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Consumers, Employers and Labor Groups Call for Medicare Overhaul:

Measurement, Public Reporting and Payment Changes Recommended

Washington, DC (June 30, 2005) — Today, a broad cross-section of consumer and employer organizations, representing more than 100 million Americans, have called for an overhaul of Medicare's measurement, reporting, and payment systems for all levels of care. For the first time, the nation's leading consumer, purchaser and labor organizations announced their endorsement of principles that call for Medicare to publicly report and pay physicians, hospitals, health plans and other providers on how well they provide high-quality, efficient and patient-centered care.

This change would represent a dramatic departure from Medicare's current role and its relationship with health care providers and plans. These principles reinforce MedPAC's recent recommendation that the federal government drive improvement in the health care system, and reflect a growing consensus that Medicare – as the single, largest purchaser of health care services in America – must play a more active role in promoting a market that rewards better performance.

These principles come at a time when Medicare has been expanding its early, incremental steps to launch demonstration and pilot programs, and legislators are increasingly recognizing that more transformational change is required. "The current Medicare payment system provides little to no incentive for either better quality or controlling costs," said Peter Lee, president and CEO of the Pacific Business Group on Health and co-chair of the *Disclosure Project*. "We must move beyond a system that is performance-blind to one that rewards better quality and gives consumers tools to make informed choices. With these principles, representatives of millions of Americans are calling on Medicare to build on its early work and implement public reporting and pay-for-performance nationally."

"Medicare must first measure and then go one step further and provide the public and other purchasers with comparative information on provider performance," said Debra Ness, president of the National Partnership for Women & Families and *Disclosure Project* co-chair. "All Americans should have access to objective information that allows them to choose the best surgeon for their bypass surgery, the physician who will do the best job of keeping their diabetes under control, the pediatrician who will best treat their child's asthma so they can avoid trips to the emergency room, the safest hospital for giving birth, or the nursing home that is most likely to provide attentive care. The only way for Americans to make informed health care decisions is to ensure that they have access to standardized performance reports about hospitals, physicians and other providers."

There are currently over 100 private-sector performance measurement and incentive programs, in addition to Medicare's own demonstration projects in areas such as nursing homes, hospitals and physicians that have paved the way for Medicare to make measuring, reporting, and rewarding core elements of its modernization efforts.

Disclosure Projects Medicare Principles: 2 of 2

This will foster improvements that will ripple through the entire health care system. Medicare not only has a national geographic reach, but it has the service density in virtually every community to provide Americans with a robust picture of the performance of most health care providers.

According to the *Disclosure Project's* principles, Medicare should evaluate the performance of each health care provider that bills Medicare using nationally-endorsed and scientifically-valid measures that address:

- Clinical quality (safe, timely and effective care);
- Efficiency (prices and resource use over time);
- Equity (gender, race, ethnicity);
- Patient experience;
- Use of quality-enhancing information technology.

The principles also recommend that Medicare phase in a system that makes the results of this measurement public and that pays providers based on overall performance and improvement. In addition to building on the recent recommendations of MedPAC, these principles reinforce the call made by the Institute of Medicine report, *Leadership by Example*. Increasing transparency and implementing financial incentives are a critical strategy to address the rising health care costs and quality gaps that touch all Americans.

Attachment

For more information go to: www.healthcaredisclosure.org

About the Disclosure Project

The Consumer-Purchaser Disclosure Project is a group of leading employer, consumer, and labor organizations working toward a common goal to ensure that all Americans have access to publicly reported health care performance information by January 1, 2007. Our shared vision is that Americans will be able to select hospitals, physicians, and treatments based on nationally standardized measures for clinical quality, consumer experience, equity, and efficiency. The Disclosure Project is supported by a grant from the Robert Wood Johnson Foundation and the Leapfrog Group.

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Consumer and Purchaser Principles for Making Medicare Payments Performance-Sensitive

June 2005

America's health care providers are increasingly focusing their commitment, competence and compassion on addressing the acknowledged chasm between the care delivered and what patients need. In the face of these important efforts, however, it is unacceptable that:

- Americans get the right care at the right time only 55 percent of the time.
- Over 100,000 Americans die each year of avoidable errors.
- Inefficient resource use in the health care industry represents more than thirty percent of health care spending, at a time when health care costs are straining individuals, employers and the federal budget.
- Individuals choose health care providers with little to no comparative information on quality or resources used.
- Rising costs are a key driver to the increasing number of uninsured.
- Payment systems provide little to no incentives for higher quality care and efficiency, and frequently actually reward lower quality, less efficient care.

Medicare should lead the way to promoting a market that rewards higher-quality, efficient, and patient-centered care through the following policies:

Measure: Medicare should evaluate the performance of each health care provider that bills Medicare, using nationally-endorsed, scientifically-valid, risk-adjusted, and regularly-updated measures that address:

- Clinical quality (safe, timely, and effective care);
- Efficiency (prices and resource use over time);
- Equity;
- Patient experience;
- Use of quality-enhancing information technology.

Report: Medicare should provide the public and other purchasers with the information on provider performance described above, in a manner that protects patient confidentiality.

Reward: Medicare should phase in a system that differentially pays providers, based on overall performance and improvement.

**Consumer and Purchaser Principles for
Making Medicare Payments Performance-Sensitive**

Endorsing Organizations

As of June 30, 2005

AFL-CIO
American Benefits Council
American Hospice Foundation
Bridges to Excellence
Carlson Companies
CalPERS
Chevron
Cisco
Consumers' CHECKBOOK
Corporate Health Care Coalition
Employer Health Care Alliance Cooperative
General Electric
General Motors
Health Policy Corporation of Iowa
HR Policy Association
Intel
International Association of Machinists
Massachusetts Group Insurance Commission
Maternity Center
Motorola
National Association of Manufacturers
National Business Coalition on Health
National Coalition for Cancer Survivorship
National Partnership for Women & Families
Pacific Business Group on Health
Service Employees International Union
Sysco
U.S. Chamber of Commerce
Wells Fargo