

# 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](http://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
  - (<http://www.ama-assn.org/ama/pub/physician-resources/practice-management-center/practice-operations/automating-the-practice.page>)

# Resources

“ACOs and other options: A ‘How to’ Manual for Physicians Navigating a Post-Health Reform World” <http://www.ama-assn.org/go/aco>

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”
    - <http://www.ama-assn.org/resources/doc/washington/delivery-reform-white-paper.pdf>
  - “Guiding Principles on Health Care Delivery and Payment Reform”
    - <http://www.ama-assn.org/resources/doc/washington/delivery-and-payment-reform-guiding-principles.pdf>.

# Resources

- Next Generation Physician Payment and Delivery Models website at <http://www.ama-assn.org/ama/pub/about-ama/strategic-focus/shaping-delivery-and-payment-models/payment-model-resources.page>

# Contact Us

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