



CATALYST FOR PAYMENT REFORM

For Immediate Release:
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Only 11 percent of payment to doctors and hospitals in the commercial sector today is tied to their performance

First-of-its kind report is reality check on nation's progress in moving from volume-based to value-oriented payment

SAN FRANCISCO/WASHINGTON, D.C. – March 26, 2013 – Catalyst for Payment Reform (CPR), an independent, non-profit employer coalition pushing for better value in health care, today released its first annual [National Scorecard on Payment Reform](#). The Scorecard shows that only about 11 percent of the health care dollars we pay to doctors and hospitals today are value-oriented -- tied to how well they deliver care or create incentives for both improving quality and reducing waste. Almost 90 percent of payments reported remain in traditional fee-for-service, paying providers for every test and procedure they perform regardless of necessity or outcome, or in bundled, capitated, or partially-capitated payments without quality incentives.

Within the 11 percent of payment that is value-oriented, the Scorecard finds that 43 percent of those payments give providers financial incentives by offering a potential bonus or added payment to support higher quality care, such as fee-for-service with shared savings. The other 57 percent of payments put providers at financial risk for their performance if they do not meet certain quality and cost goals, such as bundled payment.

The National Scorecard on Payment Reform uses data submitted on a voluntary, self-reported basis to eValue8, the National Business Coalition on Health's annual Request for Information to health plans. The plans responding to the Scorecard questions represent almost half of the commercially-insured lives in the U.S. While Scorecard findings are not wholly representative of health plans across the U.S., they offer a preliminary baseline against which to measure progress toward value-oriented payment in the commercial sector. CPR has made all findings, including a breakdown of payment methods, a glossary of terms, and the Scorecard methodology [available online](#).

"While we have made progress, our approach to health care payment in this country needs to evolve much further," explains Suzanne Delbanco, executive director, Catalyst for Payment Reform. "The Scorecard reveals that we make the vast majority of payments for health care on a fee-for-service basis without any rewards for quality and efficiency. We know traditional fee-for-service payment creates incentives for waste and inappropriate care."

In 2010, CPR and participating purchasers, including large national corporations like GE, The Boeing Company, and Wal-Mart Stores, Inc. and large public purchasers like CalPERS, set a goal that by 2020, 20 percent of commercial payment would be value-oriented. This goal was based on insights at the time that just 1-3 percent of payments reflected provider performance. While progress has been made and even Medicare will be putting 10 percent of its reimbursement to hospitals at risk for their performance on quality and safety measures by 2017, Robert S. Galvin, MD, founder of CPR and CEO of Equity Healthcare LLC explains, "Today's results suggest that the private sector needs to re-double its commitment and efforts around payment reform if we want more affordable and better quality care."

The Scorecard also found just 11 percent of all hospital payments and 6 percent of all outpatient specialist and primary care physician payments are value-oriented. One figure to watch over time as health care delivery and payment reforms aim to emphasize more primary care will be the portion of payments that go to specialists versus primary care physicians. Of the total outpatient payments made, the Scorecard found that 75 percent go to specialists and 25 percent go to primary care physicians.

“Employers strongly believe we need to reform health care payment to make our health care spending go further,” explains Steve Morgenstern, North America Health and Welfare Plans Leader for The Dow Chemical Company. “Now that we have a sense of where things stand, we can hold ourselves and the health plans and providers with whom we partner accountable for accelerating payment reform. Working through Catalyst for Payment Reform, we will achieve the critical mass we need to create the business case for change, and we are fortunate Catalyst for Payment Reform has several tools to help us get there.”

CPR supports large employers and other purchasers of health care in their efforts to accelerate value-oriented payment with [tools they can use](#), such as model health plan contract language, and CPR-moderated health plan user groups. Along with the Scorecard, today CPR also unveiled the [National Compendium on Payment Reform](#), which begins to catalogue the various payment reform programs underway across the country. Providers and plans are encouraged to add their payment reform programs to the Compendium, which will grow over time. This spring, CPR will also make its Market Assessment Tool available and will provide assistance creating regional scorecards on payment reform to help stakeholders drive payment reform at the local level.

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About The National Scorecard on Payment Reform and National Compendium on Payment Reform

CPR’s Tracking the Nation’s Progress on Payment Reform project was funded by The Commonwealth Fund and the California HealthCare Foundation. Utilizing the National Business Coalition on Health’s eValue8 health plan survey platform, the project was conducted in partnership with NBCH and the following business coalitions: the Colorado Business Group on Health, the Memphis Business Group on Health, the Northeast Business Group on Health, the Pacific Business Group on Health, and the Virginia Business Coalition on Health.

About Catalyst for Payment Reform

Catalyst for Payment Reform is an independent, non-profit corporation working on behalf of large health care purchasers to catalyze improvements to how we pay for health services and to promote better and higher-value care in the U.S. The Pacific Business Group on Health is a founding partner of CPR and is working collaboratively to advance payment design.