Risk-Based Contracting

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From FFS-only to VB Payment

• “Fee-for-service payment only” will be replaced as the predominant physician payment methodology.

• During initial transitions, in many markets FFS will be supplemented by rewards for performance with respect to quality and utilization measures with only “upside” risk.
Types of risk

A. So-called “upside risk:”
   – Medicare Shared Savings Program “Track 1;”
   – Traditional pay-for-performance
   – Some forms of commercial “value-based” contracting
Types of risk

• But there will be an increasing transition to payment methodologies utilizing both upside and downside risk. Examples:
  – Per-member-per-month care management payments (used, e.g., in conjunction with patient centered medical homes);
  – Resource-based P4P;
  – MSSP Track II;
  – Bundled payments, i.e., payments for specific episodes of care;
  – Partial capitation;
  – Global capitation.
Budget-based payment systems

Concept: Rather than being paid purely on a fee-for-service basis, physician income is tied to physicians’ ability to predict successfully future utilization for understanding the past utilization for a similar patient population as well as practice expenses to provide those services.
Evaluating a budget

• Determine precisely the services that are to be included in the budget.
  – You should be given an exhaustive list of all CPT, HCPCS, and ICD-9 codes that will be charged against the budget.

• Determine the volume of the services that the population covered by the budget will use;
  – Ask the health insurer for the data upon which it based its utilization budget, along with a copy of a certification from the health insurer’s actuary that the utilization projection is actuarially sound.
Evaluating a budget

• Develop an imputed fee schedule under the budget based payment system;

• Determine whether the services covered by the budget can be provided within budget.
  – There are a number of ways to determine your practice’s baseline costs.
Evaluating a budget

• Understand the risk adjustment methodology applied to your patient population.
• Understand what your responsibility is for overages.
• Stop-loss insurance may be desirable.
• Professional assistance, e.g., actuarial advice, may be very helpful.
During the contract

• Actionable data concerning utilization and quality performance is essential. Data must be transparent and reliable.

• Reports need to be provided quarterly at a minimum, and some plans say they can deliver data on a more frequent basis.

• Transparent reconciliation at the end of each performance period.
Other key issues

• Attribution:
  – Patients
  – Services
• Validity of quality measures and targets
• Data reporting obligations
• Allocation of savings and the party controlling
• Risk adjustment of performance
• Commencement and end of episodes
Some steps to take

• Develop capacity to demonstrate quality care
  – Standardizing care by integrating recognized clinical guidelines into your practice. There are a number of guideline sources, e.g., the AMA’s convened Physician Consortium for Performance Improvement www.physicianconsortium.org.

• Find ways to utilize your practice data, which can:
  – help a practice compare the performance of its physicians or with the practice’s peers based on specific performance measures;
  – identify patients who are at risk and potentially need follow up care.
Some steps to take

• Automate your practice, e.g., utilizing HIPAA standard transactions
Resources


Chapter Eight: “Retaining independence while embracing accountability: Care coordination and integration strategies for small physician practices.”

“Evaluating and negotiating emerging payment models” http://www.ama-assn.org/go/payment”
Resources

• AMA’s Innovators’ Committee:
  – “The Case for Delivery Reform: Implementing Innovative Strategies in Your Practice;” and
  – “Physician Payment Reform: Early Innovators Share What They Have Learned”
  – “Guiding Principles on Health Care Delivery and Payment Reform”
Resources

Contact Us

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