

Issue: Pay for Performance

The traditional way of reimbursing health care providers is by quantity: the more patients a provider sees, and the more tests and services provided to each patient, the higher the compensation. Pay for performance programs seek to pay providers for furnishing higher-quality health care rather than simply more care. In typical programs, participating physicians receive grades on how well they meet certain widely accepted quality and/or efficiency measures. Providers earn higher scores by complying with recommended care standards, putting systems in place to meet those standards, improving patient satisfaction, and improving clinical values when compared with national and regional benchmarks and their peers. The better the provider's performance, the higher his or her incentive bonus payment or promotion via public reporting will be.

Important Points

- As the government, employers and healthcare consumers together experience uneven quality of medical services and rapidly rising health care costs, private and public payers alike must take steps now to encourage better performance and reduce inefficiencies in health care.
- Physician pay for performance programs offer a means to improve healthcare quality and reduce inefficiencies in care.
 - The establishment of pay for performance programs by the Centers for Medicare and Medicaid Services (CMS) for Medicare providers would harness the government's leverage as the largest purchaser of health care in the U.S. to improve the quality and efficiency of care delivered not only through CMS, but also throughout the entire health care system.
 - The implementation of pay for performance in Medicare would mirror the best practices and cutting edge programs developed by America's leading health plans and employers through payment policies designed to reward health care of high quality and value.

What is WellPoint Doing?

- Physicians and hospitals are increasingly engaged in quality improvement pay for performance programs at WellPoint. In 2007, we paid approximately \$156 million to physicians and hospitals for improvements in quality.
 - In our Virginia plan's hospital pay for performance program, we're seeing improvements in performance and reduced variation around specific measures. One key measure, for example, is how quickly a patient's blood vessel is opened during a cardiac event. This measure has seen a reduction in variation across

hospitals and a more rapid response time, meaning that patients are receiving the proper care more quickly.

- WellPoint's plans in Connecticut, Maine, and New Hampshire have also taken leadership positions in addressing costly and potentially harmful variations in physician practice patterns. Our Quality Insights program rewards physicians for meeting or exceeding established targets in nationally recognized measures of quality.
- WellPoint's plans in Indiana, Kentucky, and Ohio reward hospitals through a pay for performance program for exceeding quality goals. These goals include decreasing mortality and return-to-surgery rates for patients undergoing coronary artery bypass grafts. The Missouri and Wisconsin plans are now implementing the same program.
- WellPoint's Indiana, Kentucky, and Ohio plans also recently rolled out a program to link cardiac reimbursements to quality. We reached an agreement with the Society of Thoracic Surgeons to provide quality reports using the group's National Adult Cardiac Surgery Database, which includes information on more than 3 million procedures dating back to 1989. The reports, which measure performance in 15 areas that have been endorsed by the National Quality Forum, will be incorporated into existing pay for performance programs. Top hospitals and medical groups will see an increase in reimbursement paid for their cardiac procedures of approximately 2 to 4 percent a year.
- In collaboration with the Blue Cross and Blue Shield Association and other Blue Cross and Blue Shield Plans, WellPoint has launched Blue Precision, a program that provides information about cost-effectiveness and quality so our members can be well informed when making critical decisions related to their health. Blue Precision focuses on key specialties that provide the most expensive services so members choosing a Blue Precision designated provider will have lower overall treatment costs – less out of pocket for them and lower overall medical claims costs for employers.
 - Blue Precision includes qualified providers from up to 12 key specialties: cardiology, orthopedic surgery, general surgery, gastroenterology, urology, neurology, otolaryngology, pulmonology, obstetrics & gynecology, oncology, ophthalmology and dermatology. The specialists and specialties considered may vary depending upon local availability and market conditions.
 - Blue Precision is a key component of our transparency strategy and is offered as informational only.
 - Blue Precision was launched to 8 markets in 2007 (Connecticut, Colorado, Georgia, Indiana, Kentucky, Maine, New Hampshire and Ohio) and will be expanded to California, Missouri, Virginia and Wisconsin in early 2008.
 - The quality component of Blue Precision will be added to the selection process for cardiology specialties in Q2 2008. Over time, with the increasing availability of quality metrics, data tools and sources, we will expand the Blue Precision quality component to other specialties.
- The agreement entered into by the New York Attorney Generals Office and Empire Blue Cross Blue Shield explicitly excludes pay for performance programs from the purview of the agreement on physician performance measurement and ranking programs.