

Provider Payments: How They Work, Implications for Cost & Quality, and Creating a Consumer/Purchaser Policy Agenda

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Resources & Background Material

The Consumer-Purchaser Disclosure Project has endorsed the creation of a full “dashboard” of performance measures, but as importantly the use of those measures to inform consumer choice and provider payment. Because provider payments have enormous implications for quality and efficiency, the Disclosure project hosted a meeting on July 26, 2006 to help consumers and purchasers gain a better understanding of (1) how providers are paid (with a focus on both Medicare and the private sector); (2) the implications for cost and quality; (3) the current changes being proposed and options for the future; and (4) potential strategies to impact this important debate.

This document lists materials and resources developed to provide both background on payment issues as well as to highlight the multiple perspectives held by a variety of stakeholders.

Today, payment systems are fundamentally flawed. Providing more services, treatments, and tests pays more – regardless of the quality or efficacy. In contrast, providers who deliver high-quality, efficient care are not rewarded for their efforts. Both the public and private sectors have employed various strategies to improve quality of care – accreditation, conditions of participation, quality improvement – but all are grafted onto a perverse payment system that is dysfunctional at best and all too often toxic.

The June 26th meeting included presentations by Peter Lee, Disclosure Project Co-chair and CEO of the Pacific Business Group on Health; Michael Ile, Vice President for Physician Network Management at UnitedHealthcare; and Paul Ginsburg, President of the Center for Studying Health System Change.

Presentations Made to Consumer-Purchaser Disclosure Project

- The “Basics” – Medicare Physician and Hospital Payments, Peter Lee, Disclosure Project and Pacific Business Group on Health, July 26, 2006
 - <http://healthcaredisclosure.org/docs/files/DisclosureProjectProviderPayment072606.ppt>
- Physician Payment by Private Sector Health Plans, Michael Ile, United Health Care, July 26, 2006
 - <http://healthcaredisclosure.org/docs/files/PrivateSectorPhysPayment072606.pdf>
- Structuring Hospital and Physician Payment: Policy Options, Paul Ginsburg, PhD, Center for Studying Health System Change, July 26, 2006
 - <http://healthcaredisclosure.org/docs/files/GinsburgProviderPayment.pdf>

General Background

- Supporting Health Care Reengineering: Provider Payment Issue, Reform Strategies and Rewards for Performance Programs, Pacific Business Group on Health, July 2006
 - <http://healthcaredisclosure.org/docs/files/PBGH0706.pdf>

- Disclosure Project Comments Medicare Hospital Reporting, Payment Policies, and Transparency Initiative, June 12, 2006 and Consumer and Purchaser Endorsement Letter to Secretary Leavitt, June 22, 2006
 - http://healthcaredisclosure.org/docs/files/DisclosureProjectCMS_1488-PComments_EndorsementLtrWeb.pdf
- Consumers, Employers and Labor Groups Call for Medicare Overhaul, Media Release
 - <http://healthcaredisclosure.org/docs/files/MeasurementRelease063005.pdf>
- Purchasing Strategies, Report to the Congress: New Approaches in Medicare, Medicare Payment Advisory Commission, June 2004
 - http://www.medpac.gov/publications/congressional_reports/June04_ch4.pdf
- Report to the Congress on Medicare Payment Policy, Medicare Payment Advisory Commission, March, 2005
 - http://www.medpac.gov/publications/congressional_reports/Mar05_EntireReport.pdf
- Report to the Congress on Increasing the Value of Medicare, Medicare Payment Advisory Commission, June 2006
 - http://www.medpac.gov/publications/congressional_reports/Jun06_EntireReport.pdf

Physician Payment – Background

- CMS Announces Proposed Changes To Physician Fee Schedule Methodology, Centers for Medicare & Medicaid Services, June 2006
 - <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1887>
- Physician Fee Schedule Overview, Centers for Medicare & Medicaid Services, February 2006
 - <http://www.cms.hhs.gov/PhysicianFeeSched/>
- James C. Robinson, Theory and Practice in the Design of Physician Payment Incentives, Milbank Quarterly, November 2001.
 - <http://www.milbank.org/quarterly/7902feat.html>
- 2006 RBRVS: What Is It and How Does It Affect Pediatrics?, The American Academy of Pediatrics, 2006
 - <http://www.aap.org/visit/rbrvsbrochure.pdf>
- Survey of Health Plans Concerning Physician Fees and Payment Methodology, A Study Conducted by Dyckman & Associates for the Medicare Payment Advisory Commission, August 2003
 - [http://www.medpac.gov/publications/contractor_reports/Aug03_PhysPaySurvey\(cont\)Rpt.pdf](http://www.medpac.gov/publications/contractor_reports/Aug03_PhysPaySurvey(cont)Rpt.pdf)
- Randall P. Ellis, Creaming, skimping and dumping: provider competition on the intensive and extensive margins, Journal of Health Economics, 17 (1998)
 - <http://www.pophealth.wisc.edu/phs548/ellis%20creaming.pdf>

Physician Payment – Advocacy

- Paul B. Ginsburg and Joy M. Grossman: When The Price Isn't Right: How Inadvertent Payment Incentives Drive Medical Care, August 2005, Health Affairs
 - <http://www.aaasc.org/advocacy/documents/HealthAffairsPriceisnotright805.pdf>
- Thomas Bodenheimer MD, The Widening Primary Care-Specialty Income Gap, UCSF Department of Family and Community Medicine
 - <http://healthcaredisclosure.org/docs/files/BodenheimerPaymentMay2006.pdf>
- Reform of the Dysfunctional Healthcare Payment and Delivery System, American College of Physicians Position Paper, 2006
 - http://www.acponline.org/college/pressroom/as06/dysfunctional_payment.pdf
- Statement of the American Academy of Family Physicians submitted for the Record to the Energy and Commerce Subcommittee on Health, U.S. House of Representatives concerning Medicare Physician Payment, "How to Build a More Efficient Payment System", November 17, 2005
 - http://www.acponline.org/hpp/med_pay1105.pdf

- The New Model of Primary Care, Knowledge Bought Dearly - Official Policy of the American Academy of Family Physicians
 - http://www.aafp.org/online/etc/medialib/aafp_org/documents/policy/policy/primarycarepolicy.Par.0001.File.tmp/caremanagementpolicy.pdf

Hospital Payment – Background

- FY 2007 Hospital Inpatient Prospective Payment System Proposed Rule, Centers for Medicare & Medicaid Services Media Release, April 12, 2006
 - <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1834>
- FY 2007 HOSPITAL IPPS PROPOSED RULE - DRG REFINEMENTS, Centers for Medicare & Medicaid Services Media Release, April 12, 2006
 - <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1836>
- Payment Basics: Hospital Acute Inpatient Services Payment System, Medicare Payment Advisory Commission, December 2005
 - http://www.medpac.gov/publications/other_reports/Dec05_payment_basics_hospital.pdf
- Payment Basics: Outpatient Hospital Services Payment System, Medicare Payment Advisory Commission, December 2005
 - http://www.medpac.gov/publications/other_reports/Dec05_payment_basics_OPD.pdf
- Acute Inpatient PPS, Centers for Medicare & Medicaid Services Overview, May 18, 2006
 - <http://www.cms.hhs.gov/AcuteInpatientPPS/>
- A Study of Hospital Charge Setting Practices, the Lewin Group prepared for Medicare Payment Advisory Commission, December 2005
 - http://www.medpac.gov/publications/other_reports/Dec05_payment_basics_OPD.pdf
- Barbara O. Wynn, Medicare Payment for Hospital Outpatient Services, a Historical Review of Policy Options, a Study conducted by RAND Health for the Medicare Payment Advisory Commission
 - http://www.medpac.gov/publications/contractor_reports/June05_History_Outpatient.pdf

Hospital Payment – Advocacy

- Letter to Mark McClellan, Centers for Medicare & Medicaid Services from Glenn M. Hackbarth, J.D. Medicare Payment Advisory Commission re: Hospital Inpatient Payment Changes dated June 12, 2006
 - http://www.medpac.gov/publications/other_reports/061206_FY2007_IPPSrule_COMMENT_JS.pdf
- Letter to Mark McClellan, Centers for Medicare & Medicaid Services from Bill Thomas, Chairman of the U.S. House of Representatives Committee on Ways and Means re: Hospital Inpatient Payment Changes dated May 30, 2006
 - <http://www.premierinc.com/all/advocacy/issues/medicare/06/cms-letter-ipp-0606.pdf>
- Letter to Mark McClellan, Centers for Medicare & Medicaid Services from Rick Pollack, American Hospital Association re: Hospital Inpatient Payment Changes dated June 8, 2006
 - http://www.aha.org/aha/advocacy-grassroots/advocacy/comment/content/formallPPS_6_8_06.pdf
- Letter to Mark McClellan, Centers for Medicare & Medicaid Services from Ann-Marie Lynch, Executive Vice President of the Advanced Medical Technology Association re: Hospital Inpatient Payment Changes dated June 9, 2006
 - http://www.advamed.org/publicdocs/2006_ipp- nprm_final.pdf