



2009 ISSUE BRIEF
DELIVERY SYSTEM REFORM
MEDICAL GROUPS AS A FOUNDATION

Background

The nation is experiencing a health care crisis, the result of a delivery system that is fragmented, costly, and unable to provide coverage to millions of Americans. The Institute of Medicine (IoM), in its seminal work published in 2001, *Crossing the Quality Chasm*, emphasized that the fragmented health care delivery system yields a complex morass that is difficult for patients to navigate and produces care that is largely uncoordinated, inefficient, often of questionable effectiveness, and with great geographical variation of treatment and utilization. This “non-system” is particularly apparent in the treatment of chronically ill patients. As the IoM surmised:

The current care systems cannot do the job. Trying harder will not work.
Changing systems of care will.¹

In order to transform the current environment into a high performing and coordinated system, the IoM recommends the following structural changes: *Use of evidence-based care practices; Effective use of information technology; Knowledge and skills management; Developing effective teams; Coordinating care; and Measuring quality improvement and accountability.*²

The IoM’s recommendations have been described as a virtual blueprint for utilizing multi-specialty medical groups, and other organized systems of care, as the foundation for a 21st century health care system.³ A majority of large medical groups utilizes health information technology such as electronic prescribing and electronic medical records. Medical groups are able to collect data, measure performance, and improve quality. Multi-specialty medical groups also practice team-based care in which physicians, nurses, physical therapists and other providers work together to provide coordinated care.

Multi-specialty medical groups coordinate care, so a patient’s primary care physician knows which test his cardiologist ordered and what the results were. Multi-specialty medical groups disseminate the latest clinical knowledge and skills to ensure their clinical staff is up to date on ever-changing techniques and medical conditions. And, multi-specialty medical groups most often utilize evidence-based protocols when treating their patients. Use of these protocols is linked to better patient outcomes.

¹ Institute of Medicine, *Crossing the Quality Chasm: A New Health System for the 21st Century* (Washington, D.C.: National Academies Press, 2001).

² Ibid.

³ Frances J. Crosson, *The Delivery System Matters*, (Bethesda, MD: Health Affairs, 2005).



Incentives to Encourage “Desired Activities”

Health policy researchers have considered ways to create payment incentives that support more organized systems of care. The Medicare Payment Advisory Commission (MedPAC) stated that creating incentives “to encourage physicians to form or join high-performing multispecialty groups could achieve more organized systems of care and thereby improve the health care provided to Medicare beneficiaries while reducing costs.”⁴

In its March 2007 report to Congress, MedPAC addressed developing payment incentives to support more organized systems of care. It suggested Congress consider rewarding physicians who provide “desired activities.” MedPAC defined “Desired activities” as:

- *Quality Measurement and Improvement;*
- *Use of Evidence-based medicine;*
- *Care Coordination;*
- *IT use;*
- *Efficient provision of care;*
- *Compensation Practices that Promote these Objectives.*⁵

Rewarding physicians who perform “desired activities” will incentivize more integrated forms of care delivery and will begin a shift away from volume-based payments that support fragmented care. Providing incentives for “desired activities” will spur increased adoption of health information technology, use of evidence-based medicine, and effective care coordination which is crucial in the treatment of chronically ill patients. MedPAC considers “desired activities” “essential to improving value in the Medicare program.”⁶

AMGA asks Congress To:

- Support the IoM recommendations on the structural changes needed to reform the health care delivery system; and
- Provide incentives for physicians to provide “desired activities” as a significant first step to creating a new health care delivery system.

⁴ Medicare Payment Advisory Commission, Report to Congress: Assessing Alternatives to the Sustainable Growth Rate System. March, 2007.

⁵ Ibid.

⁶ Ibid.