low quality providers	3	0	5	5

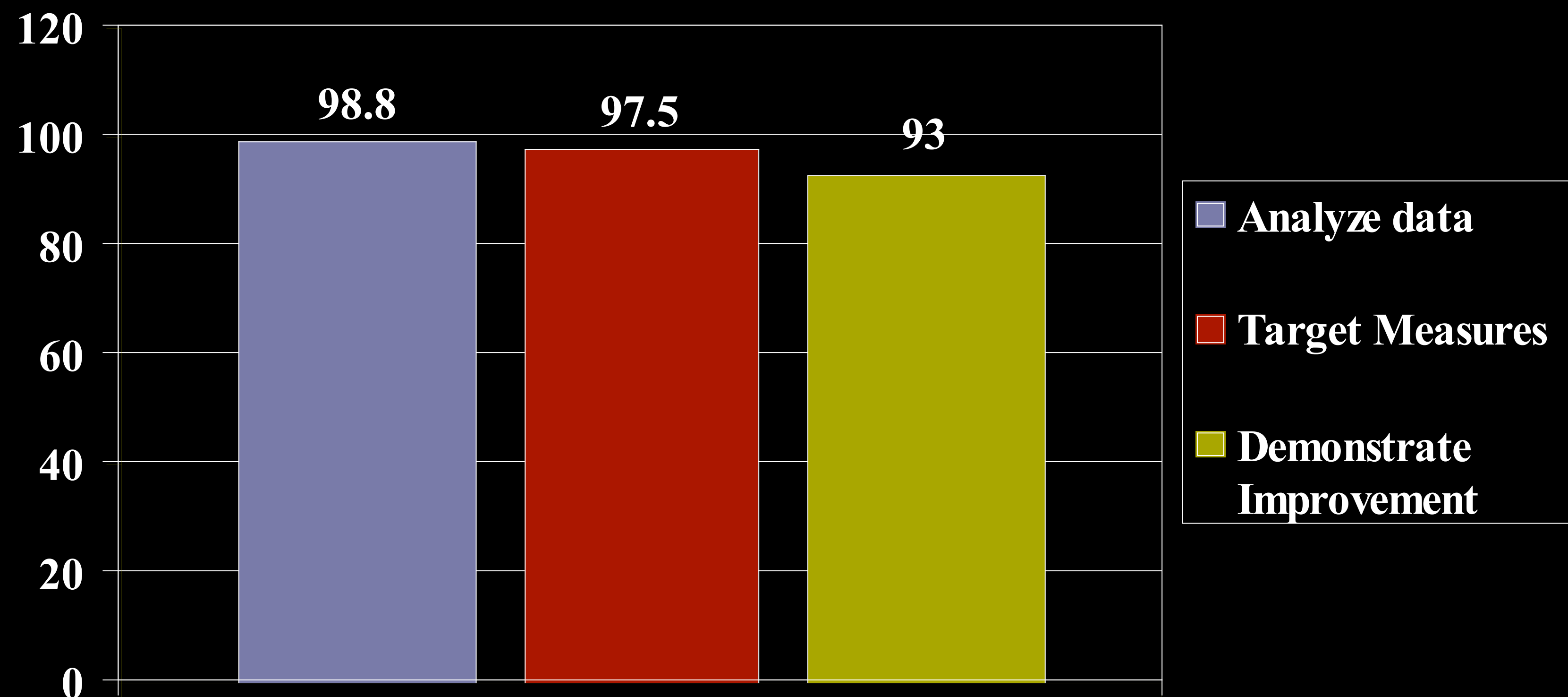
Percent of Employers Reporting QBP Strategies "Very Useful"

Using quality information in choosing health plans	17
Sharing health plan quality information with 'ees	36
Sharing provider quality information with 'ees	42
Financial incentives for 'ees to choose higher quality plans/providers	36
Quality bonuses/penaltites for health plans	28
Quality bonuses/penalties for providers	25

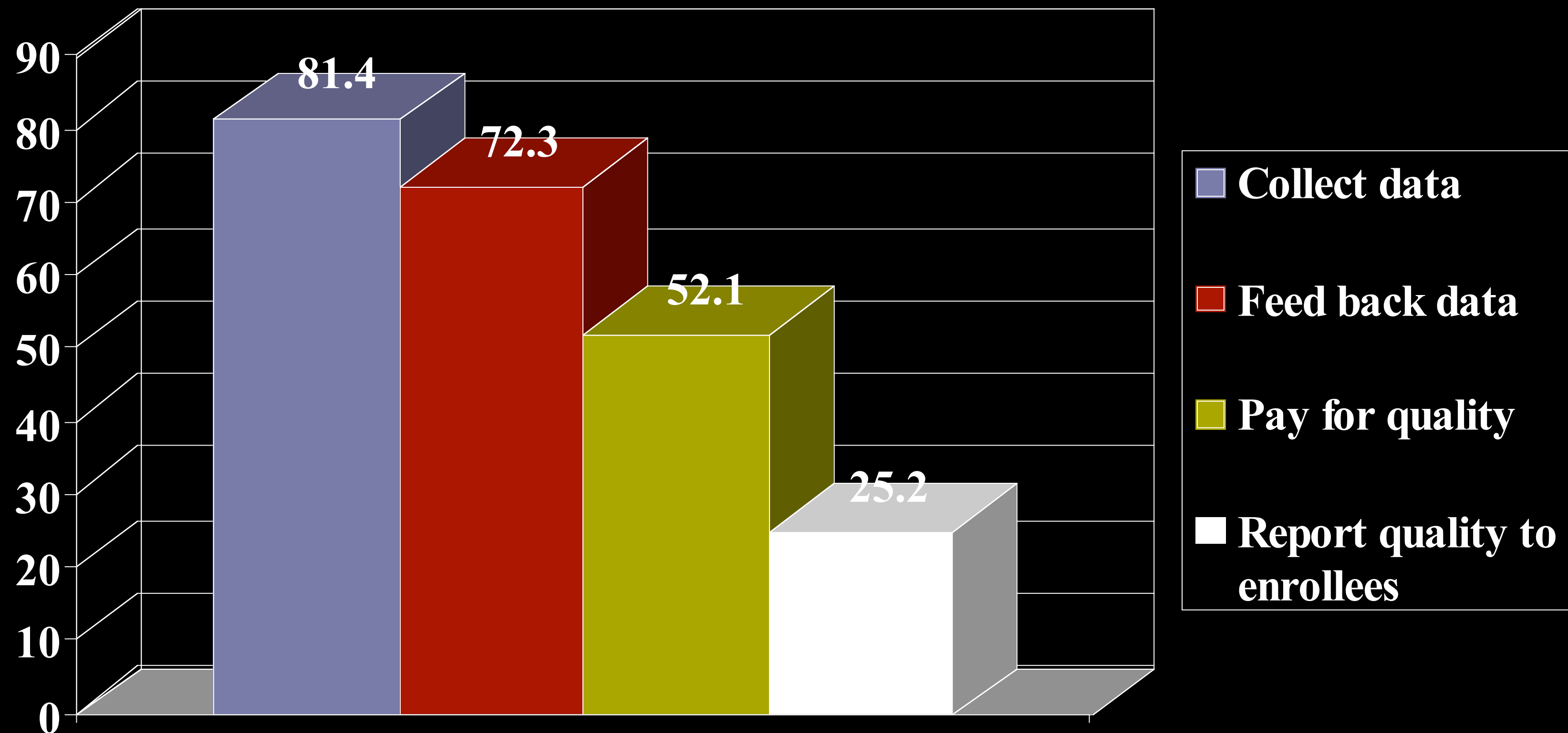
Health Plans’ Use of QBP Strategies

- Use of patient- and plan-level data for quality improvement
- Profiling, reporting and paying based on quality of physician services
- Use of claims data to send patient and physician reminders

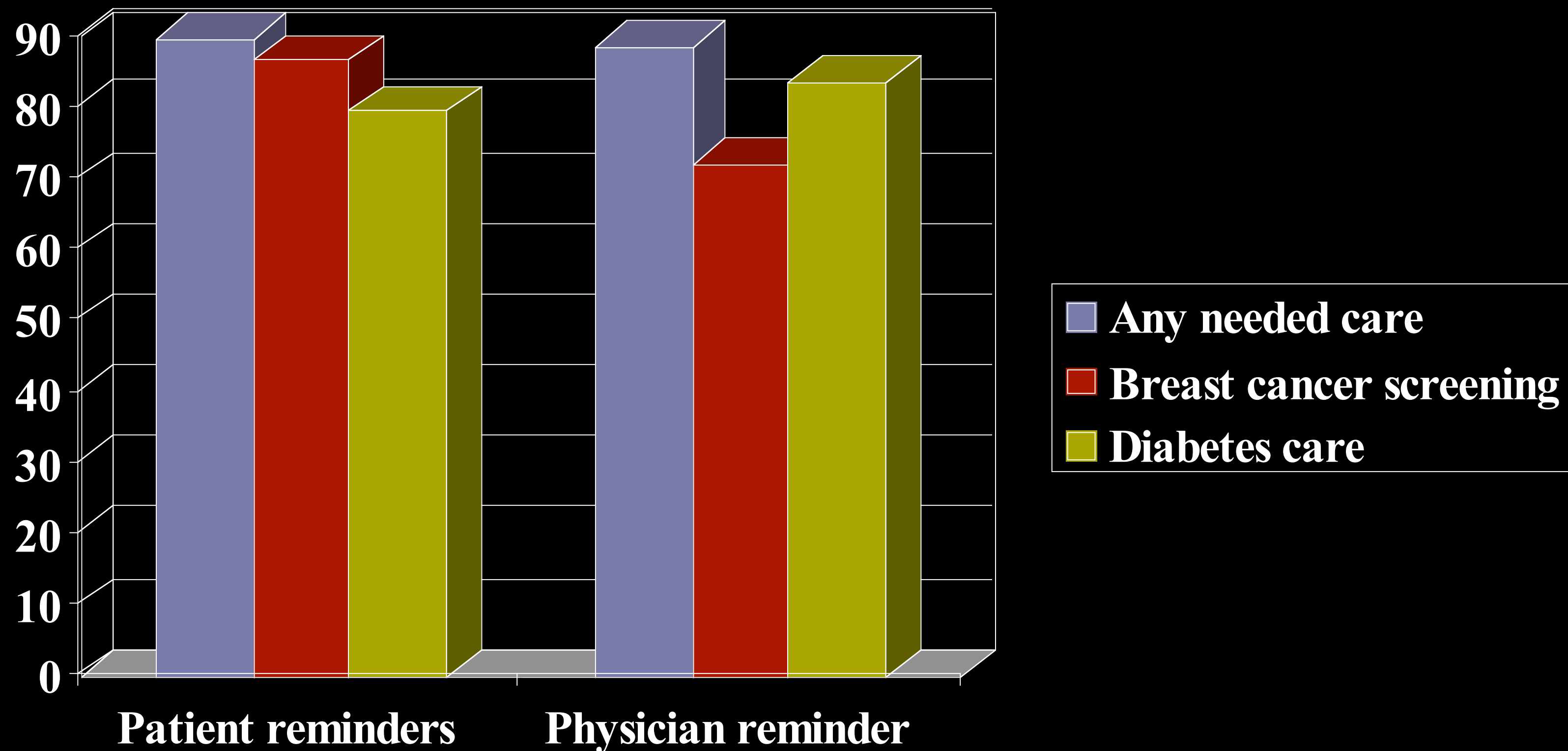
Evaluation and Use of Patient- or Plan-level Quality Data



Health Plans' Use of Data on Quality of Physician Services



Use of Patient and Physician Reminders



What Do We Make of All This?

- Calls for industry reform have raised the profile of QBP, but there is more talk than action
- Employers are still not keenly focused on quality (because they perceive no ROI?)
- Health plans are, however, managing quality internally and $$ rewarding physician quality although the bonuses are often small
- Public reporting of quality information is rare – despite views that this is most useful (and is the centerpiece of the administration's policy)

What Do We Make of This? (2)

- New collaborative efforts may be supplanting individual employer/health plan efforts so there is more than appears
- Influential purchasers (jumbo employers) may still move market
  - The most important predictor of health plan pay for performance (i.e., incentives from plans to providers) was having at least one performance contract with an employer

The $2 Trillion Questions

- Will any of this improve quality in the health care industry? Value?
- Given spillover effects and fragmented financing, what should be the role of individual employers and health plans?