

The background of the slide features a close-up of medical equipment, specifically two circular, metallic components with a ribbed texture, possibly part of a ventilator or a similar medical device. These components are set against a light blue background with a grid of small dots and several black lines, including a prominent ECG (heart rate) line that runs diagonally across the frame.

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2019 DELTA REGION COMMUNITY HEALTH SYSTEMS PROGRAM SUMMIT

Hospital – Physician Relationships:
Key Strategies to Incentivize Physicians and Engage in
APM Initiatives

Discuss Topics

- Eight Steps to Success in Design of Incentivizing Compensation Plan
- Key Strategies for Incentivizing Physicians in APM Environment
- Plan Design and Process Pro-Tips



Eight Steps to Success in Design of Incentivizing Compensation Plan

Commitment to Process & No Surprises



Step 1: Benchmarking

- For each provider, benchmark charges, collections, wRVUs, compensation and net income as well as some key relationships between these points (*e.g.*, compensation to collections ratio)
- Document the results of benchmarking exercise
- This creates a baseline for comparing and contrasting the impact of potential new plans

What to Incentivize?

Compensation Plans Compared

Key Factors	<u>Salary</u>	<u>% Charges</u>	<u>% Collections</u>	<u>Rev. - Exp.</u>	<u>WRVUs</u>	<u>Per Encounter</u>	<u>PMPM</u>
Incentivizes Provider Productivity	★	★★★★	★★★	★★★★★	★★★★★	★★★★★	★
Provider Bears Payor Mix Risk	★	★	★★★★★	★★★★★	★	★	★
Has No Inherent Fee Setting Constraint	★★★★★	★	★	★★★★★	★★★★★	★★★★★	★★★★★
Rewards Keeping Practice Costs Low	★	★	★	★★★★★	★	★	★★★★★
Easy for Management to Administer	★★★★★	★★★	★★★	★★	★	★★★	★★★
Matches Practice Income Method	★	★★	★★★★★	★★★★★	★★	★★	★
Incentivizes Providing Access to Care	★★★	★★	★★	★★	★★	★★★	★★★★★
Incentivizes Practice Profitability	★	★	★★	★★★★★	★★	★★	★★★
Rewards Patient Visit Efficiency	★	★★★	★★★	★★★★★	★★★	★★★★★	★★
Rewards Quality Outcomes	★	★	★	★	★	★	★★★
Rewards Patient Safety	★	★	★	★	★	★	★★★
Rewards High Patient Satisfaction	★	★	★	★	★	★	★★★

Star Rating Key										
★	Poor		★★	Fair		★★★	Good		★★★★	Excellent

Step 2: Introduce New Plan Design Concepts to Providers

- Kick-off meeting with providers
 - Introduce the providers to the general concepts to be explored in developing a new physician compensation plan
 - Establish a connection to the outcome and lay the foundation for the general goals and principles to be followed in the redesign process
- Key items to include
 - General update on the state of healthcare
 - General results of the benchmarking exercise
 - Pros and cons of three or four possible plan philosophies
 - An overview of the general design and implementation plan
 - The materials and delivery should focus both on a collaborative process as well as a compliant model and outcome

Step 3: Written Process Commitment

- Document and share the process to be followed
- Important process elements include:
 - Key milestones
 - Commitments made in the kick-off meeting, such as data sharing, non-starters, key elements
 - Meeting dates
 - Key responsible parties
 - Points of general feedback
- This will be the memorialization of the mutual commitments made in the kick-off meeting and is important in establishing expectations and accountability

Step 4: Physician Interviews

- Solicit individualized feedback
 - Positive and negative
- Educate providers by answering specific questions and concerns
- Provides a real sense of what will and will not work for a particular group of providers

Step 5: Scenario Analysis

- Model out a baseline scenario compared to historical results
- Modeling should only be done after there is buy-in to the conceptual changes

Step 6: Presentation of Results to Date

- Document & present key work performed, including:
 - Final concepts
 - “Before and after” scenario results
 - Compensation calculation & payment mechanics
 - Next steps and timing
- This is the “80% complete” marker

Step 7: Working Group Finalization

- Select key leaders and technical experts to finalize open details
- Resolve open items/issues raised at the general presentation of results to date
- To accept change, providers will need to:
 - Understand the data elements utilized
 - Trust data to be complete and accurate
 - Become comfortable with ongoing internal controls related to all compensation data elements
- Intended outcome of this step is to document:
 - Key plan principles (in writing)
 - Sources of information used in the model
 - Updated sample compensation calculation
 - Implementation timeline details



Step 8: Implementation

- New contracts need to be drafted, approved and signed
- Compensation plan details will need to be communicated with finance staff
- New or revised communications about physician results will need to be developed and deployed

The background of the slide features a close-up, high-angle view of a medical syringe with a clear barrel and a silver-colored plunger. The syringe is positioned diagonally across the frame. In the background, there is a faint, light blue ECG (heart rate) line on a grid pattern, suggesting a medical or healthcare theme.

Key Strategies for Incentivizing Physicians in APM Environment



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Value Based Reimbursement

- Patient episode = additional reimbursement
- Patient episode definitions vary greatly, but basic way to define:
 - For Primary Care, attributed beneficiary total care for all medical issues (Capitation)
 - For Specialists, referred beneficiary total expenditures for a specific issue, for a specific time after an initiating event (Bundle)
- Reimbursement adjustments for “Value”:
 - Patient HCC Score: Higher the score, higher the reimbursement (“sicker”)
 - Quality & Outcomes: Higher the score, higher the reimbursement (“better care”)
- Profitability considerations:
 - Clinical procedure performed – no additional reimbursement
 - Since no additional reimbursement, performing FEWER procedures &/or LOWER INTENSITY procedures helps profitability because of saved direct costs for procedures
 - ICD-10 diagnosis codes drive reimbursement as opposed to CPT procedural codes because of effect on HCC Score



Current Value Based Initiatives

- Different flavors of CMS initiatives
 - Accountable Care Organizations (ACO)
 - MACRA
 - Bundle programs (BPCI; Comprehensive Joint Replacement; Cardiac)
 - Medical Home models
 - Many others
- Commercial insurers are beginning to come along with Medicare
- **KEY TAKEAWAY:** Most VB reimbursement methodologies are affected in some significant way by three key factors:
 - Attributed patient HCC score
 - Attributed patient MC claim expenditures within episode
 - Quality & outcome measures for MC patients (either attributed or all seen)



New Compensation Plans Must Focus on Value

- Successful provider compensation plans must:
 - Encourage physician leadership and collaboration
 - Build a foundation for value
 - Focus on team-based provision of care
 - Align with organizational objectives; especially where outcomes performance impacts reimbursement (*e.g.*, ACO)



Common Value-Based Metrics

- **Sample Primary Care Metrics**

- Average risk adjusted cost per attributed patient
- Patient access (*e.g.*, time to get an appointment)
- Panel Size (*e.g.*, number of unique patients)
- Mid-level provider supervision
- Care coordination fee (*e.g.*, per patient per month)
- Medical home development
- Chronic disease management (*e.g.*, diabetes)

- **Quality Metrics**

- Colon cancer screening
- Flu vaccination
- Pneumonia vaccination
- Cholesterol screening

Good starting point is to review quality metrics under MIPS:

- Individual process/outcomes
- Specialty sets

Example Value Compensation Plan

- Base compensation – 85% of MGMA median
- wRVU Bonus -- \$ per wRVUs in excess of target amount
 - 3 tiers with decreasing payment per excess wRVUs
 - Bonus eligibility tier to annual wRVU target
- Quality bonus – based on 10 metrics (separate from wRVU production)
 - If meet 6 of 10 metrics, then eligible for 75% of quality bonus amount
 - Utilization of APM or MIPS program quality measures best aligns incentivization
- Program participation
 - 15% add on for participation in pilot projects, ACOs, medical home models, etc.



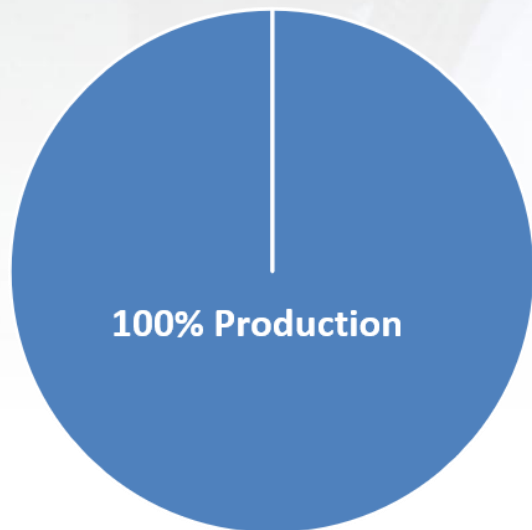
Capabilities Needed for Value-Based Compensation

- Capabilities needed for quality measurement and management:
 - Process for physician input
 - Gradual shift from process to outcomes
 - IT infrastructure and data analysis resources
 - Reporting and feedback loops
 - Process improvement systems with provider involvement

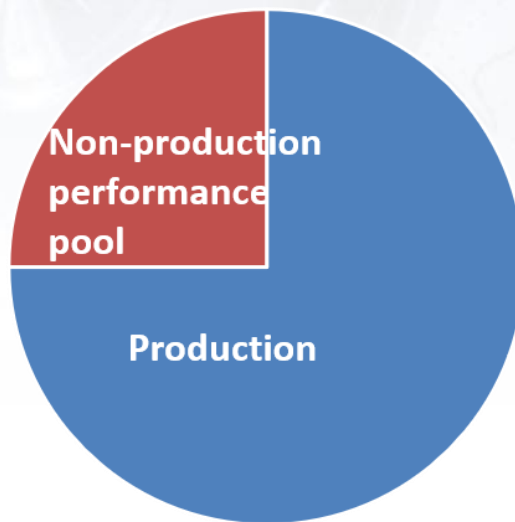
Managing Volume-to-Value Transition

Years 1 & 2:

Measurement and Reporting



Years 3 & 5:



Years 5+:



Take-Aways for Value Compensation Plans

- Physician involvement is critical
- Balance stability vs flexibility
- Start with manageable program
- Build in flexibility in the areas of:
 - Base
 - Productivity
 - Quality
 - Participation/citizenship
- Promote communication and teamwork
- Incorporate risk-sharing mechanisms: thresholds, risk corridors, etc.
- Understand legal parameters





Plan Design and Process Pro-Tips

Five Insights on Making It Work



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Pro-Tip #1

- When Considering the utilization of non-productivity measures, consider the outcome versus process rewards
 - Process oriented – the provider is held accountable and compensated based on complying with an agreed-upon process that is integral in achieving the desired outcome
 - Outcomes oriented – the provider is held accountable and compensated based on an actual tangible, measurable result
- For example, consider:
 - Smoking cessation
 - Patient satisfaction



Pro-Tip #2

- Consider a “better of” adjustment period
 - There will be kinks to work out with most new systems. This creates uncertainty in the providers and, therefore, a hesitancy to adopt a new system
 - To combat the uncertainty, utilizing a grace period of three to nine months provides management and the physicians an opportunity to ease into the new plan with some understanding that the pain of change will be blunted by design



Pro-Tip #3

- Utilize a sliding scale for non-productivity incentives
 - Helps with frustrations from “falling behind” early
 - Rewards effort, even short of ideal outcomes

Pro-Tip #4

- Build the employment contract for change
 - By structuring the employment contract to refer to a “compensation plan” set at management’s discretion, employers avoid needing to frequently re-write & re-sign employment contracts
 - Especially if non-productivity elements are included in the compensation plan, the plan should really be built to change and be updated and re-calibrated based on the success or failure of certain initiatives



Pro-Tip #5

- To combat physician turnover, consider creation and funding of retention bonus pools
 - Bringing this element into the annual review process can help with a frank dialogue on happiness, career intentions and overall expectations
 - An advanced retention fund can work like a 401k, where the employer provides a regular contribution and some match on deferred physician compensation

QUESTIONS?



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THANK YOU!

FOR MORE INFORMATION

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