



Contact: Dennis Tartaglia
 (212) 481-7000, dennist@mbooth.com
 Spencer Vibbert
 (516) 326-7767 ext. 588, svibbert@ipro.org
 Mary Mahon
 (212) 606-3853, mm@cmwf.org
 Sara Knoll
 (301) 652-1558, sknoll@burnesscommunications.com

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MAJORITY OF STATE MEDICAID PROGRAMS HAVE OR PLAN TO HAVE “PAY-FOR-PERFORMANCE” PROGRAMS, ACCORDING TO LANDMARK STUDY

IPRO Survey, Published by Commonwealth Fund, is First of its Kind; Shows 85% of States May Link Reimbursement With Performance Within Five Years

Lake Success, NY, April 12, 2007 – In the first published nationwide survey of state Medicaid programs on “pay-for-performance” practices, more than half of all programs state that they provide financial incentives to health care providers for better quality care. Almost 85 percent of states plan to have pay-for-performance programs within five years. Researchers also found that most current programs focus on women’s, children’s and adolescents’ health issues. The study is published today by The Commonwealth Fund, a private foundation working toward a high-performance health system. Authors are from IPRO, a not-for-profit quality evaluation and improvement organization and The Kuhmerker Consulting Group, LLC, a health care consulting firm.

“Medicaid is a major source of funding of health care in every state and, therefore, has a significant influence on the health care system,” said Thomas Hartman, Vice President for Health Care Quality Improvement for IPRO and co-author of the study. “But each state operates its program independently of the others. We thought it would be helpful to provide a detailed snapshot of what is taking place around the nation so that state officials have solid information on which to base decisions about pay-for-performance.”

Hartman and co-author Kathryn Kuhmerker, President of the Kuhmerker Group and former Medicaid Director for New York State, found several trends. Nine Medicaid programs (Arizona, Kansas, Maine, Minnesota, New Hampshire, New York, Oregon, Vermont, and Washington) are joining in statewide and regional pay-for-performance and quality improvement efforts, and others are considering entering into such collaborations. Health information technology is a focus of numerous Medicaid pay-for-performance programs (Alabama, Alaska, Arizona, Massachusetts, Minnesota, New York, Pennsylvania, and Utah). In these programs, providers are given incentives to adopt electronic health records and electronic prescribing, often in conjunction with the collaborative efforts described above. Access to care is a continuing concern of state Medicaid directors, and that concern is reflected in the approaches they take in this area. An overwhelming majority of Medicaid directors state that their pay-for-performance priority is on improving quality, not on reducing cost.

“Medicaid is not a new entrant into the field of pay-for-performance,” according to Kuhmerker. “We learned that almost half of all programs, in fact, are more than five years old.” More than 70 percent of planned new programs are expected to start in the next two years.

“The effort to link health care spending and quality is a growing phenomenon in the health care industry,” said Karen Davis, President, The Commonwealth Fund. “Both quality and efficiency are key components of a high performance health system, and it is encouraging to see the states rewarding provider efforts in these areas.”

The study found that 70 percent of existing Medicaid pay-for-performance programs operate in managed care or primary care case management (PCCM) environments, with a focus on preventive health services and children’s, adolescents’ and women’s health issues.

“New programs are still focused mainly on managed care and PCCM providers,” Kuhmerker said, “but appear to be shifting their emphasis to the quality and cost issues related to chronic diseases like asthma and diabetes.”

Hartman and Kuhmerker gathered information through a written survey sent to all state Medicaid directors, conducted follow-up interviews with the directors and their staffs, and reviewed a range of documents and Web-based resources on the programs. The study focused on programs that provide financial rewards for quality, efficiency and other program attributes. The study was conducted from May through October 2006.

“Very few states have conducted formal evaluations of their pay-for-performance programs, but most Medicaid officials believe that the overall quality of care being provided is improving as a result of these programs,” said Hartman. “More research clearly needs to be done to assess the effects of pay-for-performance on the quality of care provided to Medicaid recipients.”

Historically, revenue generation in the health care system has been related to the quantity—rather than the quality or effectiveness—of work performed. In some instances, revenue can be generated when additional procedures are needed to correct previous errors or omissions. Pay-for-performance is an approach to reimbursing health care providers that is designed to alter this practice. As costs escalate rapidly, large purchasers of health care services—employers, health plans, and government programs—are embracing the pay-for-performance movement in an effort to improve the quality of health care and link health care spending to quality so that limited financial resources can be used more effectively.

To view a copy of the study, please go to www.cmwf.org or www.ipro.org. Journalists may access an embargoed copy of the report at:

http://www.cmwf.org/publications/publications_show.htm?doc_id=472891

The Commonwealth Fund is a private foundation working toward a high performance health system.

I PRO is one of the largest and most experienced health care evaluation and quality improvement organizations in the nation.