



CATALYST FOR PAYMENT REFORM

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Leading Employer Group Releases Model Contract to Help Employers Spur Health Plans to Reform Payment

First-of-its-kind tool unites employers and other health care purchasers around shared goal to make 20% of health care payments based on value by 2020, a dramatic increase from today

SAN FRANCISCO – January 12, 2012 – Today, Catalyst for Payment Reform (CPR), an independent non-profit pushing for better value in health care, released a first-of-its-kind tool to help employers and other health care purchasers enter into contracts with their health plans in ways that will drive payment reform. The model contract highlights immediate opportunities to reform how health plans pay doctors and hospitals. Together with CPR's health plan RFI (request for information) questions on payment reform, which purchasers use for selecting health plans, the contract language outlines bold purchaser expectations for progress on payment reform by their contracted plans or third party administrators. Expectations include advancement toward: value-oriented payment; quality and price transparency; comprehensive consumer decision-support tools; and monitoring of the level of competition among providers.

The rising costs and variable quality that plague health care in this country are often the direct result of a system that largely pays for health care services based on volume, not value. Today only about 1% of private-sector payments to doctors and hospitals reflect their performance. Sending a strong signal to reduce unwarranted payment variation among contracted providers, the contract language sets requirements to implement strategies now to make 20% of aggregate net payments to providers value-oriented by 2020.

"CPR's model contract language is an important tool to help employers set clear expectations about quality and cost and address the need to make improvements to the health care system," says Anna Fallieras, GE's Program Leader for Health Care Initiatives.

The model contract identifies maternity care payment and value pricing as two immediate opportunities to make payment more value-oriented. A request to reform payment methodologies for maternity care services could reduce financial incentives for unnecessary medical intervention in labor and delivery. A call for wider use of value pricing could further reduce unnecessary spending. Building on reference pricing, which establishes a standard price for a drug, procedure, service or bundle of services, and generally requires that consumers pay charges beyond this amount, value pricing adds a quality threshold into the identification of providers willing to provide care at or below a specified price.

“Medicare is rapidly changing its approach to paying providers,” explains Suzanne Delbanco, Executive Director of CPR. “We view this model health plan contract as providing a critical opportunity for private-sector health care purchasers to align expectations of their health plans to do the same.”

The model contract language and the rest of CPR’s payment reform toolkit are available at http://www.catalyzepaymentreform.org/Payment_Reform_Toolkit.html. Employers can use the contract language in periodic contract negotiations with health plans and as an addendum to an existing employer-health plan contract at any time.

About Catalyst for Payment Reform

Catalyst for Payment Reform is an independent, non-profit corporation working on behalf of large health care purchasers to catalyze improvements to how we pay for health services and to promote better and higher-value care in the U.S. CPR received input on the model health plan contract language from health care payment experts, employers and health plans. Distribution of the contract language is made possible through the support of Aetna Inc. and the Aetna Foundation. Next, CPR will be adding both a Market Assessment Tool and a National Scorecard on Payment Reform to its toolkit for purchasers. The Pacific Business Group on Health is a founding partner of CPR and is working collaboratively to advance payment design.

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