

## ***Reforming Health Care Delivery: Principles for Physician Payment Reform***

### **Overview**

Effective health care reform must include concrete steps to reorient the incentives inherent in today's physician payment systems. The way physicians are paid today contributes both directly and indirectly to the unsustainable growth in health care spending. Current physician payment methods also are increasingly at odds with what patients and society need and expect from physicians and with the core values of medical professionalism. Current payment systems:

- Reward volume over value of services;
- Fail to distinguish exceptional from poor quality care;
- Exacerbate social inequities in access;
- Steal the physician's time from patients with complex or challenging conditions;
- Discourage efforts to coordinate care over time and across providers; and
- Undermine strong physician-patient relationships and team-based care.

At the ABIM Foundation Forum in August 2009, more than 140 physician leaders, patient advocates and leaders from nursing, health plans, business and quality organizations gathered to develop a set of *Principles for Physician Payment Reform* that can help drive greater quality, efficiency and accountability in health care. The *Principles* are based on values deeply rooted within the profession of medicine itself, including:

- Excellent clinical care grounded in the best available evidence;
- The pursuit of continuous improvement in both knowledge and skills;

- Physicians' dual obligation to meet the health care needs of individual patients while effectively and ethically stewarding health care resources on behalf of the community; and
- Teamwork and a sense of shared responsibility for patients within and across settings of care.

The attached *Principles for Physician Payment Reform* are intended as a guide for policy makers and others in developing and advancing new physician payment models as well as a set of key criteria through which to evaluate the success of these models.

### **Request for Action**

The nation must now move forward to learn – as rapidly and effectively as possible – how best to design, implement and sustain physician payment reforms. Ideas currently under development – patient-centered medical homes, accountable care organizations, bundled payments and revaluation of services – all hold promise for better aligning physician payment incentives in ways consistent with the *Principles*. These and other innovations should be aggressively tested and refined, and those models that prove successful should be widely implemented.

To this end, we urge Congress to:

- Provide the Centers for Medicare & Medicaid Services (CMS) with sufficient authority, flexibility and financing to launch a robust Center for Medicare and Medicaid Payment Innovation that can support rapid cycle innovation, evaluation and implementation of successful physician payment reform models;

- Direct CMS and the Secretary of Health and Human Services to require and facilitate the collection of data from innovation pilots that enable real-time assessment of how physicians and other organizations are responding to the new incentives and support timely mid-course corrections;
- Specify that such assessments include the criteria articulated in the *Principles for Physician Payment Reform*; and
- Require an annual independent evaluation of the status of physician payment reforms and new innovations by the Medicare Payment Advisory Commission.

## *Reforming Health Care Delivery: Principles for Physician Payment Reform*

### ***Support physicians in engaging patients as partners through shared decision making.***

Payment systems should create incentives, and remove financial disincentives, for physicians to spend time in conversations with patients about their care. Specifically, payment systems must reward physicians for listening to their patients, learning about their values, presenting options, jointly making clinical and other decisions and collaborating on an individualized management approach. Growing evidence suggests that consumers who are involved in their care and understand their options tend to make decisions that are more satisfying to them, result in better outcomes and are less costly.

***Pay for team-based care that fosters coordination and continuity.*** Payment systems should reward practices for oversight and coordination of care plans, including transitions from or between institutions, collection and review of data from consulting providers and institutions, phone and email consultations with multiple providers, and patient education, counseling and disease management.

***Drive a focus on total cost and outcomes rather than on discrete encounters.*** The biggest driver of health care expenses is the physician's pen – from the tests they order to the prescriptions they write, physicians' decisions account for about 80 percent of health care expenditures. Rather than focus on one-time savings from curbing specific practices or technologies, payment systems should reward physicians for making judicious use of resources in the delivery of high-quality care to a patient population.

***Encourage use of evidence to guide clinical decision making.*** Payment systems should favor management and treatment approaches that offer the greatest clinical value to each patient, based on scientific evidence.

***Payment systems should recognize the equally important contributions of primary and specialist physicians to delivering sophisticated, cost-effective and high-quality care.*** Powerful evidence demonstrates the connection between a strong and vibrant primary care system and the quality of care delivered to a population. A strengthened primary care base would help stabilize health care costs and result in a better match between physician supply and societal need.

***Ensure that performance measures included in payment and reporting systems are valid and meaningful to physicians and consumers.*** Performance feedback from trusted sources is a powerful catalyst for physicians to make changes in their practices to achieve more effective, efficient and higher quality care. Consumers also need access to high-quality information that can inform their choices of providers, treatments and health-promoting behaviors. Patients and consumers should help inform the design and content of those information resources.

***Support the infrastructure needed for innovation.*** Payment systems that promote new models of care delivery, care coordination and performance measurement must also recognize the need for new practice administrative systems, technologies such as electronic health records and excellent communications systems and staff with the skills and training to effectively implement them.

***Use hybrid approaches to payment to counter-balance incentives and unintended consequences associated with any individual approach.*** Every payment system has strengths and weaknesses. Fee-for-service payment attempts to fairly reflect input costs, but encourages more and costlier services regardless of clinical value; capitation provides incentives to keep patients healthy, but also can incentivize physicians to withhold services or cherry pick patients; and salary systems eliminate volume incentives, but can lower physician productivity if not coupled with performance incentives. Physician payment systems must be carefully designed to include features that mitigate the potential negative effects of any particular approach. Combining physician payment approaches can offset the limitations of any particular payment mechanism.

***Adopt multiple pathways to payment reform and feedback mechanisms.*** Our current health care system is diverse, with organizational models ranging from solo practitioners to comprehensive, fully-integrated systems of care, and what works well in one community may be anathema to another. Payment reform must acknowledge this diversity and the need for flexibility to start at different places and move toward collective goals over time. It also must provide mechanisms to assess how physicians and organizations are responding to new incentives in order to refine approaches and make mid-course corrections. Local and federal “innovation zones” are one strategy to speed learning and dissemination of “what works best” in varied circumstances.

***Promote the harmonization of public and private sector innovation efforts.*** Mechanisms to develop, rapidly test and spread new physician payment models must enable participation, collaboration and learning across Medicare, Medicaid and private payers. Aligning new payment methods across the public and private sectors will amplify the power of effective approaches by more consistently rewarding outcomes and value while simplifying administrative demands on physicians who must adapt to new systems.