

Encouraging Insurers to Pay for Value

Building Upon the Cornerstones:

- *CREATE VALUE • COORDINATE CARE*
- *PROVIDE HEALTH INSURANCE FOR ALL*
- *REFORM THE PAYMENT SYSTEM*



DISCUSSION HIGHLIGHTS

In the summer of 2008, Mayo Clinic Health Policy Center convened two small groups of health care leaders to discuss changing the ways providers are paid in order to promote high-value health care delivery. The groups identified both barriers to change and actions to advance reform.

As one of Mayo Clinic Health Policy Center's four cornerstones for health care reform, payment reform entails

changing the way providers are paid in order to reward outstanding outcomes, safety and service at a reasonable cost over time — a sharp departure from paying for volume. The first meeting, held on June 27, 2008, specifically focused on encouraging Medicare to pay for value. Private insurers were the focus of the second meeting held on July 9, 2008. This document summarizes the main issues discussed at both of these sessions.

BARRIERS TO PAYMENT REFORM

As with most reform efforts, the group noted that simple resistance to change presents a significant barrier to reforming the payment system. Others include:

- *Barriers to Medicare reform*

Leadership: Participants strongly agreed that the president and members of Congress need to exhibit strong leadership on this issue. Right now, only a few political leaders are advocating for significant Medicare payment reform.

Politics: One of the greatest barriers identified was the role of the United States Congress in developing and passing the legislation to reform the Medicare payment system. The influence of special interests currently inhibits substantial reform. This has huge ramifications because private insurers traditionally have followed Medicare's lead in the payment arena.

Budget: The manner in which the Congressional Budget Office is required to conduct budget analyses hinders the implementation of programs that have long-term cost

savings and better overall value. Budget rules cause lawmakers to focus on immediate costs instead of taking the long view.

Public: While many people believe that there are problems with the current Medicare system, most individuals are happy with their own Medicare coverage. This makes it difficult to develop momentum for change among the general public.

- *Barriers to private payer reform*

Insurers: In the present environment there are few incentives for private insurers to pay for value. This is especially true in areas where a particular insurer dominates the market. Overall, there is not a history of collaboration between insurers and providers. In addition, insurers often focus on line item costs as opposed to costs over time.

Public: Today, most patients are not engaged in determining the value of the health care they receive.

Additionally, private insurers rarely give consumers incentives to choose providers based upon value. Instead there are financial penalties associated with selecting certain providers – even if they perform better.

- *General barriers*

Providers: There is a lack of strong, effective leadership from the provider community. Also, many providers benefit from the current payment system and resist the idea of new payment methods.

Coordination: Lack of a coordinated health care system could prevent payment reform. Fundamental building

blocks — technology, education and other resources — are not in place to aid care coordination that would create value.

Legal: The Stark laws and anti-trust legislation present legal barriers to collaboration.

Standard measurement: Right now, there is no commonly agreed-upon source for value data. Many providers do not trust the current measurement methodologies. Moreover, a standardized and unified system to collect, transmit and share data is not available, making it difficult to move ahead with paying for value instead of volume.

ACTIONS TO FACILITATE PAYMENT REFORM

Participants brainstormed several action steps to encourage movement toward new private and public payment mechanisms.

- *Leadership*

Private sector leadership: Private payers should lead the initiative to change the payment system. Medicare payment reform based on successful private models would garner more congressional support.

Political leadership: The Congress and president must exhibit strong leadership on this issue.

Physician leadership: Physicians must take leadership

roles in pushing for payment reform. It is especially important for providers to advocate for the patient.

- *Advocacy*

Employer involvement: Major employers should advocate for payment reform in order to urge private insurers to pay for value.

Public engagement: Educate the public by using reliable, independent, easy-to-understand data that illustrate the necessity and benefits of this change. As with employers, consumers must support payment reform for private insurers to take action.

INFRASTRUCTURE AND APPROACH

Process improvement tools: Providers and insurers should use Lean, Six-Sigma and other process improvement methodologies to create higher-value services and effectively function within a new payment system.

Primary care providers: In a reformed system, more health care professionals will be needed to provide preventive care and coordinate services.

Communication: Increase communication among stakeholders, especially private insurance companies and providers. Often times, insurers and providers only meet with one another during contract negotiations. Meetings

outside of the negotiation setting could help them form cooperative relationships that will eventually assist in reforming the system to pay for value.

Incremental approach: While the groups agreed that a significant overhaul of the current Medicare payment system is needed, they also discussed the option of taking an incremental approach. For example, taking a particular chronic disease and reforming the current payment methodology for it as opposed to reforming the entire payment system at once.



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