

## Guiding Principles

States have a strong interest in successful payment reform, but unlike most payers, states have other unique responsibilities in the health care system including regulating insurers and providers, protect patient safety, stewarding scarce tax dollars and ensuring the long term capacity of the health care system.

A series of guiding principles for states entering into quality-based payment reforms have emerged from the research, the history of health care reforms and lessons from on-going reforms. These principles were adopted by the CSG/ERC Quality-Based Purchasing Advisory Committee on March 16, 2010.

Payment reform must:

- 1. Align and fairly balance the interests of patients, taxpayers, providers and payers.*  
States are in the best position to fairly balance interests; they are closer to the patient level than the federal government, have a long history of overseeing health care, and fund a large and growing share of the health care system.
- 2. Improve quality and foster innovation.*  
Incentives should be easy to access and meaningful to providers and patients. Administrative burdens to access incentives reduce their effectiveness.
- 3. Reward efficiency, reducing the long term growth of health care costs.*  
Performance measures should be prioritized on the basis of clinical evidence to encourage the use of best practices and discourage high-cost or high-volume services with little clinical value. Whenever possible, outcome measures should be emphasized, such as preventable hospitalizations and ambulatory care sensitive conditions that could have been prevented with adequate primary care. Measures should avoid rewarding care that is already routine practice or has only minimal impact on health status.
- 4. Share resulting savings among all stakeholders, including state budgets.*  
While states will have to contribute and invest in payment reform initiatives along with other payers and providers, the benefits must also be shared, especially with high performing providers to ensure that gains are sustainable. As the largest payer of health care services, Medicare must participate, both contribute and share in savings from payment reform.
- 5. Promote patient-centered care.*  
Payment reform must ensure that patients get the “right care at the right time from the right provider,” respecting their values and preferences. Payment reform must be designed to protect vulnerable consumers who rely heavily on the health care system.
- 6. Transparency is paramount.*

Payment reform policies must be developed in a public process with input from all stakeholders. Payment processes and standards must be simple to understand and administer.