Value-Based Competition: Health Care's Future?

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WASHINGTON — Schemes measuring the quality of health care services against price will emerge in some local markets for several procedures in the next 2 years, Secretary of Health and Human Services Mike Leavitt said at a meeting on health information technology sponsored by eHealth Initiative and Bridges to Excellence.

Within 5 years, Mr. Leavitt said, the term "value" will become part of the health care lexicon. "Within 10 years, value-based competition will have truly emerged."

Working toward that goal are six pilot projects being conducted by the Ambulatory Care Quality Alliance (AQA), Mr. Leavitt said. Supported by the Centers for Medicare and Medicaid Services and the Agency for Health Care Research and Quality (AHRQ), the pilot projects are testing approaches to aggregating and reporting both public and private data on physician performance. According to AQA, the programs "will not only measure quality, but will identify those high quality providers who are able to deliver efficient care to patients, avoiding unnecessary complications and cost."

Dr. Carolyn Clancy, AHRQ director, expanded on the purpose of the projects. "These pilots will begin to pave the way for showing how we can use the same set of measures …to try to figure out how can we report publicly on performance and, at least as important although probably not as rapidly, how do we get that information back to providers so they can improve." She added that other sites would be added to project shortly.

"We expect that when completed, the knowledge we develop through the AQA pilots will provide a comprehensive national framework for performance measurement and public reporting," she said.

While measurement will be conducted locally, Dr. Clancy said, it's important to have one set of measures used nationally. "If we're competing on different types of measures, we're not going to make any progress," she said.

AQA is a national coalition of 125 physician, consumer, business, insurer, and government organizations that are working to develop strategies for measuring, reporting, and improving performance at the physician level. The group developed a "starter set" of 26 standard performance measures last year that AQA says is "now being incorporated in physician contracts and implemented around the country." Measurements for hospital care are being developed by the Hospital Quality Alliance.

Mr. Leavitt said that, in addition to those two national alliances, he knows of 29 community-based quality measurement efforts, driven not only by businesses but also by physicians.

"The force that I believe must drive quality will be those who provide it, and the force that I have seen learning to measure quality [is] the physicians," he said. "This cannot simply be the MBAs ganging up on the MDs. This has got to be a collaborative effort because in every case where quality has been measured by one side without the other, it's been ineffective and less efficient."

Measuring quality is a key component of the Bush administration's policy to increase transparency and value in health care purchasing and delivery. The policy requires federal health care purchasers, including Medicare, Medicaid, and the Department of Veterans Affairs, to encourage the use of health information technology, share information about procedure prices, develop quality of care measures, and develop and identify approaches that facilitate high quality and efficient care. Part of the effort is to define "episode of care" units for frequent procedures in order to compare costs among providers.

"The important thing is that insurance companies and larger payers like the government are able to present their information in a form that the data can, in a privacy-protected way, be assembled into episodes of care for comparison," Mr. Leavitt said. "What is a hip replacement? What expense ought to be put into that bucket so we can compare one hospital or one physician to another?"

"During the next several months, we're going to see a tremendous push to combine the purchasing clout of the federal government with the health care buying power of the top 100 private employers in America—a public-private partnership on a scale we've never seen before to help health care consumers make more informed decisions about health care," Dr. Clancy said. ■