



NEWS RELEASE

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New Method Needed for Setting Health Care Payment Rates, Experts Say

In New Survey, Majority of Health Care Opinion Leaders Support All-Payer Rate Setting or Negotiation, Salaried Physician Practice, and More Transparency in Quality, Price and Patient Experience

New York, N.Y., October 25, 2010—Experts surveyed in the latest Commonwealth Fund/Modern Healthcare Health Care Opinion Leaders Survey support moving away from the current method of negotiating health care payments—a complex system in which public and private health insurers each engage independently with multiple health care providers to negotiate or set payment rates with hospitals and physicians. The majority of opinion leaders (56%) support replacing this system with all-payer rate setting, in which a government authority would set the rates, or an all-payer system of jointly negotiating rates for all payers.

Such a strategy could help reduce excess administrative expenses and wide variation in prices, note Commonwealth Fund researchers Kristof Stremikis, Karen Davis, and Stuart Guterman, in a new data brief on the survey findings. Only 9 percent of survey respondents were in favoring of maintaining the current system.

Opinion leaders also voiced broad support for creating a standard method of rewarding quality and efficiency across private insurers and public payers. More than seven of 10 feel it is important or very important for all payers to use the same basic method of rewarding providers. Using a uniform method may be an effective way of improving patient outcomes, reducing wasteful administrative expenses, and lowering costs.

Leaders who responded to the survey also support moving toward a salaried system as the primary method for paying doctors. Eighty-nine percent said they support salaried physician practice, with rewards for quality. Support was high among all categories of individuals surveyed. Only 19 percent of those in health care delivery—respondents least likely to support such a change—do not support salaried physician payment.

Almost all health care opinion leaders agree that the country must move away from the current fee-for-service payment system. However, there were diverse opinions about the best payment approaches to replace it. Accountable care organizations with either risk-adjusted capitation (63%) or shared savings arrangements (55%) were among the supported strategies.

"The way we currently pay for health care leads to unnecessary confusion and wide variation, and sometimes borders on chaotic," said Commonwealth Fund President Karen Davis. "Experts

agree that if private payers and public programs could come together and agree to pay the same way, and the same amount, we can improve the efficiency of our health care system, eliminate administrative waste, and create better experiences for patients."

Experts who responded to the survey also called for greater transparency in health care. Nine of 10 believe it is important for the public to have information on clinical quality, prices, and patient experiences, and that such information is essential to moving the U.S. health system toward high performance. Such information could be used to encourage physicians to meet local and regional benchmarks, allow public and private payers to become more prudent purchasers of care, and to empower patients to identify and receive care from high quality providers. Provisions in the Affordable Care Act will make such information more available to the public.

Other findings from the survey include:

- Nearly all opinion leaders say it is important or very important to make information about health outcomes (95%), prices paid for care (94%) and patients' experiences with care (93%) available to the public.
- Three-quarters (73%) of health care leaders support value-based benefit design—a method in which cost-sharing varies depending on the effectiveness and potential benefit of the service—as an incentive to lower the cost of care.
- A strong majority (68%) supports the use of reference pricing for services. In a reference pricing system, insurers and public programs pay for a drug, device, or service based on the lowest price of equally effective treatments.

The survey is the 23rd in a series from The Commonwealth Fund, and the 15th conducted in partnership with the publication *Modern Healthcare*. Commentaries by Louise Probst, executive director of the St. Louis Area Business Health Coalition and Barbra G. Rabson, executive director of Massachusetts Health Quality Partners appear in the October 25 issue of *Modern Healthcare*. The commentaries are also posted on the Fund's Web site, along with a Commission data brief discussing the survey findings.

Methodology: The Commonwealth Fund/Modern HealthCare Health Care Opinion Leaders Survey was conducted online within the United States by Harris Interactive on behalf of The Commonwealth Fund between September 7, 2010 and October 6, 2010 among 1,327 opinion leaders in health policy and innovators in health care delivery and finance. The final sample included 190 respondents from various industries, for a response rate of 14 percent. The complete methodology is available on The Commonwealth Fund Web site.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.