



The Status Quo is Wasting Money: The Way We Pay for Care Needs to Change

Skyrocketing health care costs have made our current health care system unsustainable and are driving up the number of uninsured Ohioans and making our business less able to compete in the global marketplace. And, rapid increases in spending have left us with poor quality compared with countries that spend less. Our state's budget crisis adds momentum to the push for transforming health care. According to experts, a central strategy for slowing the growth of our health care costs, while improving health care quality, is to change *how* we pay for health care.

Our Current System

Our current system of paying for health care is largely “fee for service.” It is a piecemeal approach to paying for care with a set fee for each individual service. The big downside of the current way we do business is that providers get paid for the number of services delivered, not for delivering the best care or improving health outcomes. Providers have financial incentives to provide more services to more people. They are often financially penalized for delivering better services with better health outcomes.

Incentives for Quality of Care Not Quantity

Governor Kasich's Office of Health Transformation has dual goals of lowering Medicaid spending while improving health outcomes. The dual goals can only be reached if we change how we pay for health care.

The Administration is supporting strategies developed previously by the Ohio Health Coverage and Quality Council, which brought together representatives of major interest groups – employers, insurers, providers, and consumers – to agree on solutions.

Strategies to change incentives include:

- Moving to a *Coordinated Primary Care* model (often called “patient-centered medical home”), which pays a primary care provider to coordinate a patient's care across systems and providers. This model is patient-centered and the provider and patient work together to improve care and health outcomes.
- Reducing payments to hospitals that have excessive avoidable adverse events, such as hospital acquired infections and avoidable readmissions (patients returning to the hospital within 30 days with an avoidable complication). Reducing payments for avoidable adverse events can save millions of dollars, while keeping the hospital focused on improving safety and care.
- Shifting spending from hospital care to primary care—nearly one-fourth of Ohio Medicaid spending is on hospital care. Changing reimbursement rates to spend more on outpatient and primary care can help the state spend less on inpatient care.

As payment incentives are implemented through the Medicaid program, all Ohioans will reap the benefits through improved health outcomes.

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March 15, 2011