New Payment Method Piloted by Nonprofit Group

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WASHINGTON — Prometheus Payment Inc., a nonprofit group seeking to implement a better way to pay providers, intends to launch pilot projects this year that will test a new form of payment featuring a negotiated flat fee for guideline-based care of patients with specific conditions.

The program, supported by a 3-year, $6-million Robert Wood Johnson Foundation grant, will be piloted in Minneapolis, Rockford, Ill., as well as at two other sites that have not yet been announced by Prometheus.

The developers believe that it could represent the basis of a payment system that moves beyond pay for performance to integrate evidence-based medicine, said Alice Gosfield, a Philadelphia-based attorney and a past chairwoman of the National Committee for Quality Assurance, who heads the effort.

The intent of the Prometheus payment system is to get beyond pay for performance, "which is not going to be sustainable," Ms. Gosfield said at the annual meeting of the American College of Physicians.

Pay for performance "is not sustainable because if the whole class gets an A in diabetes, what happens next? Do we take that money and put it on asthma? If so, what happens to diabetes performance?" Ms. Gosfield asked. "If we add more money for asthma, how is that going to keep costs down?"

She also said that physicians are suspicious of where pay-for-performance money comes from. "They believe that either the money comes from what could be paid to other doctors, or it is money that isn't being paid to increase fee schedules," she said.

In addition, some of the documentation required for pay for performance wastes time.

Dr. Keith Michl, a general internist in Manchester Center, Vt., who has been involved in the development of Prometheus, said that the system would reward primary care physicians for saving money by keeping people healthier.

Under the Prometheus system, he said, case rates are standardized, and physicians who provide good care consistently will see a profit.

"This provides a powerful incentive to develop new systems of cost-effective care with much more validation than is provided by current pay-for-performance methods," he added.

The Prometheus group held its first meeting in December 2004 and has met monthly since. The Commonwealth Fund provided some of the initial funding to develop the group's evidence-informed case rates (ECRs), which are used as the foundation of the payment system.

The system aims to create regionally adjusted ECRs for patients with specific conditions, such as controlled diabetes. Providers will be asked to take responsibility for well-defined parts of the care for such patients.

For example, if a provider group agrees to be responsible for 70% of a patient's care, that group would receive 70% of the ECR, Ms. Gosfield said.

The ECRs would replace any other payments to providers, and once the ECR has been negotiated, physicians would be free to manage the patient in any way they deem appropriate.

"The amount of the payment is derived from taking a good clinical practice guideline and deriving from it the amount of money it would take to deliver care," she said.

Providers negotiate which part of the care budget they can cover, she said. Obviously, a one- or two-physician practice would be able to handle less of the "global care budget" than would a large, integrated delivery system, she said.

"The evidence-informed case rate encompasses all providers treating the patient for that condition and is allocated among them in accordance with that portion of the clinical practice guideline they negotiate to deliver," she said.

Although this may sound like capitation, Ms. Gosfield said it differs in several ways. First, the payment model avoids the problems inherent in capitation by constructing the payment rates in a way that reflects the cost of what is clinically relevant to the patient's condition, and, second, by adjusting ECRs to account for relative severity of patients' cases, she said. ■