

## Case Study

# Using Payment Incentives to Improve Care Delivery

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*Quality Matters* is a newsletter from The Commonwealth Fund. Published bimonthly, the newsletter explores issues of quality and efficiency in health care.

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**Summary:** *By agreeing to a long-term contract that tied a portion of physician income to electronic medical record adoption, Massachusetts' largest payer and one of its largest health care systems were able to shift their joint quality focus from process of care measurements to patient outcomes.*

**By** Vida Foubister

### Issue

Quality goals are often hampered by the way health care providers are paid. Pay-for-performance (P4P) attempts to modify the current payment system, creating financial incentives for hospitals and physicians to reach specified quality targets. Though the impact of these programs is often limited to areas they target, there are cases in which P4P has led to transformations in care delivery. The adoption of information technology systems by physicians is one area in which many health plans have established P4P programs, according to a recent survey by Health Industry Insights, an IDC company.

### Organization and Leadership

Partners HealthCare is an integrated health system based in Boston that serves 22 percent of the eastern Massachusetts market. Founded by Brigham and Women's Hospital and Massachusetts General Hospital, the system also includes community hospitals, specialty hospitals, community health centers, a physician network, home health and long-term care services, and other health-related entities.

Partners Community HealthCare, Inc. (PCHI), its physician network, is affiliated with more than 1,000 internists, pediatricians, and family practice physicians and more than 3,500 specialists who provide care to more than 1.5 million patients. Partners HealthCare President and CEO James J. Mongan, M.D., along with Thomas H. Lee, M.D., CEO of Partners Community HealthCare, and Cynthia Bero, M.P.H., CIO of PCHI, worked with Blue Cross Blue Shield of Massachusetts to establish a pay-for-performance (P4P) incentive for community physicians to adopt and implement electronic medical records (EMRs) in their practices. They also guided physicians through the

adoption process.

Blue Cross Blue Shield of Massachusetts, also based in Boston, serves 3 million members statewide. Cleve L. Killingsworth, M.P.H., currently president and CEO, and Deb Devaux, M.H.S.A., senior vice president for health care contract management, were instrumental in the negotiations that led the organizations to agree to a five-year contract around their joint health care goals.

### **Objective**

Blue Cross, in its provider relationships, has focused on paying for outcomes. Partners was in agreement that a long-term contract, centered on paying providers to adopt and implement EMRs and then using EMRs to evaluate patient outcomes, was critical to achieve transformational change in the system's approach to care. As part of the five-year contract they agreed upon, a substantial portion of the withhold on an individual physician's fee-for-service (FFS) payment was tied, first, to EMR adoption and use and, second, to using this infrastructure to focus on more traditional performance incentives, such as managing patients' hemoglobin A1c levels. Physicians who choose not to adopt EMRs give up several thousand dollars per year under the contract, though this does not approach the cost—about \$25,000—of implementing an appropriate system, says Lee.

EMR adoption is also a key component of Partners' High Performance Medicine initiative, which seeks to develop systems that help physicians and other caregivers provide better, safer, and more cost-effective care. Partners' goal is to have 100 percent of community primary care physicians using an EMR by the end of 2008 and 100 percent of specialists doing so by the end of 2009.

### **Target Population**

At the time the five-year contract was reached, Partners had in large part transitioned its hospital-based, primary care physicians from paper to electronic records. This initiative provided an incentive for those remaining on paper records, as well as hospital-based specialists, to adopt EMRs.

It also focused on community physicians affiliated with the system. Until last year, the Stark regulations prohibited hospitals from contributing to the acquisition of EMRs by its affiliated physicians. (A hospital can now donate 85 percent of the cost of EMR software and related training to its physicians). Partners' strategy was to provide an incentive that would bring primary care physicians on board, compelling specialists to adopt so they could maintain their referral relationships.

### **Key Measures**

An electronic medical record was defined, based on the Healthcare Information and Management Systems Society (HIMSS) model EMR. EMR use was defined by criteria such as registering as a user, having a user ID, receiving EMR training, and achieving a certain level of visit documentation.

Though the Blue Cross contract did not specify which EMR system physicians were required to adopt, the level of data transparency in the Boston market led Partners to select two options in order to promote more uniform data collection and performance measurement. Physicians could choose between: 1) Partners' internally developed ambulatory electronic health care record, the Partners Longitudinal Medical Record (LMR), or 2) the GE Centricity® EMR. Partners LMR, a Web-based EMR used across the system, and the GE Centricity® EMR have both been certified

by the Certification Commission for Healthcare Information Technology as meeting all 2006 criteria for functionality and security. These EMRs were also selected for their ability to build interfaces with the Partners' system, enabling doctors throughout Partners to work together.

### **Implementation Timeline**

Partners and Blue Cross Blue Shield of Massachusetts agreed to a five-year contract in 2004. The Joint Quality Initiative formed as part of the negotiation process set targets for EMR adoption by physicians. The second stage of the agreement, now under way, sets targets for physician use of these EMRs to evaluate outcomes data and identify patients whose diseases are not being properly managed.

### **Process of Change**

During their contract negotiations, Blue Cross and Partners established a Joint Quality Initiative to reach a mutual vision of a transformational change—five years out. Composed of senior leaders from both organizations, the group concluded that it "was very important to get the infrastructure for real reengineering of care in place," says Lee.

As part of the P4P contract, a substantial portion of the withhold on FFS payments, paid to individual physicians, was tied to their adoption of either Partners LMR or the GE Centricity® EMR. Partners hired a sales team for its EMR and held educational forums for physicians, at which representatives from Partners and GE described their ambulatory EMR systems. The sales teams also called on doctors to help them evaluate their current systems.

To further encourage adoption, Partners "upped the ante every six months" says Bero.

Additional payer contracts were negotiated with incentives for EMR adoption, for example. Currently, practices can bring new physicians into the Partners network only if they are using one of the two approved EMR systems.

The longer-term goal, however, was not simply adoption, but being able to use EMRs to measure outcomes. "I liken it to having an exercise bike," says Devaux. "It's one thing to buy it, it's another thing to use it." Targets now require physicians to use their EMRs to collect outcomes data and identify patients whose chronic diseases are not controlled.

### **Results**

The P4P contract has led to significant increases in EMR adoption among community primary care physicians. At the end of 2003, 9 percent had adopted EMRs. This increased to 18 percent at the end of 2004, 34 percent at the end of 2005, and 64 percent at the end of 2006. Partners anticipates that more than 90 percent will have adopted EMRs by the end of this year and that it will reach its goal of 100 percent adoption by the end of 2008 (see Figure 1). In addition, primary care providers' use of EMRs has encouraged community specialists to adopt their own systems. Overall, specialists are about two years behind primary care physicians, though the gap is narrowing.

Now, "the goals are really shifting to using the data," says Devaux. "What we're looking at is making sure patients are being maintained in the appropriate ranges for their disease state." These are targets that, a few years back, could not have been negotiated, adds Lee. "Before we had the electronic record out there, you couldn't collect the data to see what the baseline was and implement a management strategy," he says.

"Now we're trying to identify patients [whose conditions] aren't controlled."

### Lessons Learned

Though not a traditional performance incentive, EMR adoption is a measure that physicians feel they can directly control. Further, Partners and Blue Cross shared a long-term vision—which led to their alignment on the EMR adoption targets—adding further momentum. "I am amazed how just taking a modest portion of income and tying it to a specific measure seems to get a lot of attention," says Bero.

Bero, who worked with Partners to implement the contract, initially thought the implementation targets were "pretty aggressive and I was a little nervous about our ability to achieve them." Yet, they were attainable. Says Devaux: "The goals that are set need to be challenging or the whole idea of having a P4P contract falls apart."

Partners' willingness to push providers toward a "stretch" goal, achievable only through considerable effort, has been essential to the initiative's success. Likewise, the positive financial incentives Blue Cross provided to physicians who adopted EMRs were critical. "We didn't start with sticks," says Lee. "We started with carrots, peer pressure, and then authority."

Partners is not waiting for nonadopting physicians to catch up before implementing the next set of targets. Thus, for physicians who have not yet migrated to EMRs, the new measurement processes will strain their resources, as their only option is to have staff manually pull patient charts and evaluate them. "Eventually, the cost of not acquiring is greater than the cost of acquiring and that's when you see the shift," says Bero.

### Limitations

While most Partners Community HealthCare physicians are not employed by Partners HealthCare, they are clinically and financially integrated within the system. Further, providers in the Boston marketplace tend to be more organized than in other areas of the country, with a substantial percentage of physicians coming together in networks organized to sign P4P contracts. "Where doctors are disorganized, it's very tough to have incentive systems that reward doctors for working together," explains Lee. "You can have incentives but, if doctors don't like them, they may just decide to ignore the incentives." Finally, the five-year contract provided an opportunity for both organizations to reach beyond incremental goals.

### Next Steps

Despite the dramatic shift in EMR adoption precipitated by the P4P contract, neither party sees it as a solution to the current fragmentation of the health care market.

Centers for Medicare and Medicaid Services staff, among others in the industry, are realizing that chronic conditions and complex diseases are best managed by medical teams, and providers need to be organized for such payment systems to work. "While there's generally a feeling that we need to pay for an episode of care or accountability for a patients' overall care, the mechanisms have not been well developed yet and I think that will be the next chapter," says Devaux.

Despite the work needed to realize payment reforms such as Dartmouth Medical School professor Elliot Fisher's accountable care organizations and the Prometheus Payment model (see [In Focus](#)), they are among the proposals currently receiving considerable

attention—due in part to the failures of the current system. "I do think that pay-for-performance is part of a step away from traditional FFS and I doubt it will be the last one," says Lee.

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### For Further Information

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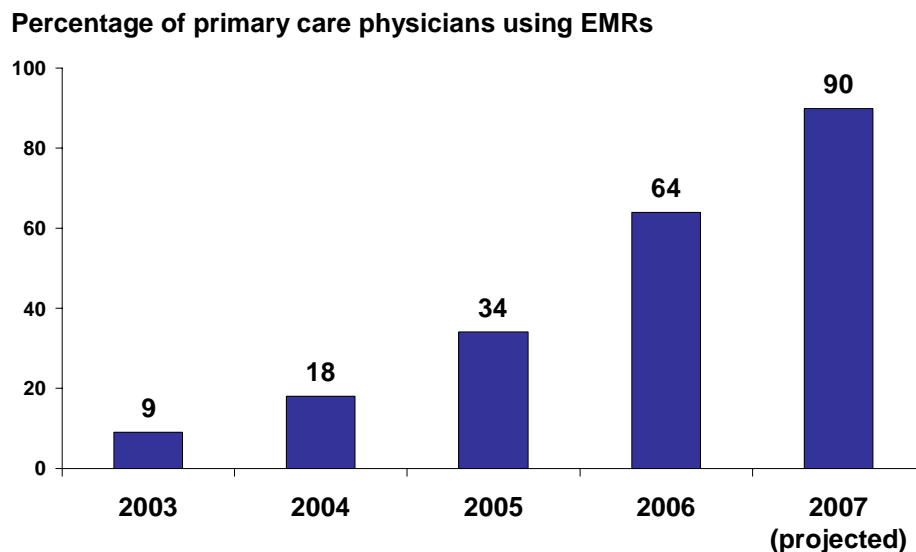
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Figure 1

## EMR Adoption Among Partners Community HealthCare, Inc. Primary Care Physicians



Source: Partners Community HealthCare, Inc. EMRs = electronic medical records. Data shown are for end of year.