

# Improving Health Care Quality through Value-Based Purchasing: What Can the Pioneers Teach Us?

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*The Department of Health Policy of Jefferson Medical College has been engaged in research on value-based purchasing (VBP) for the past five years. With support from The Commonwealth Fund, the Department's research team has examined the potential of VBP to improve quality and cost-effectiveness of health care. This article summarizes this work.*

Value-based purchasing (VBP) refers to a broad range of strategies which public and private purchasers of health benefits may pursue in order to obtain increased quality, safety, and cost-effectiveness of care for the populations they cover. Six currently employed VBP approaches have been identified from the literature: collecting data on quality, selective contracting, partnering with plans and providers, promoting six-sigma initiatives, educating consumers, and rewarding or penalizing plans and providers. Through the efforts of organizations such as The Leapfrog Group (Leapfrog), the National Business Coalition on Health, and numerous local and regional business consortia, as well as the single and combined activities of a number of large employers, the VBP movement has begun to gain momentum.

A multiple-case study project was conducted with 18 “pioneers” – organizations recognized as early adopters, innovators, and leaders of the VBP movement. Aggregating qualitative data across case studies revealed a number of key challenges to value purchasing, as well as strategies for overcoming the barriers. Barriers cited by the participants included those related to data availability and collection, data management, performance measurement, high cost of health care, lack of a business case for quality, active or passive resistance from system stakeholders, and lack of time. However, the leaders interviewed cited numerous ways in which they were able to overcome the barriers they had faced. The successful techniques included

- data standardization (using standardized, publicly available measures; establishing data cooperatives; or supporting legislation aimed at increasing standardization);
- increased communication with and among, and education of, stakeholders (insurers, providers, and consumers);
- collaboration among purchasers (working with employers of the same size, engaging public purchasers, and establishing and joining coalitions);
- paying for performance (rewarding health plan and provider performance);
- using consumer incentives (moving consumers towards higher quality providers); and
- vision (having a clear and simple vision; making a long-term commitment to implementing change).

With the recent passage of the Medicare Modernization Act of 2003, the federal government has put in place incentives designed to encourage the reporting of quality data by hospitals have been put in place, and this may help facilitate increased implementation of pay for performance programs as well as increasing data standardization and communication among stakeholders. In this ever-changing environment, the lessons learned from the VBP pioneers may help *all* purchasers define appropriate VBP strategies for their organizations and mobilize their collective strength in the public's interest.

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