Implementation of Pay-for-Performance / IT Systems for Home Health and Other Providers Strongly Recommended by MedPAC

In its annual report to Congress, the Medicare Payment Advisory Commission (MedPAC) takes a broad-based step toward systemic reform of Medicare payment policy as it affects the spectrum of health care providers. In its recommendations this year, MedPAC has strongly supported a move toward a "pay for performance," also referred to as "P4P," outcomes-incented reimbursement system throughout Medicare (including home health agencies, hospitals, physicians, managed care organizations, and renal dialysis facilities).

In a dedicated chapter entitled "Strategies to Improve Care: Pay for Performance and Information Technology," the report spells out MedPAC's biggest push yet for wholesale reform to the Medicare payment system. MedPAC recommends that Congress authorize establishment of a system that would distribute a pool of money (extracted as a percentage of existing payments that could be upped over time) to "tip" providers that achieve high levels of quality and cost-effectiveness in care to Medicare beneficiaries. MedPAC appears convinced that the time is ripe for such a change.

MedPAC evaluates the feasibility of moving to a pay-for-performance reimbursement system in its report, continually pointing to the use of information technology (IT) as a means of bringing about greater efficiencies and quality of care. Ultimately, the commission recommends that a pillar of its envisioned performance-based payment system should be to reward providers that utilize IT to improve care.

MedPAC establishes an analytical pathway to evaluate each provider service type under similar standards, emphasizing criteria for measures that could be used to tie payment to quality of care. MedPAC applies the same measurement criteria in evaluating home health services as it does in those of hospitals and physician practices.

The commission examines four types of measures: (1) process, (2) outcomes, (3) structure, and (4) patient experience. **MedPAC considers whether:**

- Evidence-based, accepted measures already are available;
- Collecting and analyzing data is not unduly burdensome for either the provider or the Centers for Medicare & Medicaid Services (CMS);

- Any required risk adjustment is sufficient to deter providers from avoiding patients who might lower their quality scores; and
- Providers can improve using the available measures.

Addressing home health services, MedPAC posits that "currently available indicators from the Outcome-Based Quality Improvement (OBQI) set are well accepted, risk-adjusted, and pose no additional data collection burden," and thus are most promising for use in a home health pay-for-performance system. Meanwhile, though MedPAC notes that the Outcome-Based Quality Monitoring (OBQM) measures can be useful for internal quality improvement, "some additional development is needed to use them to make fair comparisons among agencies." MedPAC also recommends that a set of measures be developed for home health adverse events, including adequate risk adjustment, and that developing process measures on an ongoing basis is important as well.

MedPAC contends that the home health benefit is "less well-defined" than others under Medicare. Supporting pay-for-performance in home health, the report indicates that "moving toward paying for outcomes will begin to give Medicare some confidence about what it is purchasing under this benefit." Further, the report states, "Linking payment to quality means that Medicare will be buying improvement in patients' ability to walk or to dress themselves, alleviations of the pain of open wounds on their skin, better management of their medication, or avoiding hospitalizations by monitoring their diabetes or making their home safer."

MedPAC cites data from a 2003 report on care under the home health prospective payment system (PPS) by Outcome Concept Systems in arguing that home health agencies "miss opportunities each year to make improvements in the lives of home health patients." The data place the "percent of [home health] patients who could improve but did not" for upper body dressing at 38 percent; for ambulation at 66 percent; and for patient management of medical equipment at home at 75 percent. An incentive-based payment system will reduce these "missed opportunities," MedPAC believes.

The commission also outlines basic concepts that it believes ought to be included in a pay-for-performance system. **According to that outline, the system should:**

- Reward providers based on both improving care and exceeding certain benchmarks;
- Be funded by setting aside (at least initially) a small proportion of payments;

- Distribute all payments that are set aside to providers achieving the quality criteria; and
- Establish a process for continuing the evolution of performance measures it employs.

To get the ball rolling, MedPAC envisions setting aside between 1 and 2 percent of home health PPS payments to be distributed to agencies that achieve the set quality criteria. The rest would be left with the option of being paid less or improving the quality of patient care.

MedPAC's budget-neutral approach to pay for performance continues in its discussion of the use of IT to improve care. MedPAC suggests that P4P measures should be linked to the use of IT such that quality criteria couldn't be met unless technology is utilized. Potentially significant barriers to IT use are the cost of implementing point-of-care devices and difficulty measuring return on investment.

The report notes wide variation in technologies currently in use in an examination of IT in post-acute home health care, however, including personal digital assistants (PDAs), tablet PCs, and laptops that support both administrative operations and clinical care. MedPAC highlights clinical benefits and cost efficiencies that can be achieved through the use of telehealth systems, also mentioning telephony software (which allows visit data to be entered via telephone rather than manually) and scanning systems that capture data among technologies utilized in home health.

The MedPAC chapter on pay for performance and IT makes for some interesting reading for those seeking a glimpse of the future of Medicare payment policy. The National Association for Home Care & Hospice has observed that policy makers view the concept of pay for performance quite favorably because of its focus on patient outcomes as the driver for financial reward.

It can be expected that if Congress takes on Medicare legislation this year some support for P4P-type experiments will surface and home health providers will be among the provider types affected.