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Moving Beyond Commodity Pricing:  
Pay-for-Performance at  
Thomas Jefferson University Hospital

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## Moving Beyond Commodity Pricing: Pay-for-Performance at Thomas Jefferson University Hospital

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In recent years, many in the health care field, including the policy arena believed that health care quality improvement could be achieved by creating consumer demand. The premise that widespread dissemination of outcomes data would prompt consumers to "vote with their feet" has not yielded the anticipated results. There are several reasons for this. First, a substantial proportion of Americans, even those with health care coverage, have limited or no ability to choose among plans or providers. Second, effective ways of presenting quality data to consumers are still evolving. Third, reported information may not be the most relevant to consumers.<sup>1</sup> Clearly a different approach to promoting or demanding quality is required. Paying providers differentially for enhanced quality and efficient use of resources may be the major step needed to create the market forces that can truly affect quality and cost.

Unaffected by market forces in the same way that most businesses are, health care cannot be treated as a commodity. Providers in health care typically do not have the ability to set prices; rather rates are set for them regardless of quality differences. It is only recently that Medicare has moved away from reimbursing care at the same rate, regardless of differences in quality.

In a proactive response, Medicare is implementing initiatives that offer pay-for-performance incentives to hospitals and physician groups. The Hospital Quality Incentive Demonstration Project, run by the Centers for Medicare and Medicaid Services (CMS) in conjunction with Premier Inc., an alliance of not-for-profit hospitals and healthcare systems, funds hospitals to implement pay-for-performance models of reimbursement.

The project assesses hospitals on care delivered for five clinical conditions:

- Acute myocardial infarction (AMI),
- Coronary artery bypass graft (CABG),
- Heart failure (HF),
- Community-acquired pneumonia (CAP), and
- Hip and knee replacement

CMS awards top performing hospitals in each clinical area up to a 2 percent bonus over the current Medicare reimbursement. If, in three years, a hospital does not show improvement over baseline measures, they will actually see up to a 2 percent decrease in their reimbursement.

This project has the primary purpose of improving patient care. However its design will offer evidence on the effects of financial incentives on improving quality of care. Demonstration sites face significant financial risks from both the potential loss of reimbursement dollars and the potential loss of patients due to the public disclosure of poor performance data on the CMS website. Will this data be relevant to consumers? Will improvements in participating hospital's care and processes be enough to spur other healthcare providers into action, in fear of losing market share? The results of these demonstrations may offer answers to these questions, and have

the potential to create positive effects that can continue to shape and improve the entire healthcare system.

Thomas Jefferson University Hospital (TJUH), along with several other Jefferson Health System facilities, is one of 278 hospital demonstration sites. As the only major academic center in Philadelphia participating in this demonstration, TJUH has the potential to become a market leader in paying for performance. Even prior to the demonstration funding, the Department of Health Policy (DHP) at Jefferson Medical College began to systematically analyze clinical data and translate findings into clinical performance improvement programs. Not only has the DHP supported internal quality improvement efforts, but also, as described in this month's editorial "The Value of Value-based Purchasing," it has successfully approached the purchaser and contracting side of the equation. Now, with CMS as a partner the strides towards creating an optimal quality healthcare system can be even greater.

### **References**

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### **About the Author**

Richard G. Stefanacci DO, MGH, MBA, AGSF, CMD is the founding Executive Director of Health Policy Institute University of the Sciences in Philadelphia.