

Pay for Performance  
or  
Pay for Compliance?

Richard O. Dolinar M.D.

“Let’s face it –

if we were to start from scratch none of us, from the dyed-in-the-wool liberals to the rock-solid conservatives, would fashion the kind of health care system America has inherited...

**The present system is unsustainable.”**

Hillary Clinton

April 18, 2004, *New York Times Magazine*.



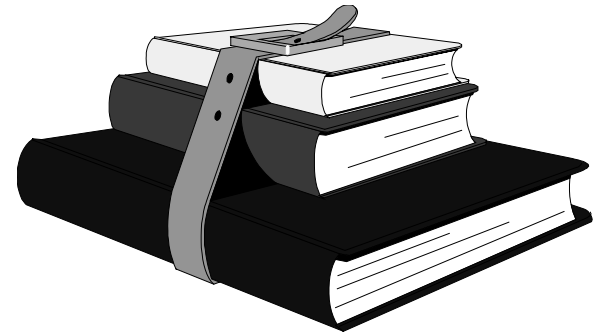
# A buys from B C pays

Modified from reference: Kleinert, Richard. Deloitte Consulting LLP Human Capital Practice. WARD's Auto World, February 2005. 1965 House of Representatives Minority Report regarding the financing of Medicare

# 2006 Federal Budget

- \$540 B 21% Social Security
- \$533 B 20% Medicare/Medicaid
- \$477 B 19% Defense/Homeland Security
- \$432 B 17% Non-Defense Discretionary Spending
- \$375 B 15% Other Income Transfers
- \$211 B 8% National Debt Interest

# Webster's Dictionary



Entitlement - a government program providing benefits to members of a specified group.

Insurance - coverage by contract whereby one party agrees to guarantee another against a specified loss.

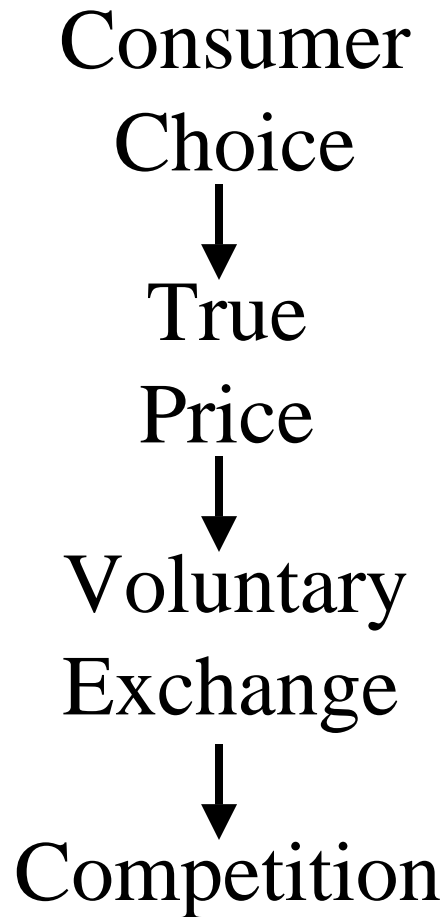


# Pay As You Go

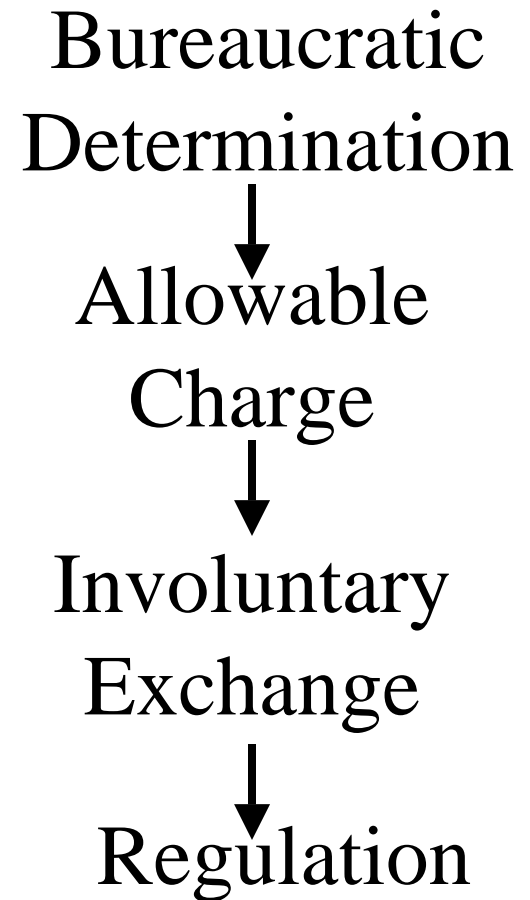
“This gimmick [pay as you go] merely postpones the full impact of the cost and causes Medicare’s ‘real burden’ to be shifted to the future.”

Reference: 1965 House of Representatives Minority Report regarding the financing of Medicare

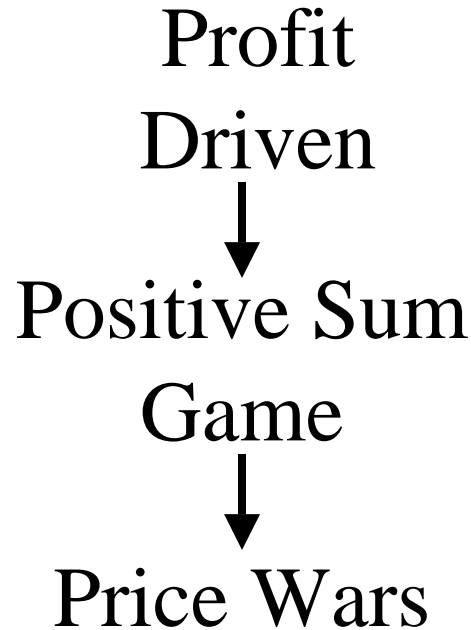
Bottom Up



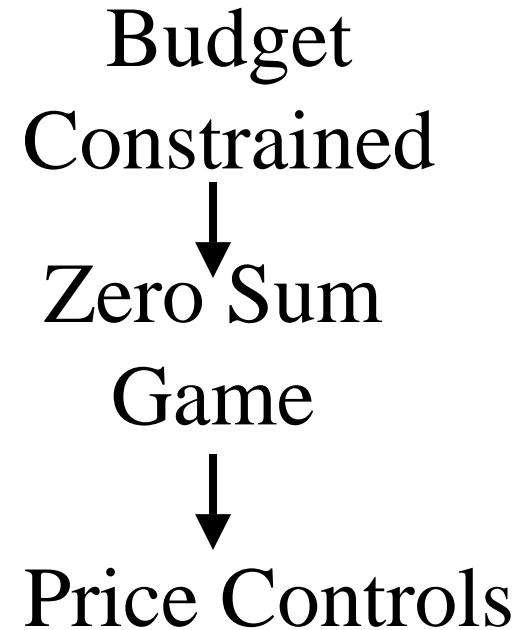
Top Down



Bottom Up



Top Down





# Price Controls

- Pay for performance



# Quality vs. Control

# P4P Assumptions

- Past clinical care was not scientifically based
- Higher quality healthcare costs less
- Practice variations equal poor quality care
- Value is objective
- Third parties can make value judgments
- The Dx is correct



# Quality Based Purchasing

- I. Evidence Based Medicine – the foundation
- II. Best practices – the standard
- III. EMR – the monitor
- IV. Outcomes Measurements – the gauge
- V. Pay for Performance – the enforcer



I. Evidence Based Medicine  
– the foundation

A. Definition of evidence

B. External validity

C. Evidence based?

“Evidence based medicine is managed care masquerading as science.”

Twila Brase R.N.

President of the Citizens Counsel on Healthcare  
2005



## II. Best Practices – the standard


A. Group vs. individual best

B. Algorithms replace medical judgment

C. Mistakes institutionalized

D. The problem of knowledge





In Reality:  
The “Best Practice” is to  
treat patients according  
to their individual needs



### III. Electronic Medical Records

– the monitor

A. Cost effective vs. cost prohibitive

B. An accurate portrayal of patient care?

C. Benefits whom?



#### IV. Outcomes Measurements – the gauge

- A. Measurements could appear to be improving but in reality things could be getting worse
- B. Physicians vs. patient outcomes

- v. Pay for Performance - the enforcer
  - A. Pay for compliance
  - B. Responsibility without power
  - C. Fruits/vegetables
  - D. Physician misclassification
  - E. SGR/No new money



# Pay for performance

“Analyzing patient data, measuring physician performance, and calling the process “scientific” is the mechanism being used today to shift power and control away from physicians.”

Gary Belkin

2004



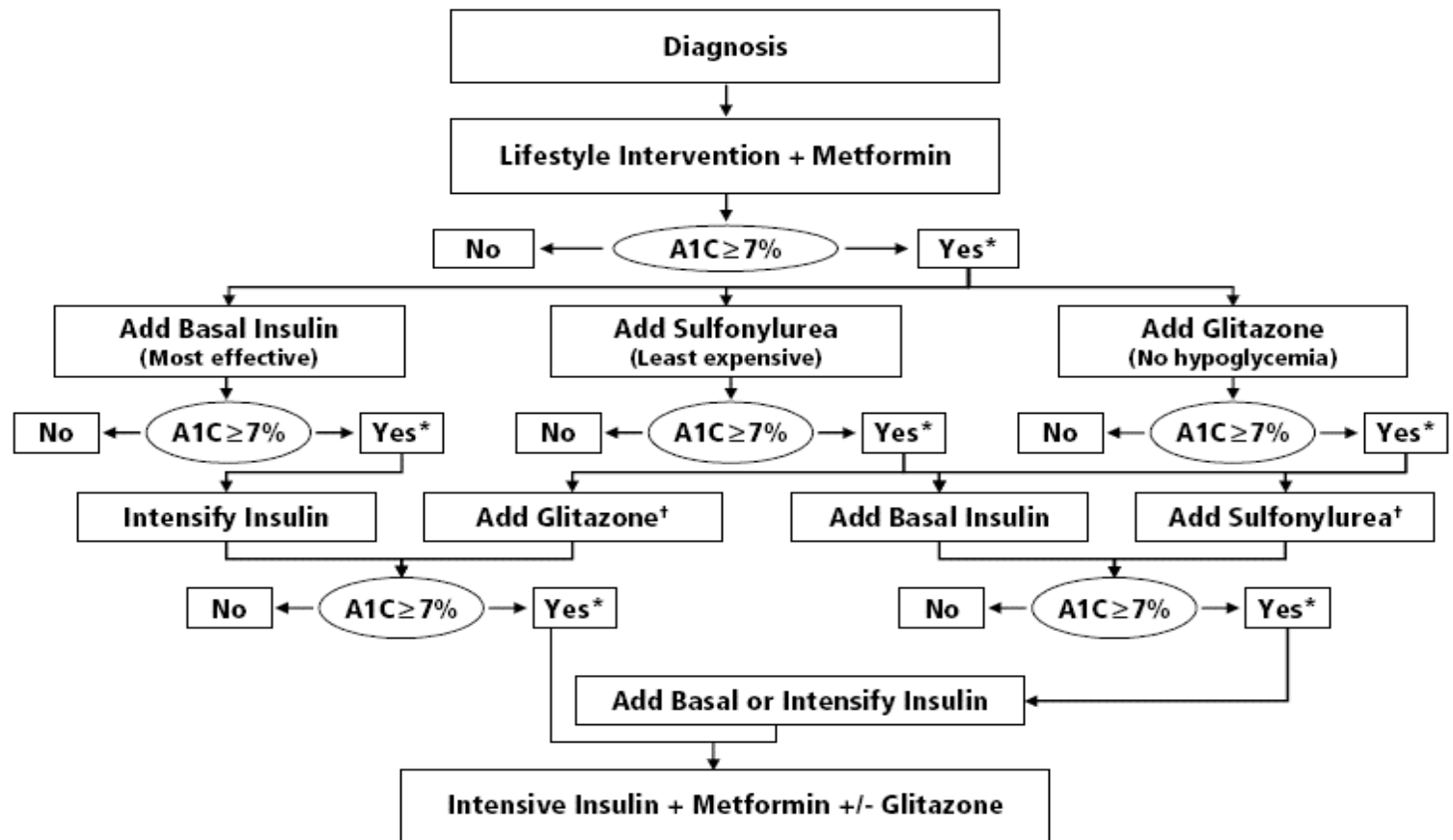
# Performance Measures

Commercial uses of the measures require a license agreement between the user and AMA on behalf of the consortium. Neither the consortium nor its members shall be responsible for any use of these measures.

The measures are provided “as is” without warranty of any kind.

AMA Physician Consortium for Performance Improvement. Measures indorsed by the NQF, as of August 4, 2005.

## Algorithm for the Metabolic Management of Type 2 Diabetes



\*Check A1C every 3 months until <7% and then at least every 6 months.

†Although three oral agents can be used, initiation and intensification of insulin therapy is preferred based on effectiveness and expense.

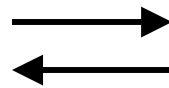
Nathan DM et al. *Diabetes Care*. 2006;29:1963-1972.

# P4P Questions

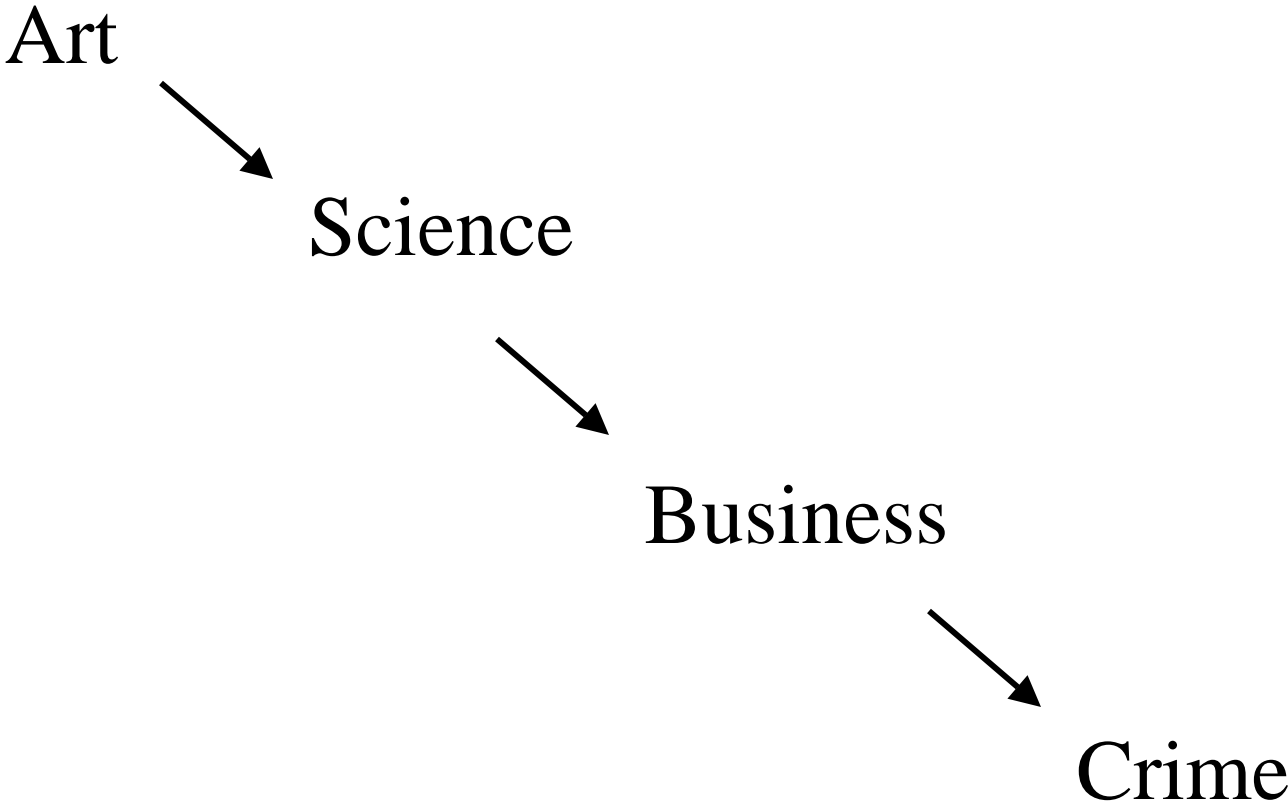
3<sup>rd</sup> Party

Doctor

Patient



# American Healthcare Transformation



So where do we go from here?





# Recommendations

- Restore patient sovereignty
- Tax Code – level the playing field
- Interstate health insurance purchasing

Questions???