Incentivizing Quality Improvements:

Using HEDIS to Align and Improve Health Care Quality

Even though data shows that health plan performance varies significantly, there is little incentive for plans to improve the care they offer. According to recent research with employers and benefit consultants, employers rarely select plans based on the quality of care provided, nor do they reward plans for higher-quality care.

Employers—and self-insured employers, specifically—can change this paradigm by aligning incentives to health care quality. This sends the message that quality is important and holds plans accountable for their performance. It also drives year-over-year improvements in health care quality at the population level.

Employers can implement these steps.

1. Identify HEDIS measures of interest

HEDIS®[1] (the Healthcare Effectiveness Data Information Set) is the most widely used performance measurement tool in health care, which makes it ideal for employers to leverage for performance-based contracts. HEDIS comprises more than 90 standardized measures that assess care delivery in categories such as:

- Overuse and appropriateness of care.
- Chronic condition management.
- Behavioral health management.
- Screening and prevention.
- Emergency department utilization and hospital readmissions.

Employers should assess the measures of most interest to them. Most employers focus performance-based incentives on 2–5 measures.

> *"Although US companies spend hundreds of billions of dollars each year on health plan premiums, not all plans provide the same level of quality or value."*
>
> Source: Ensuring Quality Health Plans. National Health Care Purchasing Institute, May 2002.

1 HEDIS® is a registered trademark of the National Committee for Quality Assurance (NCQA).

2. Add contractual language to obtain population data

To understand the quality of care their employees are receiving, employers should require plans provide HEDIS measures of interest for the employer's population, as opposed to the health plan's broader book of business. This data can serve as a baseline for future trends to ensure care quality is improving year over year. can use language like that below to require this information—as well as additional context on how the population is performing against the plan's book of business and state and national benchmarks—during the contracting process.

"Contractor agrees to mine [Company] medical claims data and provide [Company] with a report that outlines a comparison of [Company]'s performance to national and state benchmarks for HEDIS measures, including, but not limited to [measures of interest], by [Date]. Data elements will include a three-year trend comparing [Company] rates to state and national averages and to the HEDIS national [75th] percentile."

3. Set performance targets for each HEDIS measures of interest

When setting performance-based targets, employers should leverage national and state benchmarks to understand what other plans achieved with regard to specific HEDIS measures. They can then work with the health plan to set reasonable targets.

Often, employers that set performance targets use the first year as the baseline. Future years may align with a specific benchmark (e.g., national 75th percentile) or require a percentage improvement year-over-year.

> *"We know that best practices in care quality are not being implemented as quickly as they should be. So we began using incentives to create a business case for quality and get better value."*
>
> **Bruce Bradley, General Motors**
>
> Source: Ensuring Quality Health Plans. National Health Care Purchasing Institute, May 2002.

4. Align incentives

In order to provide a health plan with the business case to act, employers can structure incentives in various ways. Plans often prefer performance-based contracts be structured as bonus payments for achieving targets. Employers, on the other hand, often prefer performance guarantees that place a portion of the health plan's fees at risk if they fail to achieve targets. This places the responsibility with the plan and removes the employer's downside risk. Although the financial value of incentives varies, early adopters valued their incentive or penalty at 1%–2% of the premium value.[2]

"Contractor agrees to meet or exceed the national 75th percentile quality benchmark or show improvement of 5.00% or better from the previous year in the [insert HEDIS measure], with 2% of annual fees at risk."

2 Ensuring Quality Health Plans. National Health Care Purchasing Institute, May 2002. Available at: http://www.bailit-health.com/articles/NHCPI-healthplanstoolkit.pdf.

NCQA
Measuring quality. Improving health care.

The National Committee for Quality Assurance (NCQA) is a 501(c)(3) not-for-profit that uses measurement, transparency and accountability to improve health care. NCQA creates standards, measures performance and highlights organizations that do well. All this helps drive improvement, save lives, keep people healthy and save money.

1100 13th Street NW | Third Floor | Washington, DC 20005
www.ncqa.org | ncqa.org/employertoolkit | employerrelations@ncqa.org