

Can payment and other innovations improve the quality and value of health care?

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A paramount topic at the moment is value in health care: What should we pay for and how much? Resources aren't unlimited, and desires or demands for health care should be balanced against various realities--including the effectiveness of care or the desire for other goods and services. Especially in a depressed economy, questions about value in health care may well be at the center of coming health reform debates.

In a commentary published in *Health Affairs* today, Brandeis health economists and policy experts Robert Mechanic and Stuart Altman write that unless the forty-year historical spending trend for health care "miraculously abates," expanded public and private cost control initiatives are inevitable. Policymakers will face pressure to cut provider payment rates in order to achieve short-term savings, say Mechanic, a senior fellow, and Altman, the Sol C. Chaikin Professor of National Health Policy, both at the Heller School for Social Policy and Management, Brandeis University.

They warn, however, that, "in the fragmented U.S. delivery system, cutting fee-for-service (FFS) payments over any sustained time period will hurt both quality and access. A more sensible approach would be to develop a long-term agenda to restructure the delivery system into organized networks of providers capable of delivering reliable, evidence-based care within realistic budgets." However, such delivery system reforms cannot occur without significant changes in health care payment policy.

The authors examine four payment reform options that have been widely discussed: recalibrating FFS; instituting pay-for-performance (P4P); creating "episode" payments that combine hospital and physician reimbursement; and adopting global payment approaches such as capitation; they discuss these options' potential impact on future cost, quality, and provider integration. Mechanic and Altman say that payment reform cannot succeed without Medicare as a major player, and they suggest that episode payments may be the most promising near-term opportunity for payment reform in Medicare.

Source: Brandeis University

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