

## **A New Report Shows How to Reform the Expensive and Dangerous Way We Pay for Health Care**

Contact: Aaron Cohen  
(202) 261-2869  
aaron.cohen@mslworldwide.com

Harold D. Miller  
(412) 803-3650  
Miller.Harold@nrhi.org

Washington, D.C. (Nov. 12, 2008) – Health care is so expensive in the U.S. – \$2.2 trillion last year – in part because we don’t reimburse doctors and hospitals intelligently. Now the nonprofit Network for Regional Healthcare Improvement (NRHI) is urging fixes that could save billions of dollars and make expanding health insurance to the uninsured more affordable.

Our health care payment system is built to reward the *quantity* of treatment, not the *quality*, says the report, “From Volume to Value: Transforming Health Care Payment and Delivery Systems to Improve Quality and Reduce Costs.” This backward payment system penalizes doctors and hospitals financially for eliminating unnecessary tests and treatments, preventing infections, and keeping people healthy.

A summit of more than 100 leaders from across the country – doctors, hospitals, insurers, academics, foundations, government, regional healthcare collaboratives, and others – generated the recommendations. All endorse a profound transformation in the way hospitals, doctors and other health care professionals are paid.

“We can help lift the quality of health care by fixing the way we pay for it,” said Michael W. Painter, J.D., M.D., a senior program officer at the nonprofit Robert Wood Johnson Foundation, which funded the summit and the report. “We need to quit paying for things that don’t work – like unnecessary and even dangerous tests and treatments – and pay for things that we know do work, like helping patients manage their chronic illnesses better.”

The report recommends that insurers pay doctors and hospitals a single amount that covers all the services a patient needs instead of separate fees for each service. Moreover, insurers should change the system from paying more to correct errors and preventable complications to rewarding health care providers for successfully treating patients.

The report also addresses ways to encourage patients to use higher-quality, lower-cost doctors and hospitals; how to protect patients from receiving too few services; and how to help health care providers change to new payment systems and lower-cost care.

“Higher quality health care can actually cost less if we reward doctors and hospitals for providing the most effective, efficient, and least expensive care,” said Harold D. Miller, president and CEO of the NRHI, who organized the summit and authored the report. “This report shows that health care leaders from across the country agree, not only on the changes that should be made in payment systems, but on many of the key steps to actually implement those changes.”

To change payment systems, the report recommends the following:

- Pay primary-care physicians for services they are not reimbursed for now, such as care management, that have been demonstrated to help people stay healthy. But doctors should also take greater responsibility for reducing preventable hospitalizations and controlling the cost of patient care. Primary-care physicians should be evaluated on whether they help patients stay well, rather than requiring them to meet rigid formulas for organizing their services.
- Pay hospitals and doctors jointly for the full episode of care for a patient, in order to encourage coordination and efficiency.
- Although consumers should be free to choose their doctor or hospital, they should also have access to easy-to-understand information about the quality and cost of health care providers and services, and insurers should reward them financially for using the most efficient, high-quality providers. Consumers should also have financial incentives to maintain their health.
- Do not penalize doctors and hospitals financially for serving patients who are sicker or who require more time and assistance. In addition, healthcare providers should report publicly on the quality of services they provide, particularly to minorities and poor people.
- Test new payment systems as pilot programs at the regional level. Health insurers and Medicare should support projects that improve quality and reduce or control costs, and the federal government should provide funding to help regional healthcare collaboratives design and evaluate pilot projects.
- Businesses, individuals, and governmental agencies that buy health insurance should choose only health plans that implement improved payment systems.
- Provide technical and financial assistance to hospitals, small physician practices, and other health care providers to help them make the transition to a more efficient, cost-conscious health care system.
- Neutral organizations such as regional healthcare collaboratives should compile and issue public reports on the quality and cost of health care providers and services; encourage insurance plans to align their payment structures and incentives; and educate consumers about changes in payment and care.

This is the first in a series of reports from NRHI examining ways to reform payment systems, improve quality, and reduce costs in the health care system. NRHI plans to hold another national summit on payment reform in 2009, and to encourage implementation of the reforms the report recommends.

To read the report: [www.nrhi.org/reports.html](http://www.nrhi.org/reports.html)

**The Network for Regional Healthcare Improvement (NRHI)** is a national coalition of regionally-based, multi-stakeholder organizations that are working to improve the quality and value of health care delivery. NRHI facilitates information sharing among regions and encourages national policies

that support regional quality improvement efforts. NRHI's members include the California Cooperative Healthcare Reporting Initiative, the California Quality Collaborative, the Greater Detroit Area Health Council, the Institute for Clinical Systems Improvement (ICSI) in Minnesota, the Iowa Healthcare Collaborative, the Louisiana Health Care Quality Forum, Massachusetts Health Quality Partners, Minnesota Community Measurement, the Pacific Business Group on Health, the Pittsburgh Regional Health Initiative, the Puget Sound Health Alliance, the Utah Partnership for Value-Driven Health Care, and the Wisconsin Collaborative for Healthcare Quality. The Robert Wood Johnson Foundation, the Jewish Healthcare Foundation, and the California HealthCare Foundation are providing financial support for NRHI.

**The Robert Wood Johnson Foundation** focuses on the pressing health and health care issues facing our country. As the nation's largest philanthropy devoted exclusively to improving the health and health care of all Americans, the Foundation works with a diverse group of organizations and individuals to identify solutions and achieve comprehensive, meaningful and timely change. For more than 35 years the Foundation has brought experience, commitment, and a rigorous, balanced approach to the problems that affect the health and health care of those it serves. When it comes to helping Americans lead healthier lives and get the care they need, the Foundation expects to make a difference in your lifetime.

###