The PROMETHEUS Payment Model

NYSHealth Foundation
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Problem

- Under fee-for-service (FFS) payment, doctors and hospitals bill insurers for every individual service and are encouraged to produce more volume irrespective of the marginal value of the nth service.
- Under traditional capitation payment, doctors and hospitals are encouraged to produce less volume, whether or not the nth service would be beneficial to the patient and the payer.

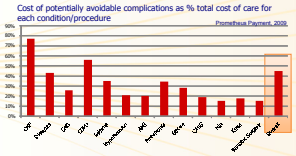
The Prometheus Payment solution

- Calculates compensation for hospitals and doctors based not on specific treatments a patient receives but on the care a patient should receive "per episode".
- Creates incentives for doctors to reduce total episode cost of care by wringing out the current costs associated to potentially avoidable complications (PACs).
- Provider margins per patient improve as PACs are reduced

The red bars represent costs created by gaps in quality

Cost of potentially avoidable complications as % total cost of care for each condition/procedure

Prometheus Payment, 2009



We estimate that PAC costs consume $30billion of the $150billion spent in NY State and could be reduced by at least a third -- $10billion.

Overview

- Started development in 2006
- Funded by The Commonwealth Fund, RWJ and NYSHealth
- Widely researched and published
- Fully operational in four sites but still in pilot phase – two pilots in development in NY
- Based on unique definition of episodes and "gain-sharing" model

Prometheus uses Evidence-informed Case Rates (ECRs)

- An ECR is a global fee, or bundled payment, that accounts for all care related to a medical event
- 3 parts:
  1. Fee for providing evidence-informed care
  2. Profit margin
  3. Allowance for potentially avoidable complications (PACs)
- Providers win by improving quality and lower current costs associated to potentially avoidable complications

An ECR for each patient-provider-payer combination

Total ECR price = Type of services x Frequency x Price per service

Based on 50% of current defect rate	$1,100 -- $12,300	CHF ECR Range** $3,960 -- $39,030
Currently based at 10% of typical	$260 -- $2,430	
Arrived at through step-wise multi-variable regression model	$2,600 -- $24,300*	
Adjusts ECR for local patterns		
Informed by guidelines and empirical data analysis		

* $1,100 was added to the base set of claims-based/observed services to create a right-sized evidence-informed set of services.
** The upper range can be greater than the amount stated depending on the severity of the patient

Unique features of the model[1]

- Margins improve as potentially avoidable complications are reduced – change the industry focus from chasing volume to chasing margin/value.
- Patient-level severity adjustment to minimize the potential for cherry-picking.
- Operational in any provider setting – no need for financial, administrative or legal integration.
- Being piloted in IL, MN, PA, and UT now, and looking for two additional sites in NY State.

1. See de Brantes, Rosenthal, D'Andrea, "Should Health Care Come with a Warranty?" Health Affairs, June 2009; and de Brantes, Rosenthal, Painter, "Building a Bridge from Fragmentation to Accountability — The Prometheus Payment Model", NEJM, Sept 2009

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