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Contact:  
Cindy Ernst  
510-208-1740  
[cernst@iha.org](mailto:cernst@iha.org)



## **Foundation Awards \$1.3 Million to Integrated Healthcare Association to Improve Medical Device Use**

### *IHA Plans to Extend Value Assessment and Purchasing Project for Medical Technologies*

**OAKLAND, Calif., May 30, 2008** – Blue Shield of California Foundation (BSCF) has awarded a \$1,328,000 medical technologies grant to the Integrated Healthcare Association (IHA) to implement statewide collection of comparative data, evaluate purchasing and payment systems, and develop a new episode-based payment method for medical device purchasing. The grant helps to align physician and hospital interests that are now divided through the practice of direct-to-physician vendor incentives, and is part of the foundation’s health and technology program strategy to promote evidence-based clinical best practice and technology adoption among California providers.

“By improving the quality and transparency of the data available regarding medical device use, the IHA project will incentivize surgeons, hospitals, health plans, and the medical device industry to work collaboratively to enhance the value of specialty care delivery in California and throughout the nation” stated Kevin J. Bozic, MD, Associate Professor in Residence University of California, San Francisco Department of Orthopaedic Surgery and Institute for Health Policy Studies.

Although IHA is better known for its California pay for performance (P4P) program, it recently completed a two-year value assessment and purchasing project in Orange County, also funded by BSCF, to improve data transparency and payment methods for high-value medical devices, including orthopedic and cardiac implants, in the California health care system.

Crystal Hayling, President and CEO, Blue Shield of California Foundation commented, “IHA has a successful history of multi-stakeholder collaboration among hospitals, physician organizations, and health insurance plans.” Hayling added, “The grant is awarded to IHA to evaluate medical technology used in cardiology and orthopedics, providing California hospitals with information that will be used to help improve quality of care, purchasing methods, and payment systems.”

Building on the insights from the regional pilot project, the grant allows IHA to:

- Aggregate comparative data for benchmarking quality and costs
- Identify best practices strategies for value assessment and a statewide hospital technology collaborative
- Explore new financial incentives, potentially including payment methods for hospitals when purchasing devices for manufacturers and for health insurers when reimbursing hospital claims, e.g., through bundled “episode of care” pricing

The episode-based payment method will be piloted by at least one health plan with participating hospitals, and these experiences will be documented and disseminated to health plans and providers with statewide support from key stakeholders.

Medical device purchasing processes have received greater national attention regarding physician conflicts of interest with medical device companies. Hospitals want benchmarking data and need to adopt best practice strategies to lower medical device costs. Health plans also find it difficult to keep pace with the increasing hospital costs for orthopedic and cardiac implants, especially when their contracts carve out the device.

“Most hospitals simply don’t have evidence-based and comparative data they need to make sound medical device purchasing decisions or reasonably negotiate with medical device companies” stated James C. Robinson, PhD, Kaiser Permanente Distinguished Professor of Health Economics, UC Berkeley; Washington, D.C. “Surgeons make the device purchasing decision, but costs are paid by the hospital and ultimately passed on to

the purchaser and consumer.” Dr. Robinson is a member of the board of directors at IHA and chairs the medical technology project.

With greater focus on value based purchasing practices and rising trends in medical device costs and utilization, IHA and the California Hospital Association recently convened leaders at the "Pursuit of Value for Medical Devices" conference in Irvine, California. The May 2008 conference brought together representatives from the hospital, medical device, physician, and insurance sectors to discuss ways to improve coordination and align incentives among the principal stakeholders in the technology-intensive cardiac, orthopedic, and spine care services.

#### **About Integrated Healthcare Association (IHA)**

Integrated Healthcare Association is a not-for-profit statewide collaborative leadership group of California health plans, physician groups, and health care systems -- plus academic, consumer, purchaser, pharmaceutical and technology representatives -- that promotes quality improvement, accountability, and affordability for the benefit of all California consumers through special projects, policy innovation, and education. For more information about the association, please visit [www.iha.org](http://www.iha.org).

#### **About Blue Shield of California Foundation (BSCF)**

Blue Shield of California Foundation is one of the largest health care grant-making organizations in California. For more information, please visit the Web site at [www.blueshieldcafoundation.org](http://www.blueshieldcafoundation.org). The Foundation was formed by Blue Shield of California, a not-for-profit corporation with more than 3.2 million members, 4,300 employees and 20 offices throughout California.

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