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# Transparency and Pay for Performance: Building a Real Business Case for Better Quality Health Care

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**T**he conundrum purchasers are currently facing is this: health care costs are rapidly increasing, while quality appears to be stagnating. In response, General Electric turned to the same business model that it uses to design any new product. The result was Bridges to Excellence, a health care system that builds on transparency and pay for performance to reward physicians who provide high-quality care. In collaboration with several other large purchasers and health plans, physicians involved in Bridges to Excellence receive bonuses for providing quality diabetes and cardiovascular care, and for adopting better information technology systems to manage their practices. Under all three initiatives, participating physicians could receive income gains of up to 10%. Patients also receive incentives to keep them focused on achieving better outcomes. Pay for performance initiatives like Bridges to Excellence have had positive impacts on productivity as well as the quality and cost of health care. For example, patients with diabetes going to physicians recognized for quality care cost 10% to 15% less than diabetic patients going to physicians that are not so recognized. Half of these savings are kept by purchasers, and the other half are set aside as physician incentives.

Rising health care costs continue to outpace inflation. What's more, in the last four years, worker's health care premiums have risen faster than earnings. Despite fewer health benefits for working families, average premium costs have risen three times faster than earnings in 35 states and four times faster than earnings in Wisconsin.<sup>1</sup>

At the same time, recent studies by RAND have found serious gaps in the quality of care in the United States. In a study of 12 communities across the country, patients were receiving only 50% to 60% of the health care recommended by scientific evidence.<sup>2</sup> Similarly, another study found that 20% of physicians and 25% of the public have had personal experiences of serious harm due to avoidable errors.<sup>3</sup>

The conundrum purchasers are currently facing is this: health care costs are rapidly increasing, while quality appears to be stagnating. In response, a few years ago, General Electric (GE) decided to quit complaining about what is wrong with health care and take steps to move the system in a slightly different direction. GE applied the same methodology that it uses to design all new products—from jet engines to long-term care insurance—to create Bridges to Excellence, a health care model that rewards quality performance. This paper describes why GE decided to get involved in pay for performance, what Bridges to Excellence is, how it was designed and implemented, and what impact it can have on the health care system.

**Health insurance costs for Wisconsin workers increased four times faster than wages, yet nationwide patients are receiving only 50% to 60% of evidence-based health care.**

***Bridges to  
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## **Why Did GE Get Involved in Pay for Performance?**

The rationale behind pay for performance is obvious to anyone who goes in for an annual physician visit. Whether your doctor spends 5 or 15 minutes with you, whether or not he checks out the prescriptions you are currently taking, or whether he asks you all the right questions, he will be paid pretty much the same amount. So regardless of the treatment provided, there is no difference in the physician's payment.

Purchasers have contributed to the system's inefficiency and ineffectiveness by mostly purchasing health care based on cost alone. When you purchase health care based on the biggest discounts, you basically get what you pay for. Consumers continue to select their plans based primarily on differences in premiums, not differences in quality.

The initiative led by GE recognizes good physician performance with something more than simply a certificate. Just like the business world and the rest of the U.S. economy, when you do a better job, you get paid a little more. Providing the right kind of care requires an investment on the part of physicians. We need to recognize and reward that investment and make a business case for quality through pay for performance.

Pay for performance, also known as value-based purchasing, aims to create competition among providers to provide effective and efficient care. Purchasers do not pay physicians less, but instead try to reward the most efficient provider and those who demonstrate a high level of quality.

GE quickly realized that initiatives like pay for performance require the participation of a critical mass of employers or health benefit plan members. For example, if you pay physicians for evidence-based treatment of diabetics and GE has two diabetic employees, that is not enough volume to change the physician's behavior. However, if GE teams up with large employers like Ford, UPS, Procter and Gamble, and Verizon, there are enough diabetic patients to offer a real financial incentive to physicians to provide the most widely-accepted forms of treatment. Thus, GE joined with other larger purchasers, in cooperation with some health plans, to create a sustainable system of pay for performance called Bridges to Excellence.

## **What is the Pay for Performance System—Bridges to Excellence?**

Bridges to Excellence is a not-for-profit, employer-sponsored organization created to improve the quality of health care. This pioneering program recognizes and rewards health care providers who demonstrate that the care they deliver is safe, timely, effective, efficient, equitable, and patient-centered (STEEEP). The Bridges to Excellence partners include large employers such as General Electric, Procter & Gamble, Raytheon, Verizon, United Parcel Service, and Ford; health plans such as Anthem Blue Cross and Blue Shield, Humana, and United Health Care; and others including the National Committee for Quality Assurance, MEDSTAT, and WebMD Health.<sup>4</sup> Bridges to Excellence is operating in Boston and New York and in the participating regions of Cincinnati, Ohio, and Louisville, Kentucky. These organizations are united in their shared goal of improving health care quality through measurement, reporting, rewards, and education.

The effort is called Bridges to Excellence because its objective is to create a bridge to cross the chasm in health care quality. The primary supports of this bridge are performance measures. Without them, there is no way to understand the gaps in quality, nor any way to distinguish the level of performance from one provider to another. As an example, in diabetes treatment, blood sugar testing is essential to (a) assessing the effectiveness of treatment, (b) ensuring appropriate responses to poor glycemic control, and (c) identifying complications early enough so serious consequences can be prevented. Yet in a recent study, only 29% of adults with diabetes reported having their blood sugar tested in the previous year.<sup>5</sup> As another example, following a heart attack, administering beta blockers can reduce the risk of death by 13% during the first week of treatment and 23% over the long term. Yet, in the same study, only 45% of heart patients who should have received beta blockers did.<sup>5</sup>

Bridges to Excellence developed its evidence-based performance standards by working with nationally-recognized partners such as the National Committee for Quality Assurance, the American Diabetes Association, the American Heart Association/American Stroke Association, and physician experts.<sup>6</sup> In a nutshell, Bridges to Excellence is a performance-based incentive program with performance measures made public.

Currently, Bridges to Excellence is evaluating and rewarding physician's performance in three areas: high quality cardiovascular care; high quality diabetes care, and improvement of patient care management through information technology systems. The reasons for focusing on cardiovascular and diabetes care are obvious, but perhaps less so for information technology systems. About 90% of the transactions in health care today involve paper, ranging from checking on drug interactions; looking at recurring symptoms or illnesses; and ordering prescriptions, lab work, and radiology tests. Using electronic tools can help avoid medical errors and improve patient care.

Here is how pay for performance works. Participating employers contribute to a pool that is made available to physicians who meet the performance standards. Currently, physicians receive bonuses for providing quality diabetes and cardiovascular care, and for adopting better systems of care management. In addition, these physicians will be highlighted in provider directories that identify doctors with proven outcomes in treating certain illnesses or whose patient care and support systems are exemplary.

Physicians who meet the performance standards for diabetes can receive up to a \$100 bonus per patient per year. For diabetes, you either get the bonus or you don't. Physicians who meet information technology standards for managing their practices can receive up to \$55 per patient per year. For information technology, nine modules have been identified. In the first year, physicians can qualify for the full bonus (\$55) by meeting three modules; in the second year, they have to meet six modules and, in the third year, all nine modules. If a physician does not improve his or her performance for information technology from one year to the next, they still qualify for a bonus, albeit lower than the previous year.

Under all three initiatives, participating doctors could receive income gains of up to 10% in bonuses from employers.<sup>7</sup> Recently, the first round of diabetic and information technology incentives was paid to participating physicians in Boston.

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The largest of these checks totaled nearly \$40,000 and was presented to Harvard Vanguard Medical Associates, a large medical group serving hundreds of employees in one company.<sup>6</sup>

### **How Was Bridges to Excellence Designed and Implemented?**

Bridges to Excellence was developed using a series of steps and statistical tools that are typically used to guide the development of a new product or service. (For a full discussion, see de Brantes, 2004).<sup>8</sup> One of the first steps is to agree upon a core set of principles that will be used to design the program. Given the nature of the Bridges to Excellence initiative, both physicians and consumer-patients are considered customers, and all other parties, including purchasers, are stakeholders.

Identifying, sorting, and ranking customer needs was accomplished through a combination of interviews, focus groups, and scientific research. For physicians, rewards and incentives have to be

- ❖ meaningful enough to more than compensate for the added cost associated with data collection and measurement of processes,
- ❖ perceived as fair and equitable,
- ❖ attainable,
- ❖ periodically reviewed, and
- ❖ incremental with small steps, rather than a “cliff.”

According to physicians, the performance standards should be based on well-accepted measures, which assess only what is possible for the physician or provider to attain. In addition, if performance measures are linked to health outcomes, then patient incentives should also be used to align patient behavior with performance measures. (See Table 1 for a complete list of provider incentives, rewards, and performance measures used in Bridges to Excellence.)

Consistent with physicians concerns, research has shown that it is not possible to get the full yield from managing chronic conditions like diabetes without robust patient involvement. Thus, Bridges to Excellence also developed incentives for patients to improve outcomes. In focus groups, patients indicated that having a monetary or quasi-monetary reward was important to keep them focused on achieving better health outcomes. However, these rewards did not have to be very high, but did need to be achievable. This feedback resulted in a novel program called Diabetes Care Rewards.

Diabetes Care Rewards includes tools for patients with diabetes to monitor their self-care activities, and provide them with points for lowering their blood sugar and following care guidelines. These points can be accumulated to qualify for rewards such as lower copayments on physician office visits or prescriptions. Or coupons can be redeemed for diabetic products not routinely covered by insurance such as sugar-free candies.

To administer the program, Bridges to Excellence hired an independent third party, Medstat. Medstat aggregated data files for plans and created a master patient/physician/purchaser grid that detailed the number of patients each physi-

***Bridges to Excellence also provides patient incentives to keep them focused on achieving better health outcomes.***

**Table 1. Provider Incentives, Rewards, and Performance Measures  
Used in Bridges to Excellence**

<u>Incentives and Rewards:</u>	<u>Performance Measures:</u>
❖ Ensure incentive is meaningful to providers	❖ Select performance measures that are well defined and within provider's control
❖ Establish clear expectations for performance	❖ Select thresholds that are a stretch, but attainable over time
❖ Reward in a timely manner	❖ Based on accurate and comprehensive data
❖ Evaluate the incentive program regularly; modify as needed	❖ Uses timely data to provide feedback to the provider and staff on what to improve
❖ Focus incentives on a limited number of measures	❖ Rely on absolute benchmarks of performance
❖ Collaborate and consult with providers to obtain and retain buy-in	❖ Use an independent entity for measuring performance
❖ Develop an incentive approach that is easy to understand and administer	❖ Address non-compliance by creating patient incentives
❖ Predictable cost and benefit of program	❖ Minimize burden on staff and duplication of effort
❖ Incentives that occur regularly for action providers have control over	
❖ Insurers and purchasers work collaboratively to overcome small market share	
❖ Meaningful enough to more than compensate for the added cost associated with data collection and measurement of process	
❖ Perceived to be fair and equitable	
❖ Incremental with small step increments as opposed to a cliff	
❖ Non-punitive—"A carrot not a stick"	

cian could receive a bonus for. These data also enabled each purchaser to quickly gauge what their maximum cost would be if all physicians met the performance measures. This structure ended up being simple to administer, because it is not dependent on a specific health plan or network arrangement. Moreover, it does not require a plan to modify its existing contract with network physicians.

**What Impact Can Pay for Performance Have on the Health Care System?**

Pay for performance initiatives like Bridges to Excellence have had positive impacts, three of which will be detailed here: employee productivity gains, and improvements in the quality and cost of health care.

**Productivity gains.** We know that if a patient gets better care today, they are going to be more productive and cost less tomorrow.

**Quality of health care.** Using diabetes as an example, doctors who earn recognition must show that they perform important screenings and help patients control their blood pressure, blood sugar, and lipid levels. Physicians who are recognized

perform above their peers and also establish a record of substantial, consistent improvement. For example, patients whose blood pressure was properly controlled increased from 50% among participating physicians in 1997 to 64% in 2002.<sup>9</sup>

**Cost of health care.** Several studies have demonstrated that quality can reduce overall costs, yet there is no consensus that this is true. To complicate matters further, the results vary by the type of quality improvement (i.e., reduction in overuse, misuse, or underuse), reimbursement system (i.e., fee-for-service or prepaid), and recipient of the reward (i.e., payer or provider). The existing data on cost savings due to improvements in treating diabetics or managing information flow in a physician's office are not definitive. However, purchasers believe that there is sufficient evidence to move forward.

***Diabetic patients going to physicians recognized for quality care cost 10% to 15% less than patients treated by physicians not so recognized.***

In recent evaluations, patients with diabetes going to physicians recognized by the National Committee for Quality Assurance cost 10% to 15% less than diabetic patients treated by physicians that are not so recognized.<sup>10</sup>

A fundamental premise of Bridges to Excellence is that both payers and providers must experience a positive return on investment for the project to be sustainable. To achieve this, purchasers keep 50% of the expected savings and set aside the other 50% for an incentive pool for physicians who meet the performance measures. Bridges to Excellence estimates that the cost of rewarding high performance in diabetes is no more than \$175 per diabetic patient per year with an estimated savings of \$350 per patient per year. For cardiac care, the estimated cost to employers is no more than \$300 per cardiac patient per year with savings up to \$390 per patient per year.<sup>11</sup> These numbers indicate that there is a potential for savings, but purchasers must work together to create the mechanisms to reap them.

### **What Key Lessons Have Been Learned?**

Given rapidly increasing health care costs and little system accountability, purchasers, patients, and providers may find their interests at odds. Designing any new product or service for a system with as many different interests as health care is not easy. However, the experience of Bridges to Excellence to date indicates that it is possible to meet the needs of purchasers, providers, and patients alike by developing incentives that recognize and reward health care providers who deliver safe, timely, effective, efficient, equitable, and patient-centered care.

The key principles of a successful pay for performance system include making sure that

- ❖ the incentives are attainable and meaningful to health care providers;
- ❖ the incentives are attainable and meaningful to consumers;
- ❖ the measures are achievable and yet not too easy, so as to meet the interests of purchasers; and
- ❖ the system is easy to operate and keeps the administrative burden to an absolute minimum.

*This article is based on the Bridges to Excellence website, <http://www.bridgestoexcellence.org/bte/bte.overview.htm>, Bridges to Excellence Press Releases [http://www.bridgestoexcellence.org/bte/bte\\_pressrelease.htm](http://www.bridgestoexcellence.org/bte/bte_pressrelease.htm) and the following publications.*

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