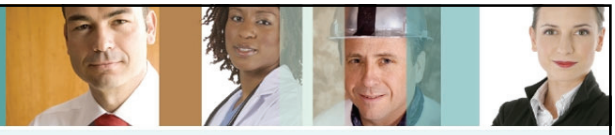
CANCER CENTER BUSINESS SUMMIT



The Future is Quality Cancer Pay-for-Performance

Sponsored by: PricewaterhouseCoopers LLP

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Agenda

- Introduction: Why do we need P4P?
- Pay for Performance Overview
- Cancer Pay for Performance

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Introduction to Pay for Performance: Why do we need it?

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The Quality Conundrum

- US is the global leader in Nobel prizes for medicine, with 12 to US scientists and 3 to foreigners in US, vs. 7 abroad
- 4 of 6 top innovations were developed in US: MRI/CT, statins, CABG, ACE inhibitors
- NIH's research budget is $28 billion, vs. $3.7 billion for all EU

Current Quality Challenges:

- US ranks lowest of developed nations in life expectancy and infant mortality
- 55% of people get recommended care
- 44-98,000 people annually die from preventable medical errors
- The average hospital patient experiences at least 1 medical error daily

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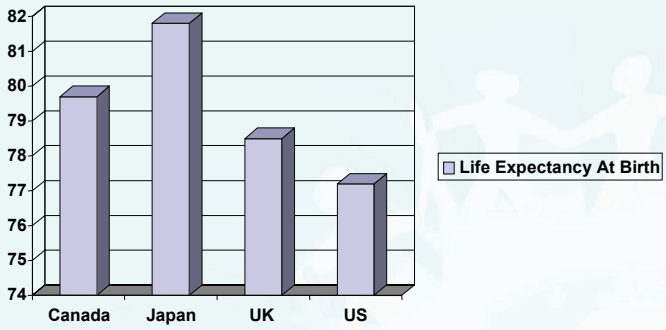
Current Quality Challenges

The U.S. achieves poorer results then other developing nations



Source: OECD Health Data 2005

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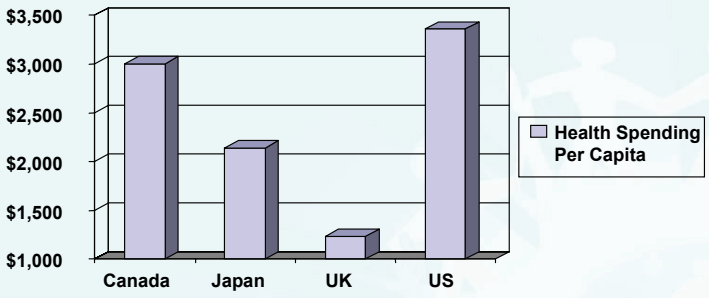
Current Financial Challenges

The U.S. pays more for health care then other developing nations



Source: OECD Health Data 2005

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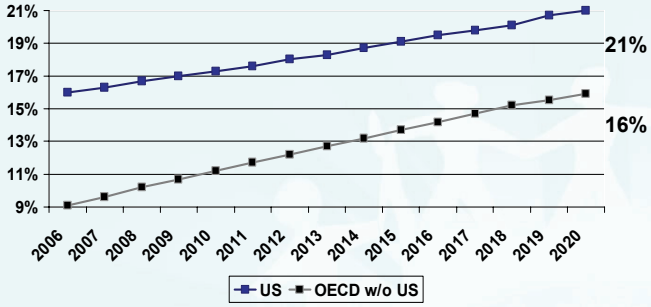
Current Financial Challenges (cont'd)

OECD countries are converging in spending trends Global health spending will triple to $10 trillion in 2020

Drivers:

- **Aging**
- **Rising standard of living**
- **Consumerism**
- **China**



Source: OECD data and PwC estimates

2003 US per capita spending on healthcare → $5,670

Rest of OECD → $2,352

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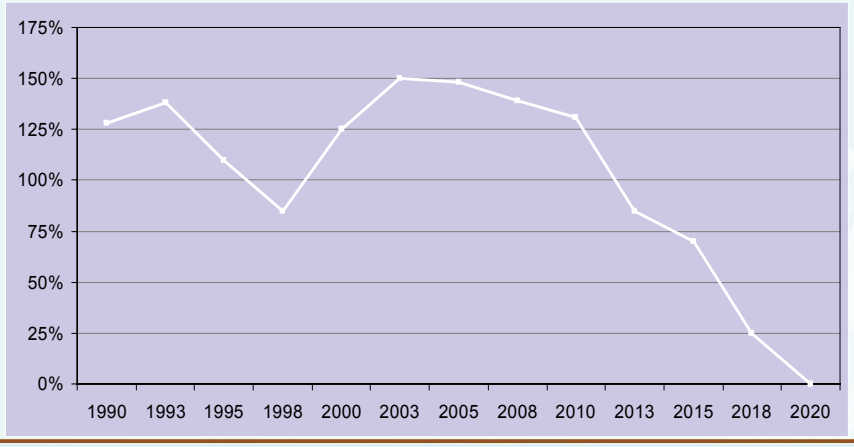
Current Financial Challenges (cont'd)

The Medicare Trust Fund will be insolvent by 2020



Source: 2004 Annual Report of the Boards of Trustees of the Federal Hospital Insurance Trust Fund

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Current Quality Challenges

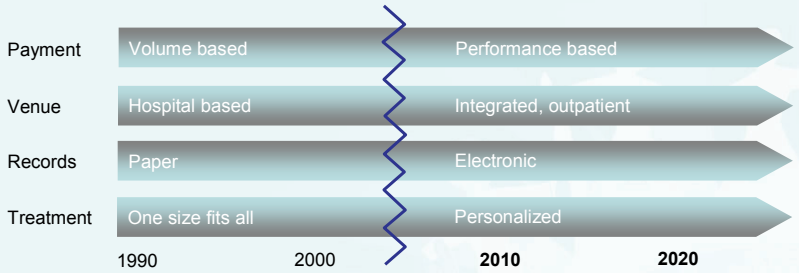
The U.S. health care system, on average, failed to achieve any of 37 U.S. or international top-performance benchmarks for outcomes, quality, access, efficiency, or equitable care, according to a scorecard of "achievable" performance developed by the Commonwealth Fund.

The Commonwealth Fund Commission on a High Performance Health System. Why Not the Best? Results from a National Scorecard on U.S. Health System Performance. The Commonwealth Fund, September 2006

Current Quality Challenges (cont'd)

- Results from a National Scorecard on U.S. Health System Performance:
  - The nation's overall score across 5 broad categories was 66, with 100 being the top-performance score:
    - Outcomes: 69
    - Quality: 71
    - Access: 67
    - Equity: 71
    - Efficiency: 51

Transitioning the U.S. Healthcare Delivery Model



Source: PricewaterhouseCoopers *What Works: Healing the Healthcare Staffing Shortage*, 2007

Pay for Performance

"Pay-for-performance is a strategy to offer incentives to providers for delivering higher quality care as measured by selected evidence-based standards and procedures. Its goal is not simply to reward those who perform well or to reduce costs. Rather, it is a mechanism to align incentives to encourage ongoing improvement in a way that will ensure high-quality care for all."

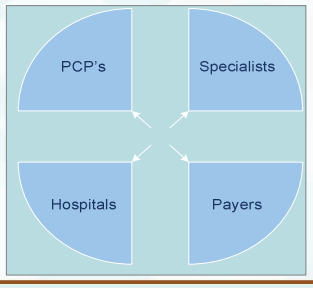
Institute of Medicine of the National Academies, September 2006
Rewarding Provider Performance: Aligning Incentives in Medicare (Pathways to Quality Health Care Series)
http://books.nap.edu/catalog/11723.html

Align Incentives Through Integration

- The only way for an organization to compete on quality and outcomes in a sustainable way and position itself to take advantage of Pay-for-performance reimbursement is to align the incentives of everyone providing care.

Physician and Hospital integration strategies that are based on quality and safety metrics used in P4P:

- Co-Management or Foundation model
- Centers of Excellence



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Align Incentives Through Integration (cont'd)

- As reflected in the IOM Pay-for performance recommendations:
  - Foster high performance through payment incentives:
    - Select performance measures for all providers
    - Ensure coordination of care among providers
    - Collect and report performance information publicly
    - Ensure participation by all providers as soon as possible
    - Use existing sources of revenue for rewards
    - Phase in implementation within a learning system
    - Reform payment systems over time

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Pay-for-Performance (P4P)

Pay for Performance

- The current Medicare payment system is broken. It provides few disincentives for overuse, under-use or misuse of care, and does not reward efficiency. Fundamental change requires a commitment by all Medicare providers.
- Pay-for-performance constitutes one key component needed for the transformation of the health care payment system, but cannot achieve this transformation alone

Institute of Medicine of the National Academies, September 2006
Rewarding Provider Performance: Aligning Incentives in Medicare (Pathways to Quality Health Care Series)
http://books.nap.edu/catalog/11723.html

The Most Mature P4P Programs are More Than 10 Years Old

- How do we generally feel about them?
- As P4P has evolved providers have faced a host of new and varied reporting requirements- what some call a “virtual soup of different metrics”
- This has caused some to question the value of P4P and whether the results are worth the administrative burden

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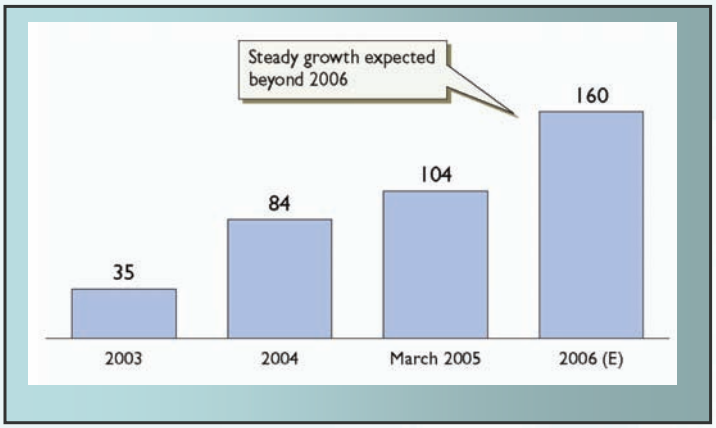
Projected Growth in Commercial P4P Programs



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What is Pay for Performance?

- Pay-for-performance (P4P) is rooted in the Psychology of Behaviouralism: people conduct their work based on what they are evaluated and reimbursed. i.e. "reward providers based on quality not on quantity."
- Response to recent industry trends of:
  - A demand for cost reduction
  - A call for improved service (consumerism)
  - A need for accountability and payment based on measurable quality
- National Business Coalition on Health publicly stated Goals:
  - To embrace the delivery system into improvement
  - Patient Volume Migration to High Performers
  - In other words it is a "value based" healthcare system that focuses on price and quality
    - Value = Price/Quality

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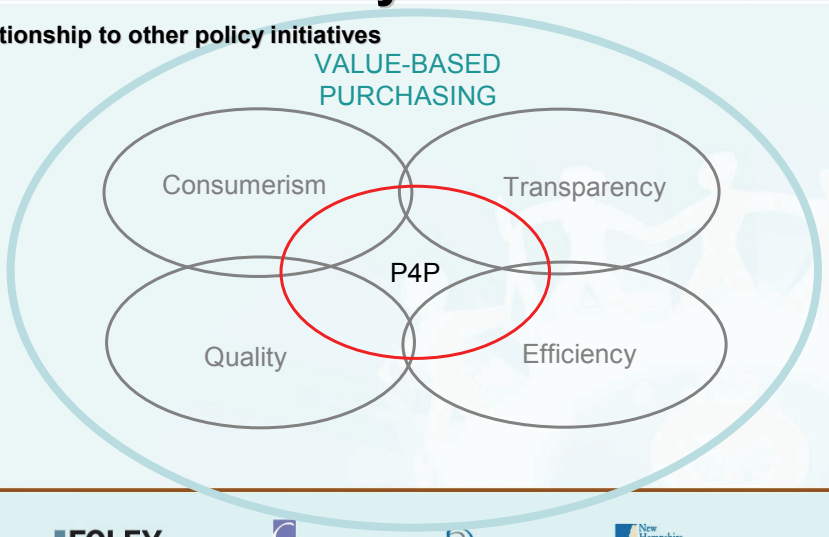
Value-Based Purchasing as an Economic Policy

The relationship to other policy initiatives



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CMS: March of the 900 lb. Gorilla Towards Pay-for-Performance

Medicare Modernization Act

Reporting on 10 core measures for 0.4% payment update, up to 21 measures, 2% in '07. Patient satisfaction to be added on '08.

hospitalcompare.hhs.gov

ONCHIT Formation

Executive Order establishing the goal of interoperable electronic health records within 10 years

"Better Care, Lower Cost"

Executive Order directing federal agencies to provide health care quality and price information

hhs.gov/transparency

Physician Reporting

Voluntary program launched with 16 core measures. 1.5% payment bonus

Outpatient Quality

CMS plans to develop measures specifically for hospital outpatient care

Medicare Value Purchasing Act

Bill proposing value-based payments

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Pay for Performance: Voted #1 Healthcare Issue of 2006-2007

"Next 5 to 10 years, P4P could account for 20% to 30% of what federal government pays providers"

-Mark McClellan, 2005 in "Quality, Safety, and Transparency: A Rising Tide Floats All Boats"

"This is the beginning of the third wave of reimbursement, not some fad."

-Paul Danello, Former Counsel DHHS, OIG

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Pay for Performance: Goals Versus Consequences

- Goal - shared accountability for transitions between settings of care and coordinate care in treating patients with chronic diseases.
  - Capacity to assess early experience…and evaluate impact
  - Adjust for unintended consequences
  - Patient profiling and skimming

Institute of Medicine of the National Academies, September 2006
Rewarding Provider Performance: Aligning Incentives in Medicare (Pathways to Quality Health Care Series)
http://books.nap.edu/catalog/11723.html

- Are other Clinical Specialties and Physician membership organizations successfully employing Pay-for-Performance Initiatives?
  - Cardiac are leaders based on Evidence – Based Medicine and guidelines
    - ACC/AHA Guidelines: Bridges to Excellence
    - American College of Cardiology (ACC): NCDR-PCI
    - Society of Thoracic Society (STS)

Factiva: PR Newswire, 15 September 2006. "New Survey Finds Majority of Community Based Oncologist Receptive to Pay for Performance Initiatives, Willing to Work with Health Plans to Develop."

Oncologists Receptive to Pay-for-Performance Initiatives

- Community-based oncologist support Pay-for-performance (P4P) initiatives based on Oncologist Therapeutics Network (OTN) survey
- Physicians are positioned to participate in evidence based treatment programs
- With adoption of necessary technology required to collect data and generate outcomes, oncologist are willing to embrace new P4P programs
- Survey included 189 respondents, from April and May 2006 online survey of physicians from the Supportive Oncology Services (SOS) database

Factiva: PR Newswire, 15 September 2006. "New Survey Finds Majority of Community Based Oncologist Receptive to Pay for Performance Initiatives, Willing to Work with Health Plans to Develop."

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Oncology Therapeutics Network Survey Results

64% → Believe P4P initiatives useful in the practice of oncology

94% → Believe initiatives will help improve the overall outcome of cancer patients

65% → Agree that standardized P4P initiatives, with performance measures can be quantified, and are one the better ways to provide quality care in oncology

Factiva: PR Newswire, 15 September 2006. "New Survey Finds Majority of Community Based Oncologist Receptive to Pay for Performance Initiatives, Willing to Work with Health Plans to Develop."

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Oncology Therapeutics Network Survey Results (cont'd)

81% → Believe P4P initiatives will become a reality in oncology.

- *Belief validated by willingness of 75% of the survey participants to work with managed care companies/ health plans to develop appropriate P4P initiatives*

70% → Believe regimen standardization will help control treatment cost, improve outcome, increase practice efficiencies and lead to availability of better outcomes data

97% → Believe that adoption and use of technology will be increasingly important in the management of their practices

Factiva: PR Newswire, 15 September 2006. "New Survey Finds Majority of Community Based Oncologist Receptive to Pay for Performance Initiatives, Willing to Work with Health Plans to Develop."

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Challenges of Cancer P4P

- Diagnosis and treatment of 130 to 150 diseases defined as cancer present enormous challenges, may not fit P4P guidelines applied to most other medical specialties
- Rapid changes in cancer care create unique challenge for oncologists

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Oncologist Receptive to Pay-for-Performance Initiatives

"Community oncologists' receptivity toward Pay for Performance initiatives and regimen-based standards is encouraging because P4P is the wave of the future… It is clear from the survey that clinicians are interested in P4P programs and willing to work to develop them. Our goal is to identify solutions to help improve affordable quality care for people with caner and help strengthen relationships between community-based oncologist and health plans."

- John Amos, President and CEO Oncology, Therapeutics Network

Factiva: PR Newswire, 15 September 2006. "New Survey Finds Majority of Community Based Oncologist Receptive to Pay for Performance Initiatives, Willing to Work with Health Plans to Develop."

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Cancer Pay-for-Performance

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The Future is Quality but….

- What is quality and how should it be measured?
- Does measurement itself influence care?
- What does this have to do with cost?

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What is Quality in Medical Care?

- Applicable and valuable to patients, doctors, practices and organizations
- Measurable/ improvable
- Relating to standards
- Subject to reasonable (not excessive) variability
- Something that may be improved just by being measured
- A good thing to pursue

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What is Quality in Medical Care? (cont'd)

MR. JUSTICE STEWART, concurring.

I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description; and perhaps I could never succeed in intelligibly doing so. But I know it when I see it.

U.S. Supreme Court -JACOBELLIS v. OHIO, 378 U.S. 184 (1964) APPEAL FROM THE SUPREME COURT OF OHIO. No. 11. Argued March 26, 1963. Restored to the calendar for reargument April 29, 1963. Reargued April 1, 1964. Decided June 22, 1964.

What is Quality in Medical Care? (cont'd)

Outcomes?

- Patient Satisfaction?
- Recovery?
- Restoration of function?
- Survival?

Donabedian A, Evaluating the Quality of medical Care, Milbank Memorial Fund Quarterly 44: 166-203, 1966

But There are Problems With Outcomes…

- Outcomes are hierarchical
  - Patient satisfaction is not the same as survival
- Outcomes may be measurable only years later
  - Adjuvant therapy of breast cancer
- Outcomes may represent events that occur at such a low frequency that randomness or patient comorbidity and not quality are being measured
  - Death rates from adjuvant therapy

Donabedian A, Evaluating the Quality of medical Care, Milbank Memorial Fund Quarterly 44: 166-203, 1966
Hofer RP, Hayward RA, Greenfield S, et al: The unreliability of individual physician "report cards" for assessing the costs and quality of care of a chronic disease. JAMA 281:2098-2105, 1999

If Not Outcomes, Processes?

- Structural or procedural
  - May still be hierarchical
    - Being Joint Commission accredited isn't the same as washing your hands, giving the right dose of the right medicine to the right patient, but in the long run, which has the greater impact?

Donabedian A, Evaluating the Quality of medical Care, Milbank Memorial Fund Quarterly 44: 166-203, 1966
Kirlin et al Chemotherapy administration associated errors before and after use of electronic order entry and decision support , *Journal of Clinical Oncology*, 2007 ASCO Annual Meeting Proceedings Part I. Vol 25, No. 18S (June 20 Supplement), 2007: 19528

And How Should it be Measured?

- Sampling all charts or just some?
- Is the record reliable or is observation necessary?
- Are electronic records better or worse than paper charts?

Donabedian A, Evaluating the Quality of medical Care, Milbank Memorial Fund Quarterly 44: 166-203, 1966
Lee TH, Torchiana DF, Lock JE, Is Zero the Ideal Death Rate NEJM 357: 111-113, 2007

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And What is Success?

- Performance above some threshold? (Empirical standards)
- Performance at the highest threshold? (Normative "best care")
- 100% success a reasonable goal?
  - Patient consent relevant?
- What about poor prognosis patients?
  - Treatment of papillary muscle rupture
  - Treatment of acute leukemia?

Donabedian A, Evaluating the Quality of medical Care, Milbank Memorial Fund Quarterly 44: 166-203, 1966
Lee TH, Torchiana DF, Lock JE, Is Zero the Ideal Death Rate NEJM 357: 111-113, 2007

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QOPI Background

- Goal: To promote excellence in cancer care by helping oncology practices create a culture of self-examination and improvement through voluntary participation
- QOPI measures processes of cancer care in ambulatory care settings
  - Pilot phase: 2002-2005
  - National rollout: March 2006
- Methodology: Semi-annual chart abstraction at the practice level

Jacobson JO et al Improvement in oncology practice performance through voluntary participation in the Quality Oncology Practice Initiative (QOPI). *Journal of Clinical Oncology*, 2007 ASCO Annual Meeting Proceedings Part I. Vol. 25, No. 18S (June 20 Supplement), 2007: 6505

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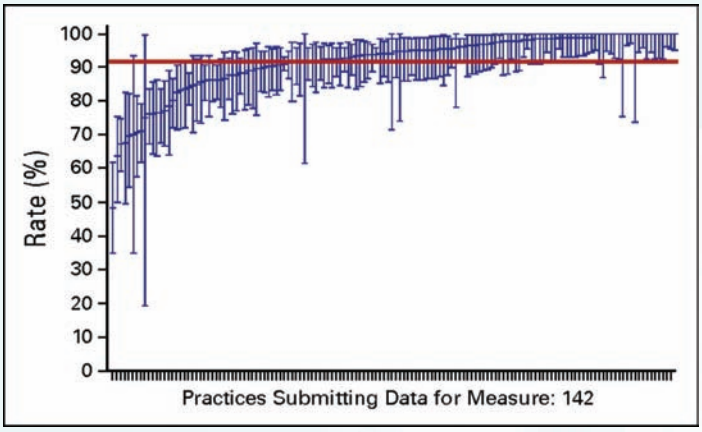
Figure 1. Explicit Statement of Staging Within One Month of First Office Visit, by Practice



J Oncol Pract; 3:271-273 2007

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Figure 3. Pain Addressed on First Office Visit, by Practice

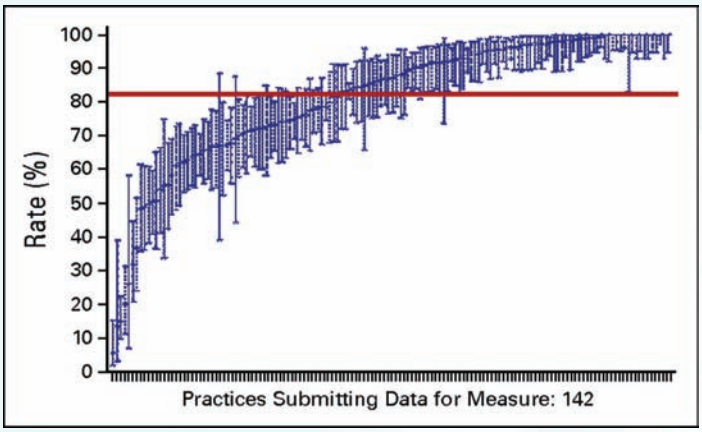

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Figure 5. Signed Patient Consent for Chemotherapy in Medical Record, by Practice

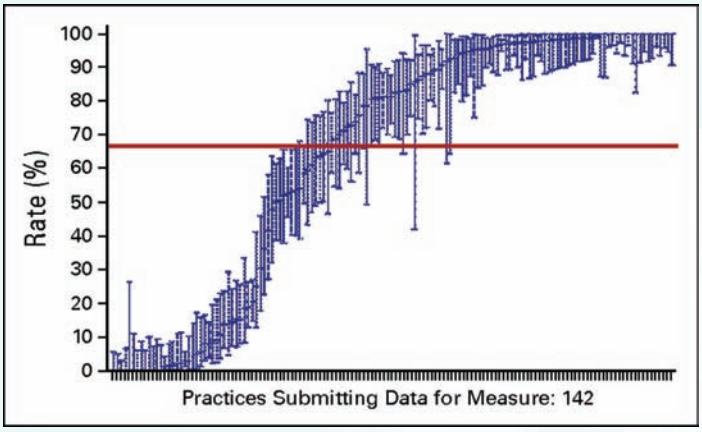

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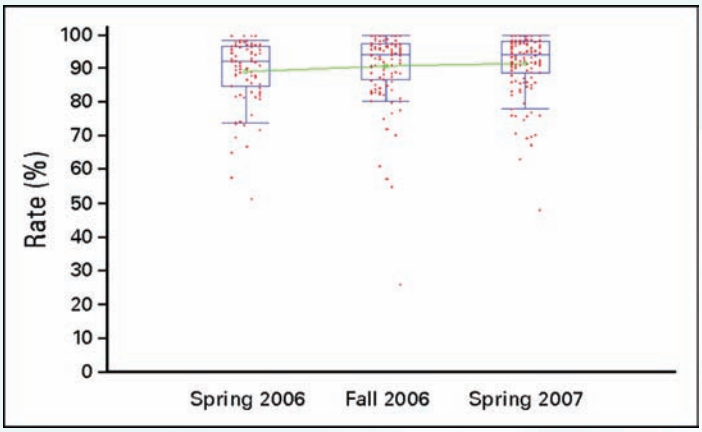
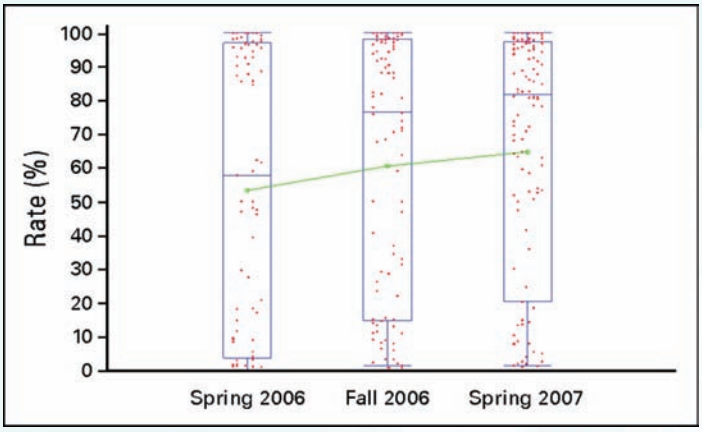
Figure 2. Box Plot of Explicit Statement of Staging Within 1 month of First Office Visit, by Period



J Oncol Pract; 3:271-273 2007

Figure 6. Box Plot of Signed Patient Consent for Chemotherapy in Medical Record, by Period



J Oncol Pract; 3:271-273 2007

MANAGEMENT AND THE WORKER

An Account of a Research Program Conducted by the Western Electric Company, Hawthorne Works, Chicago

BY

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WESTERN ELECTRIC COMPANY, HAWTHORNE WORKS

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1939

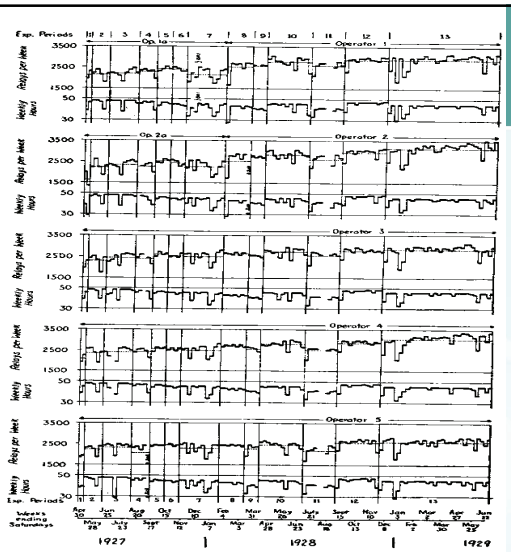

FIGURE 7
TOTAL WEEKLY OUTPUT, EXPERIMENTAL PERIODS I–XIII
RELAY ASSEMBLY TEST ROOM

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What Will Measures Based on Performance do to the Cost of Care?

Processes generally relate to billable events, and more billable events mean more expense unless the cost of each is reduced

Landon BE et al, Improving the Management of Chronic Disease at Community Health Centers NEJM 356: 921-934,

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