



Institute for Alternative Futures
FORESIGHT SEMINARS ON HEALTH & INNOVATION

Evolving Payments for Improved Care

Meeting Summary

Foresight Seminar Meeting, December 16th, 2003
Room SR-325, Russell Senate Office Building

The Foresight Seminar panel included:

- **Gerard Anderson, Johns Hopkins University Bloomberg School of Public Health.**
Dr. Anderson is a professor of medicine, health policy, management, and international health at the Johns Hopkins University. He is also the National Program Director for the Robert Wood Johnson Foundation sponsored program “Partnership for Solutions: Better Lives for People with Chronic Conditions.”
- **Timothy Ferris, Harvard Medical School.**
Dr. Ferris is a senior scientist in the Partners/MGH Institute for Health Policy as well as Director of Disease Management. He is also a practicing internist and pediatrician.
- **Judith Hibbard, University of Oregon.**
Dr. Hibbard is a professor of health policy at the University of Oregon.

Provocative Insights

According to **Dr. Gerard Anderson** “we have to restructure the entire health care system around chronic disease.” The current healthcare system devotes “three quarters of private insurance spending and two thirds of Medicare spending on people with five or more **chronic conditions**.” The panel addressed three problems with this system: the current healthcare system does little to assess the impact of multiple chronic conditions, to co-ordinate care among physicians, or to help patients manage their conditions.

To address these problems, Dr. Anderson suggests three action items to be considered:

1. Paying for **care coordination**
2. Paying physicians to make **electronic medical records** available
3. Focusing research on **disease management** for those with multiple chronic conditions

As a practicing physician and a senior research scientist, **Dr. Timothy Ferris** has researched how incentives in the healthcare system affect quality of care. In his research, Dr. Ferris has discovered that the payment systems used today do not provide the right incentives.



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1. The **fee-for-service** system provides incentives for responsiveness, but “there’s a strong financial incentive to over-utilize services.”
2. The **capitation** system provides a “strong incentive for efficiency” but also the “withholding of care.”
3. The **fixed-price** system “incentivizes the disinterested use of services” but at the same time “it also incentivizes inefficiency and unresponsiveness.”

In the future, healthcare will move toward blended payment systems that reward physicians for coordinating care, communicating with patients outside the office visit, and using teams to monitor the needs of patients with multiple chronic conditions. While the long-term goal is to pay for better outcomes, in the short term we should pay for the infrastructure that is most likely to bring us those improved outcomes. One example of a blended payment system is the new capitation plus quality bonus system adopted in England.

Dr. Judith Hibbard reported that a growing body of research indicates “people who are involved in their care, who engage in **self-management**, and who engage in preventive actions have better outcomes.” When it comes to chronic illness, it is the patient that is making the day-to-day choices that largely determine both the cost of care and health outcomes. Patients are a large untapped resource and “we are missing an opportunity by not adequately supporting their role in self-management.” Including the patient as an integral part of the health care team is a signal to everyone that the patient has a key role to play.

Patients who are getting high quality care should, over time, be gaining in knowledge, skills, and the confidence to self-manage. If providers assessed patient capabilities to self-manage, they could provide targeted information to support patients. **Individualized care plans** that are tailored to the patient’s needs, values, and ability to self-manage are likely to be more effective than plans based solely around a patient’s disease.

Providing accessible information is the key to involving the patient. The problem with current **medical performance reports** is that they do not “present information in a way so that a viewer can quickly see better and worse options.” In working toward a preferred future for healthcare, linking well designed public reports with payment systems that reward care coordination will be essential to improving quality.

Action Items

Policy-makers who desire to change healthcare payment systems should consider the following:

- Providing incentives in Medicare to encourage **care coordination** and **individualized care plans** for patients with multiple chronic conditions.
- Creating public databases where patients can easily access **medical performance reports** on healthcare providers.
- Funding research into ways to encourage patient **self-management**.
- Changing the guidelines for clinical trials to include more patients with multiple **chronic conditions**.