



CATALYST FOR PAYMENT REFORM

For Immediate Release
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Forty percent of payment to physicians and hospitals in the commercial sector today is designed to improve quality and reduce waste

National report shows dramatic increase; evaluation of whether reforms will work is next step

SAN FRANCISCO— September 30, 2014 – A new [National Scorecard on Payment Reform](#) shows commercial health plans have dramatically shifted how they pay physicians and hospitals, with 40 percent of their payments now designed to encourage health care providers to deliver higher-quality and, in some cases, more affordable care. The Scorecard is produced on an annual basis by Catalyst for Payment Reform (CPR), an independent, non-profit employer coalition pushing for better value in health care. The 2014 Scorecard shows a 29 percentage point increase over 2013, when just 11 percent of payments were value-oriented.

While more health plan payments are designed to improve the quality and affordability of health care, 60 percent of payments remain largely in traditional fee-for-service (or other arrangements devoid of quality metrics). The fee-for-service model pays providers for many of the services they deliver regardless of necessity or outcome, and doesn't pay for other services that would improve care but are not recognized as eligible for payment.

“These results illustrate that health plans are responding to employer demand and their own need to try new payment methods” explains Suzanne Delbanco, executive director, CPR. “Now we have to start the next chapter: rigorous evaluation. The tough question is whether these efforts are leading to better quality, more affordable care. We need to take a hard look at which models work to know which models to spread.”

The National Scorecard on Payment Reform uses data submitted by commercial health plans 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 65 percent of the commercially-insured lives in the U.S. Among other key findings:

- **Many providers still don't have financial “skin in the game.”** Just over half (53 percent) of the payments that are value-oriented put providers at some financial risk if they fail to improve care or spend over budget; 47 percent do not put providers at financial risk.
- **Much of value-oriented payment is in “pay-for-performance” arrangements with providers,** offering only potential financial reward and no financial risk.
- **A very small percentage of dollars flow through shared-risk arrangements and bundled payment** (just 1 percent and .1 percent, respectively), despite the fact that these methods have strong potential to contain costs and improve care.
- **Hospitals are most impacted by value-oriented payment.** Thirty-eight percent of payments to hospitals are value-oriented, compared to the outpatient setting where 10 percent of payments to specialists and 24 percent of payments to primary care physicians are value oriented. However, increasing value-oriented payment in the outpatient setting, including making

specialists more accountable for quality and costs, could dramatically reduce health care spending for both outpatient and inpatient care.

- **More patients are attributed to a provider with a payment reform contract.** Fifteen percent of participating health plans' patient members are formally "attributed" to a provider participating in a payment reform contract, which could range from Accountable Care Organizations (ACOs) and patient-centered medical homes to a provider subject to pay for performance. This is a significant increase over last year (2 percent).

"We are struck that the use of pay-for-performance just jumped after being around for more than a decade," says Andréa Caballero, program director, CPR, who led the work on the Scorecard. "With today's pressure to reform payment, health plans and providers are building on a method they know, despite limited evidence it improves care or saves money. If we hope to see advances in quality and affordability in the long-term, payers may need to take payment methods to the next level, pairing bonuses with financial risk to providers."

CPR also conducted a [California Scorecard on Payment Reform](#), which showed a significant increase in value-oriented payment since 2013. Fifty-five percent of the payments commercial health plans made to California hospitals and physicians were value-oriented; in 2013, it was 42 percent. Much of this falls under capitation payments with a quality component, pointing to geographic variation across the U.S.

While the Scorecard findings are not wholly representative of all health plans nationally, they offer a 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](#). CPR also hosts the [National Compendium on Payment Reform](#), which catalogues the various payment reform programs underway across the country. CPR encourages providers and plans to add information about their programs to the Compendium.

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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, HealthCare 21, the Memphis Business Group on Health, the Mid-Atlantic Business Group on Health, the Northeast Business Group on Health, the Pacific Business Group on Health, and the Washington Health Alliance.

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.