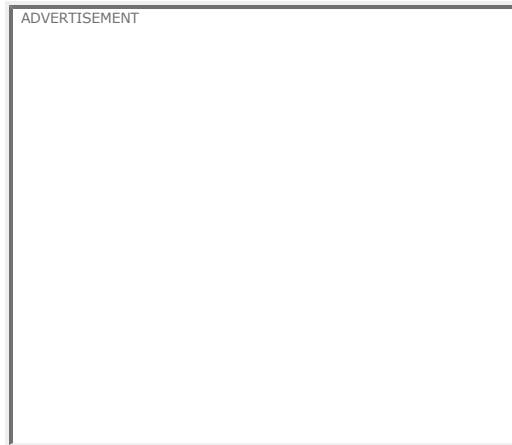


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Senators Introduce Pay-for-Performance PlanBy [M.L. Baker](#), [Ziff Davis Internet](#)

In yet another piece of legislation pertaining to health information technology, two Senators are introducing a bill to reward health care providers who report data about high-quality care.

If the bill passes, starting in 2007, 1 to 2 percent of Medicare hospital inpatient payments will go into a common pool. The pool will be used to pay bonuses to providers meeting quality thresholds established by the Department of Health and Human Services.



Exactly how the bonuses will be distributed is unclear, but it should allow hospitals some discretion. Providers who do not report data will be penalized 2 percent of Medicare payments.

A similar program for outpatient physicians would begin in 2008.

Several pay-for-performance demonstration projects are underway, sponsored both by Medicare and by private health plans. However, if Medicare adopts pay-for-performance on the national scale, many more private health plans are likely to follow suit.

Pay-for-performance is designed to give health care providers incentives to provide high quality care most efficiently. Other payment schemes that have been tried include paying doctors for serving a certain number of patients, regardless of how sick they are. That rewards doctors for shifting care to healthier patients and has fallen out of favor.

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On the other end of the spectrum, doctors can be paid for each service they perform. This system is much more widely implemented. The drawback is that it rewards doctors for unnecessary follow-up exams and tests, and also means doctors are paid more if their patients remain sick.

Pay-for-performance rewards health care providers for adhering to particular care guidelines and is intended to reward doctors for helping patients get well. In some hospital programs, it has boosted the rate at which patients receive very basic care, like appropriate antibiotics.

The AARP has endorsed the legislation. AARP Group Executive Officer for Policy and Strategy John Rother said

the idea showed common sense. "Aligning payment with performance can provide effective incentives for doctors, hospitals and other institutions to improve care for older and disabled Americans."

But many doctors worry that pay-for-performance programs may lock them into quality indicators that punish them for using their best judgment. Some worry that just as certain payment schemes rewarded doctors who excluded sicker patients, this payment scheme could steer doctors away from patients unlikely to comply with treatment schemes, such as the poor, uneducated and mentally ill.

Prior to the bill's introduction, the American Medical Association posted a list of guidelines for pay-for-performance programs. Participation in such programs must be completely voluntary, said the association, and the decision not to opt in to programs should not "threaten the economic viability of patient practices."

Furthermore, programs must be based on rewards rather than penalties. They must also "recognize outcome limitations caused by noncompliance" and pay physicians for additional administrative costs.



The guidelines acknowledge that IT systems may be used to facilitate management, but state that "programs must avoid implementation plans that require physician practices to purchase health-plan specific IT capabilities."

In fact, many health care experts see pay-for-performance programs moving hand in hand with health information technology, both because information systems can remind doctors about beneficial but often neglected preventive measures and because the systems can, theoretically, help document the care provided.

In addition, if health IT helps health care providers deliver and document rewarded care, pay-for-performance programs could provide a financial incentive for adopting health IT.

But even the most enthusiastic proponents of health IT believe that getting current electronic medical records systems to report the necessary measures will be easy.

The pay-for-performance bill is just one of many that could affect health IT. By one count, some 18 relevant bills have been introduced. In addition, the Department of Health and Human Services has issued a request for proposals for several funded projects that could move technology into doctors' offices and allow information to be exchanged among different providers.

Widespread announcements on June 30 said that Sens. Chuck Grassley (R-Iowa) and Max Baucus (D-Mont.) would introduce their bill on July 1. However, as of July 2, its text was not yet listed on [Thomas](#), the Internet site where such documents are posted.

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