What is pay for performance? A closer look at the next step for quality programs

By [CONTRIBUTING WRITER](http://www.practicefusion.com/blog/pay-for-performance-coming-soon-to-a-physician-practice-near-you/#author-anchor), 26 February 2013

“Pay for Performance” is not a new catch phrase in the healthcare community, but it is one that has seen a recent spike in interest from the general public and healthcare world alike. The renewed interest is due to the Affordable Care Act (ACA) and initiatives within the Act that require hospitals and providers who participate in Medicare to engage in pay for reporting activities that will transition to pay for performance over the course of the next 3-4 years.

While the ACA initiated programs  are applicable to Medicare, major payers are also catching the Pay for Performance bug and will likely institute similar programs at the private level.

So what is Pay for Performance? Also known as P4P, Pay for Performance encompasses the idea that providers should be paid for medical services based on the quality of the service that they provide – incorporating measurement points such as:

* patient engagement,
* patient satisfaction,
* care coordination, and
* health outcomes.

The theory is that by basing payment to providers on quality of service,  patients will get better care and health outcomes will improve over time.

There are two major federal programs that incorporate pay for reporting and pay for performance- the Physician Quality Reporting System (PQRS) and the ACA initiated Value Based Modifier (VBM) Program.  PQRS has been in place for several years as a pay for reporting program where providers can earn incentive payments by reporting certain measures without thresholds to CMS. Beginning in 2013, PQRS reporting becomes mandatory or physicians will be subject to penalties.

The VBM Program is a pay for performance initiative that applies penalties to Medicare reimbursements based on reported rates for specific measures. Penalties based on the VBM Program are already being applied to hospitals who did not meet the expected rates for re-admissions, patient satisfaction, and other similar measures.

Individual providers are already feeling the pressure of pay for reporting programs such as PQRS, but pay for performance initiatives are on the horizon for individual physicians as well. The VBM Program for providers is already being piloted in Iowa, Kansas, Missouri, and Nebraska, and in 2017 it will be applied to all payments made to  individual providers under Medicare Fee-For-Service.

The rise of pay for performance in health care is controversial, and while there are few who would argue that improving quality is a bad thing, some feel that the measures in place to assess providers are not fair given that many are centered on the patient experience. A recent article published in the New England Journal of Medicine summed up this argument very well by saying that the “debate should center not on whether patients can provide meaningful quality measures but on how to improve patient experiences by focusing on activities (such as care coordination and patient engagement) found to be associated with both satisfaction and outcomes(1) .”

The costs associated with health care are continuing to rise. As baby boomers get older the importance of managing the health of patients so as to control health care spending will become even more important. While pay for performance may not be the golden ticket to improving health care, we certainly cannot say that the system we currently have in place is working perfectly either.

Pay for performance for individual providers is on its way, and while the naysayers will always be there, doctors who know they are giving high quality care to their patients can rest assured that if they continue on their current path, they will likely not feel the negative ramifications of P4P in the future.

*(1)Matthew P. Manary, M.S.E., William Boulding, Ph.D., Richard Staelin, Ph.D., and Seth W. Glickman, M.D., M.B.A. The Patient*