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California Health Plans Pay \$65 Million to Improve Performance in Patient Care

*Physician Groups Rewarded for Achieving Pay for Performance Measurements with
Payments That Exceed Prior Year by More Than \$10 Million*

OAKLAND, Calif., February 27, 2008 – Pay for performance (P4P) bonus payouts from health plans to California physician groups to reward quality of patient care totaled \$65 million in 2007, according to the Integrated Healthcare Association (IHA). The payments were distributed during the third and fourth quarters of 2007 based upon the 2006 performance of physician groups serving HMO members. Aetna, Blue Cross of California, Blue Shield of California, CIGNA HealthCare, Health Net, PacifiCare, and Western Health Advantage participated in the performance payments with each health plan determining its own budget and methodology for calculating bonus payments to the physician groups.

These health plans have distributed over \$210 million in payments to physician groups as a result of meeting P4P quality measures in the first four years of the program. The total financial payout equates to about 2 percent of the overall reimbursement to physician groups annually. Payments to individual groups vary from no payments to payments equaling up to 5 percent of overall reimbursement based upon performance.

Payments are typically paid on how well a physician group performs versus its peers, but emphasis is also placed on groups that show significant improvement over prior years. Participating health plans have been encouraged to allocate 20 percent of 2008 bonus payments for physician groups that make the most significant improvements.

Another incentive to promote improved physician group performance involves public reporting of results. Annually the results for each performance measure are reported by physician group on a website managed by the California Office of the Patient Advocate (OPA). The website at www.opa.ca.gov provides consumers a comparison of physician group performance by each county in California.

“Public reporting is an important motivator for California physician groups who take great pride in both the care they deliver and the perceptions of patients about their care experience,” said Wells Shoemaker, M.D., Medical Director, California Association of Physician Groups.

Performance Measures are Evolving

The IHA common measure set used to determine P4P results is designed to include measures that are evidence-based and relevant to California consumers. The measure set is dynamic, with new measures added each year and an increasing focus on outcome measures.

“In the early years of the program, we learned a great deal about how to establish uniform measures, collect data and report results. The program is now positioned to implement increasingly sophisticated measures to promote more coordinated and efficient care delivery,” said Steve McDermott, CEO, Hill Physicians Medical Group and Chair of the IHA Pay for Performance Executive Committee.

New Coordinated Diabetes Care and Efficiency Measurements Added

The California P4P program has five measurement “domains” for 2008 including two new domains for diabetes and efficiency measurements:

- Clinical quality which measures preventive, chronic, and acute care and incorporates process and outcomes measures, using standardized national measures wherever possible.

- Patient experience which measures patient ratings of care received from their doctors and other providers in their physician group.
- IT-enabled systemness which measures support and infrastructure physicians use for systematic processes of care that affect all patients and includes population management, point of care activities, care management processes, access and communication standards, and individual physician-level measurement and incentives.
- New coordinated diabetes care which promotes efforts to redesign processes and create a systematic approach to diabetes care in order to achieve truly breakthrough clinical improvement. Measures in this domain are all diabetes-related and include process and outcome clinical measures; population management activities such as registries, actionable reports and individual physician level measurement; and care management processes.
- New efficiency measurements are being developed in response to rising healthcare costs and double-digit health insurance premium increases, which include generic prescribing for measurement year 2007 and more comprehensive efficiency measures for subsequent years. The efficiency measures, for the first time, add information on cost and resource use alongside existing P4P quality measures.

P4P program results for measurement year 2006 were announced last July and again showed across-the-board quality improvement in clinical measures. On average, physician groups improved their clinical performance by 2.6 percent over the previous year. Patient experience of care results inched up by an average of 0.4 percent. Additionally, physician groups participating in the program increased their use of information technology, with almost half of physician groups demonstrating extensive IT capabilities.

“Although we have not seen major breakthroughs in improved patient care, steady incremental improvement has occurred and we continue to support efforts to improve the quality of care,” said Jeff Kamil, M.D., Vice President and Chief Medical Officer, Blue Cross of California.

P4P results and best practices in measurement, data collection and reporting will be reviewed at the National Pay for Performance Summit on February 27-29, 2008 in Los Angeles, California (www.PFPSummit.com).

About IHA

The IHA Pay for Performance (P4P) program is the largest non-governmental physician incentive program in the United States. IHA (www.iha.org) is a not-for-profit statewide collaborative leadership group of California health plans, physician groups, and health care systems -- plus academic, consumer, purchaser, pharmaceutical and technology representatives -- that promotes quality improvement, accountability, and affordability for the benefit of all California consumers through special projects, policy innovation, and education. 235 medical groups representing approximately 40,000 physicians, providing care for approximately 12 million HMO members, participate in the California P4P program.

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