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Pay for Performance

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In this issue of Value Based Purchasing, we spotlight the Pay for Performance (P4P) movement. In broad terms, P4P is a system which rewards health care providers based on the quality and cost-effectiveness of care they provide. While “pay” generally means increased financial reimbursement, P4P programs also can reward performance through public recognition and/or steering increased business toward higher-performing providers. Numerous questions have been raised about P4P, including:

- If high-quality care is expected, is it necessary to pay bonuses based on actual performance?
- Will the relatively modest levels of incentives offered by many P4P programs be enough to stimulate providers to change behaviors, revise office systems, and invest in IT and other technologies needed to improve performance?
- Do we know enough about how to measure performance to have some degree of assurance that the quality indicators being measured are associated with better care and better outcomes?
- Do P4P programs end up rewarding those providers who already are providing higher-quality care, and not have an impact on improving performance among a broader array of providers?

Reports in the published literature on the impact of P4P programs are limited, and the evidence of their impact is mixed.

Despite these questions, the P4P movement is gathering steam. In December of 2006, Congress passed legislation, subsequently signed by President Bush, maintaining Medicare physician payment rates at their present levels for 2007, and canceling a scheduled 5% reduction. This benefit was linked, however, with a mandate for a 1.5%

bonus system to be established for physicians participating in CMS' quality-reporting system. The Physician Voluntary Reporting Program (PVRP) relies on physicians using a new set of billing codes. Known as G-codes, these codes capture information on whether quality indicators, which are not ordinarily captured through billing codes (CPT codes), were met. Among the 16 current PVRP quality indicators, the majority are relevant to inpatient care. Outpatient quality indicators include diabetes care, prevention of falls, pharmacotherapy for patients with heart disease, and treatment for major depression. Although the G-code system is complicated (some say it's downright crazy), it speaks to government's newfound commitment to physician P4P, following on CMS' recent efforts to implement P4P for hospitals.

It is doubtful that the federal government would have arrived at this level of commitment to paying for performance, were it not for the P4P demonstration and advocacy efforts of employers (e.g. Bridges to Excellence, Pacific Business Group on Health, Leapfrog Rewards). Whether or not the P4P movement ultimately leads to improved quality and safety in health care, it stands as evidence that the work of employers who are engaged in value-based purchasing can impact national health policy and stimulate innovation to address a troubled health care system.