

Consumer financial incentives for quality

Harnessing the power of markets is another promising strategy employed by payers to improve quality. Generally the costs of care to consumers are the same regardless of quality; patients are charged equal copays for care from high and low performing providers. Giving consumers incentives to select higher quality and more efficient care can increase volume to those providers and serve as an incentive to improve value. Plans can also limit access to only those providers who reach quality thresholds. Tiered drug benefits, charging consumers less for generic or more effective medications, are common in many plan designs. Tiering of health plans, hospitals and provider networks based on cost and quality performance is becoming more common.ⁱ

Maine's State Employee Health Commission is the largest employer-sponsored plan in the state with 40,000 covered lives. Since 2005, the Commission has employed quality-based purchasing incentives beginning with a program of reduced cost sharing for members with diabetes participating in disease management. In the first year, participants averaged \$1,300 in lower costs compared to a control group. Building on that success, the Commission began a hospital tiering program for members. Patients are given quality comparisons of providers and are charged less to access care from higher tier, or preferred, providers. In the first year, there was a 5% shift in outpatient services from non-preferred to preferred hospitals. Pressure from members led lower performing hospitals to improve, almost doubling the number who met preferred status in less than a year. The program has now moved to a primary care provider tiering system, waiving copays and deductibles for visits to preferred practices. Between 2007 and 2008 there was a 35% increase in the number of practices reaching the highest level of quality.ⁱⁱ

ⁱ Consumer Financial Incentives: A Decision Guide for Purchasers, AHRQ, November 2007.

ⁱⁱ Frank Johnson, The Maine Experience: In Pursuit of Value-Based Purchasing, CSG/ERC Annual Meeting, Burlington VT, August 4, 2009.