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# An Overview: The Future of Plan Performance Measurement

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*The papers featured in this issue of the Health Care Financing Review were presented at the “Conference on the Future of Plan Performance Measurement.” This conference was held on May 2-3, 2000, in Towson, Maryland and was sponsored by the Health Care Financing Administration under a contract with the Barents Group of KPMG Consulting, Inc. in affiliation with Harvard Medical School, the MEDSTAT Group, and Westat. The conference was intended to inform stakeholders involved in Medicare health plans on future trends in the development and use of performance measures.*

## BACKGROUND

HCFA has made considerable progress in becoming a value-based purchaser of health care by aggressively pursuing high quality care for beneficiaries at a reasonable cost. On behalf of the Medicare beneficiaries, HCFA is the direct purchaser of health care through the traditional fee-for-service program. Through the Medicare + Choice (M+C) program, HCFA purchases health care through contractors that manage the delivery of health care. Value-based purchasing includes several strategies directed at improving the quality of care, encouraging the efficient use of resources, and providing information to beneficiaries to assist them in making choices. Performance measurement is a

critical component for all of these purchasing strategies. Performance measures or indicators are used to formulate strategies, assure accountability and validate results. For purchasing policy, performance has come to mean how a plan or provider is functioning with regard to specific standards, benchmarks, or measures. The measures are often indicators of value, quality, or both. Thus, the key to performance measurement is to have adequate, valid and measurable indicators of the quality of health care provided.

In order to operationalize this concept of quality, through value-based purchasing, several measurement dimensions can be used:

- Structure measures that indicate the potential that appropriate services provided by experienced providers will be available when needed by patients.
- Process measures that indicate the degree to which services are available and provided according to best evidence available and needs of patients.
- Consumer experience and acceptability—the degree to which patients are satisfied with their care.
- Outcomes as indicators of actual change in health status and functioning.

In measuring quality, it is important to account for a number of perspectives relevant to health care; including the purchaser, the patient, and the provider. Since the purchaser acts on behalf of the patient, there should be a substantial overlap between measures relevant to each, such as processes of care, satisfaction with care, and outcomes. Purchasers, however, must

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also be interested in a more extensive set of indicators that may affect cost, quality, continuity, coordination, and stability of care. For the M+C program, these include measures of benefit change, marketing materials, disenrollment practices, financial stability, and accreditation.

Thus, a full set of quality indicators might include measures of: structure, clinical performance, process of care, experience and satisfaction with care, patient outcomes, disenrollment, benefits and patient costs, plan characteristics (financial measures, staff and facility characteristics), compliance with contract requirements, and complaints and grievances.

While defining performance measurement is important, it is even more critical to characterize it in terms of various related activities that a purchaser might implement using performance measures. These include:

- Purchasing activities including aggressive contracting and quality-related pricing and bidding.
- Monitoring—continuous examination of particular performance measures to address potential problems and allocate limited resources for intervention; measures may include disenrollment, financial stability, access problems, appeals and grievances, and provider turnover.
- Quality improvement initiatives activities based on performance measures that are targeted to improving quality for particular patients or disease conditions.
- Quality standards using performance measures to set standards that must be met by participating plans and providers.
- Developing a beneficiary information framework for presenting performance measures to beneficiaries to assist their choices among health plans and providers.

To support purchasing strategies for the M+C program, HCFA has made substantial progress in collecting the full range of performance measures. These measures are

developed from data collected directly health plans, from surveys of beneficiaries, and from HCFA's administrative data. These data include managed care plan characteristics, the Health Plan Employer Data and Information Set (HEDIS®), the Consumer Assessment of Health Plans Survey (CAHPS®), health outcomes (Medicare Health Outcomes Survey), appeals data (CHDR and State fair hearing), disenrollment data, and benefits and copayments data. As part of developing risk-adjusted payment rates for managed care plans, HCFA and some States have also begun collecting encounter data which will also support performance measurement.

Perhaps the greatest, immediate challenge for HCFA is developing the methods to use performance data appropriately. While considerable work has been done on developing particular measures and collection efforts, very little is known on how to use various measures, either alone or in conjunction with each other, to reflect quality or performance from varying perspectives. How would we use these measures for pricing strategies? What if beneficiary satisfaction is not well correlated with process indicators of quality or with outcomes? Which measures are useful for informing beneficiary choices versus other purchasing strategies? Answering these and other important questions will be critical to using performance data for purchasing, monitoring, and beneficiary information efforts.

## **FUTURE OF PLAN PERFORMANCE MEASUREMENT**

In an attempt to address several of these questions, HCFA contracted with the Barents Group of KPMG Consulting, Inc., in collaboration with Harvard Medical School, The MEDSTAT Group, and Westat

to provide research support leading to papers and analyses of plan performance measurement. The papers were presented at the conference entitled, "The Future of Plan Performance Measurement" held in Towson, Maryland on May 2-3, 2000.

## **CONFERENCE AGENDA**

### **Session 1: Overview of HCFA's Objectives for the Conference**

Speaker: Robert Berenson Ph.D., Director for the Center of Health Plans and Providers, HCFA

### **Session 2: History and Evolution of Performance Measurement**

Overview, History, and Objectives of Performance Measurement

Speaker: Dennis McIntyre M.D., Barents Group of KPMG Consulting, Inc.

Relationships Among Different Performance Measurement Systems

Speaker: Eric Schneider M.D., Harvard Medical School

Developing Linkages and Integration of Different Performance Measurement Systems

Speaker: Terry Lied, HCFA

### **Session 3: Designing Performance Measures to Meet Purchasers' Needs**

Evidence of Innovative Uses of Performance Measures Among Purchasers

Speakers: Carla Zema, The MEDSTAT Group, Lisa Rogers M.H.S., Barents Group of KPMG Consulting, Inc.

Limitations of and Barriers to Using Current Performance Measurement: Purchasers' Perspectives

Speaker: Caren Ginsberg Ph.D., Westat

Government Purchasers and Employer/Business Coalition Purchasers: How Do Their Needs For and Use of Performance Information Differ

Speaker: Beth Koziak, HCFA

Measuring the Quality of Care in Different Settings

Speaker: Elizabeth Docteur M.S., MedPac

Developing Performance Measures for Prescription Drug Management

Speaker: Anita Chawla Ph.D., The MEDSTAT Group

### **Session 4: Performance Measurement and Vulnerable Populations**

Assessing Medicare Health Plan Performance in Serving Beneficiary Subpopulations

Speaker: Don Cox, Ph.D., Barents Group of KPMG Consulting, Inc.

Use of Performance Measures with the Medicaid Population

Speaker: Ann Page, HCFA

### **Session 5: Using Performance Data to Improve Quality**

Quality Measurement and Health Assessment Group

Speaker: Dorothea Musgrave, HCFA

### **Session 6: Data Issues for Performance Measurement**

Adjusting Performance Measures to Ensure Equitable Plans Comparisons

Speaker: Paul Cleary Ph.D., Harvard Medical School

Collecting, Analyzing, and Comparing Performance Data Across Health Plans, Markets, and Regions

Speaker: Alan Zaslavsky, Harvard Medical School

Health Plan Characteristics and Consumer Assessments of Health Plan Quality

Speaker: Bruce Landon M.D., Harvard Medical School

Rates of Hospitalization for Ambulatory Care Sensitive Conditions in the Medicare+Choice Population

Speaker: Nancy McCall Sc.D., Health Economics Research

### **Session 7: Reporting Plan Performance Measures**

Overview of Current Reporting: An Abundance of Data But What Does It All Mean

Speaker: Samantha Sheridan, Westat

Small Purchasers with Limited Choices: The Ideal Performance Measurement Report

Speaker: Mark Legnini, Economic and Social Research Institute

Major Purchasers with Many Choices: The Ideal Performance Measurement Report

Speakers: Suzanne Paranjpe, Greater Detroit Area Health Council and Dennis White, South Central Michigan Health Alliance

Using Performance Measures to Inform Medicare Beneficiaries

Speaker: David Miranda, HCFA

Where Do We Go from Here? A Summary of Issues Raised and Recommendations Emerging from the Conference

Speaker: Kathryn Langwell, Barents Group of KPMG Consulting, Inc.

## **PAPERS**

Ten papers on performance measurement that were either commissioned for the conference or were developed subsequent to the conference to refine or expand on conference themes are presented in this issue of the *Review*. Each of the papers reflects material presented at one or more of the sessions: history and evolution of performance measurement, designing measures to meet purchaser needs, performance measurement of vulnerable populations, data issues, and reporting. The papers are developed from various sources of information including the peer review published literature, documents created as deliverables in government contracts, other conference presentations, and organizational experience.

To begin, McIntyre, Rogers, and Heier provide an overview of health care performance measurement, including a chronological history of the major developments in the performance measurement field from Codman to Donabedian to HEDIS®. Lied and Sheingold show how performance measurement is improved by integrating access, effectiveness of care, beneficiary experience, health status, and risk measures into an analytic framework. From the perspective of purchasers, Zema and Rogers explore how the results of performance measurement initiatives are used, and they examine how purchasers interact and share information. Ginsberg and Sheridan consider the effects of the large health care purchasing environment and employers' quality improvement activities on their use of data. Docteur describes the challenges to measuring

quality of care in different settings, while Chawla, Hatzman, and Long discuss measures available for assessing performance in drug management programs. Cox examines differences in health care performance ratings between selected subgroups of the Medicare population. Goldstein, Cleary, Langwell, Zaslavsky, and Heller describe the CAHPS® survey, a “tool” for performance improvement. A new adjustment model for CAHPS® is presented by Zaslavsky, Zaborski, Ding, Shaul, Cioffi, and Cleary. Finally, McCall, Harlow, and Dayhoff evaluate the feasibility of developing hospitalization rates for ambulatory sensitive conditions for the M+C program.

## CONCLUSION

The development of a research agenda, subsequent to the conference, addressed issues identified at the conference and at site visits to major purchasers of health care undertaken prior to the conference. The research agenda topics that were an outgrowth of this conference were:

- Research on Methods to Combine all Dimensions of Performance into Simpler Composite Measures
- The Relationship Between Medicare Health Maintenance Organization Benefits Packages and Plan Performance Measures
- The Relationship Between Plan and Network Performance
- Research on Methods for Using Available Performance Measures to Monitor and Improve Quality for Enrollees with Specific Health Care Conditions
- Conceptual Examination of Performance from the Perspective of Providers

These analyses are being conducted under the Research on Plan Performance Indicators Contract, sponsored by HCFA. It is anticipated that results of these research projects will be completed and available by late Summer 2001.

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