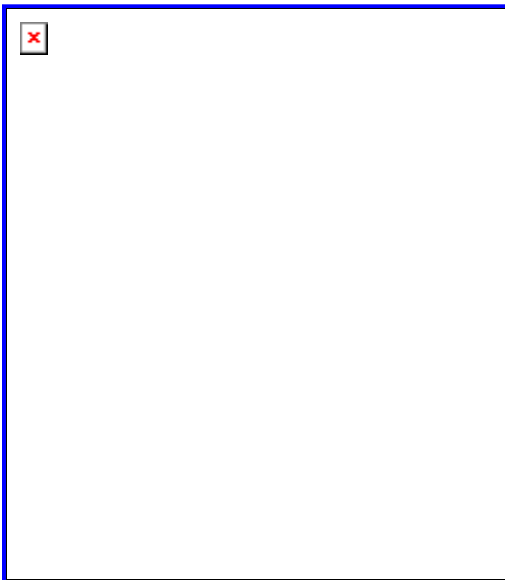




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Paths to Payment Reform

Across the country, there is growing recognition that dramatic changes in healthcare payment systems are needed in order to solve the persistent problems in quality that plague healthcare delivery and to reduce unaffordable costs. *Paths to Payment Reform*, a new series of policy briefs from the Center for Healthcare Quality and Payment Reform, is designed to explain some of the specific issues which need to be addressed in creating new payment systems and ways to transition to them from current payment structures. The first three briefs are described below.



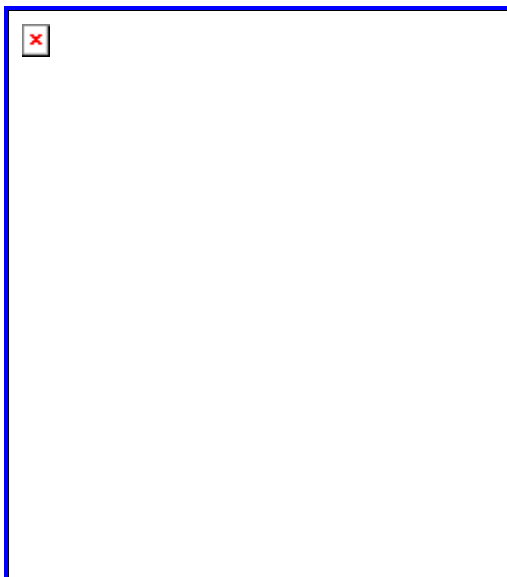
Using Medical Homes to Reduce Readmissions

Many people are convinced that the only way to significantly reduce healthcare costs is by some type of rationing, i.e., limiting the kinds of services that Medicare or health insurance will pay for. But there are ways to significantly reduce healthcare spending without taking away anything that consumers want.

A perfect example is hospital readmissions. Research studies and quality-reporting initiatives around the country show that 15-25% of people who are discharged from the hospital will be readmitted to the hospital within 30 days or less, and that many of these readmissions are preventable.

A number of proposals have surfaced for reducing preventable readmissions by reducing or eliminating payments to hospitals when these readmissions occur. The problem with this approach is that it assumes that if a readmission is preventable, it is preventable by the hospital, and that is not always the case.

As outlined in this policy brief, the Patient-Centered Medical Home can help to prevent many readmissions, if it is paid in the right way and focuses on reducing readmissions. [Download the Policy Brief.](#)

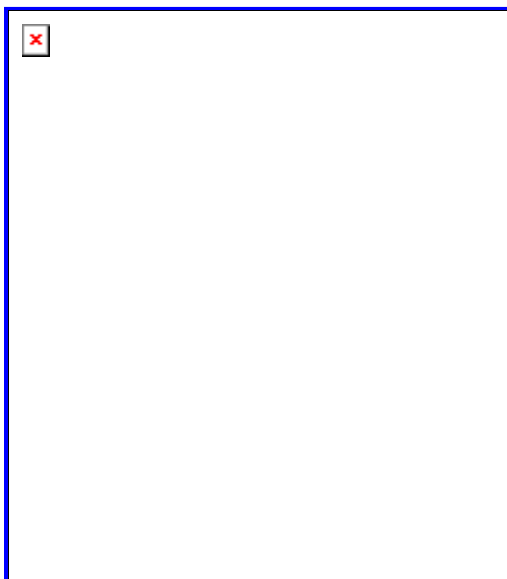


Transitioning to Episode-Based Payment

There is growing interest in using episode payments instead of fee-for-service payments as way of improving healthcare quality and controlling costs. An "episode payment" is a single price for all of the services needed by a patient for an entire episode of care (e.g., all of the inpatient and outpatient care they need after having a heart attack). An episode payment system reduces the incentive to overuse unnecessary services within the episode, and gives healthcare providers the flexibility to decide what services should be delivered, rather than being constrained by fee codes and amounts.

The devil is in the details, however: What exactly would be included in an episode payment? And how can healthcare payers and providers transition from the current fee-for-service system to an episode payment structure?

This policy brief describes how to define an episode payment and how to transition to episode payment. [Download the Policy Brief.](#)



Setting Payment Levels

Most discussions about healthcare payment reform focus on different methods of paying providers - fee-for-service payments, episode payments, capitation payments, etc. Different payment methods have advantages and disadvantages, but choosing the payment *method* is only half of the challenge in reforming payment systems. The other half is choosing the right *amount* of payment. Even if the payment method provides the right incentives, if the payment level is too low (i.e., below the minimum cost of providing care), providers will be unable to provide quality care, and if the payment level is too high, there is no incentive for efficiency.

So how should payment levels (i.e., prices) be set? This policy brief describes the three different methods for setting prices, and some of the advantages and disadvantages of each. [Download the Policy Brief.](#)

More policy briefs will be issued in the near future. Comments on the briefs, and suggestions for additional topics, are welcome -- send comments and suggestions to <mailto:info@hqpr.org?subject=Comments on Policy Briefs on Payment Reform>.

What's New

- [Using Medical Homes to Reduce Readmissions](#)
- [Transitioning to Episode-Based Payment](#)
- [Setting Payment Levels](#)
- [How Federal Healthcare Reform Could Improve Local Healthcare Value](#)
- [CHQPR National Advisory Board Appointed](#)
- [Better Ways to Pay for Health Care: A Primer on Healthcare Payment Reform](#)
- [Healthcare Quality and Payment Reform Blog](#)
- [From Volume to Value: Transforming Healthcare Payment and Delivery Systems to Improve Quality And Reduce Costs](#)
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- [Incentives for Excellence: Rebuilding the Healthcare Payment System from the Ground Up](#)
- [Creating Payment Systems to Accelerate Value-Driven Health Care: Issues and Options for Policy Reform](#)

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