CENTER for STUDYING HEALTH SYSTEM CHANGE

Data Bulletin

RESULTS FROM THE COMMUNITY TRACKING STUDY

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THE CENTER, SUPPORTED BY THE ROBERT WOOD JOHNSON FOUNDATION AS PART OF ITS HEALTH TRACKING INITIATIVE, IS AFFILIATED WITH MATHEMATICA POLICY RESEARCH, INC.

PHYSICIANS IN PRACTICES RECEIVING CAPITATION FOR AT LEAST SOME OF THEIR PATIENTS

Boston, Mass.	61%
Cleveland, Ohio	63*
Greenville, S.C.	43*
Indianapolis, Ind.	67*
Lansing, Mich.	59
Little Rock, Ark.	44*
Miami, Fla.	60
Newark, N.J.	51
Orange County, Calif.	72*
Phoenix, Ariz.	59
Seattle, Wash.	73*
Syracuse, N.Y.	41*
Metropolitan areas over 200,000 pop.	56
United States	54

**Site value is significantly different from mean for metropolitan areas over 200,000 population.*

Community Tracking Study

New physician payment arrangements, such as capitation and payments based on performance measures, play an important role in the efforts of health plans, medical groups and others to provide physicians with incentives to contain health care costs and improve quality of care. Fifty-four percent of physicians report that their practices receive capitation—a fixed monthly payment per patient—for at least some of their patients, according to a survey by the Center for Studying Health System Change.

The Center found significant variation in the participation in capitation arrangements by type of physician and geographic area. Primary care physicians (71 percent) are more likely than specialists (43 percent) to be in practices that receive capitation. Physicians in Seattle (73 percent) and Orange County, Calif. (72 percent), are more likely to be in practices receiving capitation, while physicians in Syracuse (41 percent) and Greenville, S.C. (43 percent), are less likely.

PHYSICIAN PERFORMANCE MEASURES

Physician compensation may be adjusted according to measures of physician performance, providing additional incentives to contain costs and improve quality of care. Nationwide, physicians report the following factors are used in determining their compensation:

- patient satisfaction surveys (23 percent of physicians responding);
- measures of quality, such as rates of preventive care services (18 percent); and
- practice profiles comparing their use of medical resources with that of other physicians (16 percent).

Primary care physicians are more likely than specialists to have these factors considered in their compensation. The use of these compensation factors also varies across communities. For example, physicians in Orange County and Cleveland are more likely, and those in Little Rock are less likely, to report consideration of these factors. (See table on page 2.)

POTENTIAL CONFLICTS FOR PHYSICIANS

The development of capitation and other new payment arrangements has generated considerable debate about the effects of financial incentives on physician practice patterns. Those in favor of new payment arrangements argue that they increase physicians' financial incentives to deliver efficient, high-quality care and decrease incentives that may exist under traditional fee-for-service arrangements to provide unnecessary care.

This Data Bulletin presents preliminary findings from the Physician Survey conducted in 1996 and 1997 as part of the Community Tracking Study. It is a nationally representative telephone survey of non-federal, patient care physicians (excluding certain specialties—e.g., radiology, anesthesiology, pathology). The survey included 9,264 physicians, of whom 5,160 are primary care physicians. All comparisons and differences described in the text are statistically significant at the p<0.05 level.

Payment Arrangements and Financial Incentives for Physicians

by Timothy K. Lake, Mathematica Policy Research, Inc., and Robert F. St. Peter, Center for Studying Health System Change

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Others express concern that financial incentives created by these arrangements may place physicians in the position of having to choose between reductions in their income and reductions in medically necessary care for their patients.

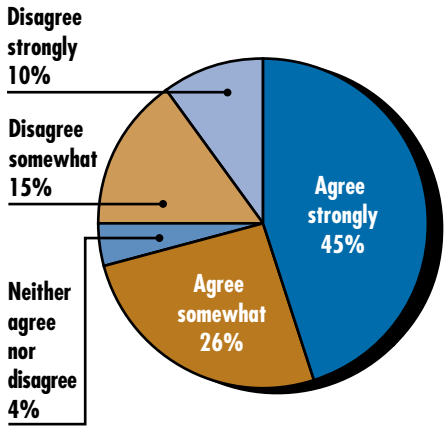
The Center's Physician Survey provides information about physicians' views on potential conflicts between financial incentives and clinical decision making that benefits their patients. Fifteen percent of physicians disagree somewhat and 10 percent disagree strongly that they can make clinical decisions in the best interests of their patients without the possibility of reducing their income. Nearly half (45 percent) of physicians agree strongly and 26 percent agree somewhat. The findings, however, do not address how physicians who perceive potential conflicts actually resolve them when making clinical decisions.

PAYMENT ARRANGEMENTS IN THE FUTURE

Interest in the potential effects of financial incentives on cost containment and quality of care continues to grow. The Health Care Financing Administration recently banned specific payments made as inducements to reduce medically necessary care under Medicare and Medicaid, and now requires disclosure of information by managed care plans if payment arrangements impose substantial financial risk on physicians. As market and regulatory environments evolve, the use of different payment arrangements and financial incentives is likely to evolve, too. The Center will track these changes and their implications for medical care over time.

FINANCIAL INCENTIVES AND CLINICAL DECISION MAKING

Physicians' responses to the statement: "I can make clinical decisions in the best interests of my patients without the possibility of reducing my income."



Community Tracking Study

FACTORS CONSIDERED IN PHYSICIAN COMPENSATION[1]

	Physicians for whom the following factors are considered in determining their compensation		
	Patient satisfaction surveys	Measures of quality of care	Practice profiles
Boston, Mass.	22%	17%	12%*
Cleveland, Ohio	34*	28*	23*
Greenville, S.C.	25	18	16
Indianapolis, Ind.	21	13*	13
Lansing, Mich.	21	14*	20
Little Rock, Ark.	13*	11*	13
Miami, Fla.	26	27*	19
Newark, N.J.	29	21	15
Orange County, Calif.	44*	37*	33*
Phoenix, Ariz.	31	23	23*
Seattle, Wash.	23	10*	12
Syracuse, N.Y.	21	17	13
Metropolitan areas over 200,000 population	24	19	17
United States	23	18	16

[1]*Physicians in the survey sample who are full owners of a solo practice (30 percent of the sample) were not asked about these compensation factors and are excluded from this table.*

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