

NQF

NATIONAL QUALITY FORUM

**Pay-for-Performance
Programs:
Guiding Principles
and Design
Strategies**

CONFERENCE
PROCEEDINGS

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**Pay-for-Performance
Programs:
Guiding Principles
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Editors

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Foreword

America's healthcare system is the most expensive in the world. Regrettably – and notwithstanding the many good things about American healthcare – the highest cost does not equate to the highest quality.

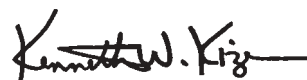
In recent years, much has been done to recognize and define America's healthcare quality problems, and to rethink and redesign the nation's healthcare delivery system. While much has been accomplished, much more remains to be done.

One of the strategies that is now poised to substantially restructure payment for healthcare in the United States involves linking payment to compliance with evidence-based clinical guidelines, as reflected in performance on standardized measures of quality of care. This has become commonly known as *pay for performance* or, alternatively, *value-based purchasing*. It is hoped that pay for performance will provide appropriate incentives and rewards for improving clinical care and that it will concomitantly, as a desired side effect, slow the rate of rise of healthcare expenditures – at least in some areas.

On March 1-2, 2005, the National Quality Forum (NQF) convened a gathering of more than 160 healthcare leaders and practitioners to explore the emerging array of guiding principles and design strategies that are being recommended for pay-for-performance programs. During this 2-day conference, participants reviewed data from some of the many pay-for-performance programs that have been launched and explored how best to design such programs to ensure that they effectively improve the quality of care while causing the least number of untoward consequences.

A general sentiment that emerged from the conference was that more expansive stakeholder involvement must occur as these programs mature. Likewise, it was generally believed that while much developmental work remains to be done, pay for performance can and should be advanced using a principle-centered, coordinated approach. This publication tries to detail these and other findings of the meeting.

NQF thanks the Agency for Healthcare Research and Quality for its support, in part, of this conference and greatly appreciates the contributions of the conference participants and advisory group.



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President and Chief Executive Officer

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NATIONAL QUALITY FORUM

Pay-for-Performance Programs: Guiding Principles and Design Strategies

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Pay-for-Performance Programs: Guiding Principles and Design Strategies

Executive Summary

Today's prevailing methods of paying for healthcare in the United States do not incentivize or reward the provision of high-quality care. To address this issue, a variety of innovative new programs are proliferating rapidly across health plans and other organizations nationwide. Some 100 initiatives—commonly known as pay-for-performance (or value purchasing) programs—that are now under way presage a fundamental change in the market forces that drive healthcare delivery in the United States. Although the development of these programs has been based on experiential evidence and expert opinion, and to some degree on the scientific research, negative, unintended consequences are likely to occur if the programs are not properly designed.

In response to the proliferation of these breakthrough and potentially powerful initiatives, a number of national healthcare organizations have espoused, or are in the process of promulgating, guidelines for pay-for-performance programs. However, these guidelines are not all well aligned or consistent, which tends to undermine their collective value. A standardized set of guiding principles and design strategies for pay-for-performance programs would facilitate the effective and prudent implementation of this promising new payment methodology. Such a set of principles and strategies would ensure that performance measures and other standards that are used in these programs are appropriate for that purpose.

On March 1-2, 2005, the National Quality Forum (NQF) convened a conference in Lansdowne, Virginia, to build a foundation for the development of consensus standards in pay for performance. The conference

marked the beginning of NQF's efforts to promote quality healthcare through pay for performance and brought together national healthcare leaders from a variety of stakeholder perspectives for a focused discussion to evaluate the current state of pay for performance; to share lessons learned and promising models; and to identify research and knowledge gaps for which additional work is needed. Conference participants included more than 160 professionals representing a range of stakeholders—consumers, public and private purchasers, health plans, hospitals/health systems, long-term care providers, researchers, and others. The conference's goals were to address:

- what is currently known, based on research and experience, about how pay-for-performance programs should be designed;
- what is not known or generally agreed upon about how best to design these programs; and
- what steps should be pursued in the near term to ensure that pay-for-performance programs are successful and effective in improving the quality of U.S. healthcare.

Following commentaries by 16 nationally known speakers representing a variety of perspectives, participants were assigned to 1 of 11 small discussion groups. Each group was assigned a primary topic and a set of questions and was asked to discuss the topic at length to form preliminary recommendations, which were then presented to the conference at large and refined, following discussion, in the final

plenary session. The 11 group discussion topics were:

- defining pay for performance;
- research;
- lessons learned;
- unintended consequences;
- healthcare settings;
- comprehensive quality improvement;
- measures/standards;
- desirable goals;
- technical issues/adjusting for variables;
- financial arrangements and processes; and
- existing principles and guidelines.

Although conference participants highlighted numerous gaps in knowledge and research, they concluded that healthcare stakeholders can advance successful pay-for-performance initiatives based upon what is known today. It is clear that the organization, delivery, and financing of U.S. healthcare are in critical need of reform and that system-wide changes are needed to enhance quality, safety, and efficiency across the continuum of care. Well-developed measures that are meaningful and appropriate for use in pay for performance are critical. Such measures exist for some areas, such as inpatient care, but current measures are inadequate for many other types of settings. A number of promising principles also exist to guide the design and implementation of such programs, but they show variations, indicating the need for a central body such as NQF to build consensus.

Much is still unknown. The scientific evidence is weak and largely theory based, and it says nothing about the cost or effectiveness of pay for performance compared with other potential strategies for improving quality. Numerous questions remain regarding appropriate design conditions. And it is evident that without a coordinated, multistakeholder agreement around what these design conditions should be, the potential for adverse consequences will remain.

Despite the vast unknown, conference participants agreed on common strategies for how NQF and others should move forward. They particularly emphasized the acute need for a single set of guiding principles that could be applied broadly to pay-for-performance initiatives across all healthcare settings and that would be sensitive to the particular market and environmental conditions that face individual providers. These principles should be developed through a transparent, consensus-based process and through the active engagement and collaborative effort of all relevant healthcare stakeholders. The principles should recognize the central role of appropriate measure selection and must ensure that measures are appropriately selected and vetted through a process such as NQF's Consensus Development Process. This conference established an initial foundation for future NQF work in this area, and NQF is committed to aligning pay-for-performance efforts in order to advance the national quality agenda.

NATIONAL QUALITY FORUM PUBLICATION INFORMATION

Pay-for-Performance Programs: Guiding Principles and Design Strategies – Conference Proceedings

Document No.	Description	Member Price*#	Non-member Price#
NQFWP-08-05	Paperback, 56 pages	\$19.50 each, incl. shipping & handling (additional 10% discount on bulk orders of 10 or more copies shipped to one address)	\$29.25 each, incl. shipping & handling (10% discount on bulk orders of 10 or more copies shipped to one address)

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