Latest & Greatest in Hospital Pay-for-Performance

Becker’s 8th Annual Meeting

April 18, 2017
Introduction

VMG Health

- Focused solely on healthcare valuation, independent third party
- 20+ years experience, 120+ valuation professionals, 3,300+ valuations in 2016
- Health system clients primarily

Alex Higgins

- Director, Professional Services Agreements Division
- Focus on P4P compensation
- Published in HFM Magazine, American Bar Association, Compliance Today, Becker’s Hospital Review, and others
- Presented at national healthcare conferences including HFMA National Payment Summit, Becker’s Hospital Review Annual Meeting, AICPA Health Care Industry Conference, Becker’s Annual ASC Conference

Nicole Montanaro

- Manager, Professional Services Agreements Division
- Focus on P4P compensation
- Project lead for large for-profit and not-for-profit health system co-management engagements (10-15 valuations per month)
- Published in HFMA Advisor, related to co-management arrangements
OVERVIEW

Navigating P4P: Transition from FFS to VBP

Arrangement Types & Trends

FMV Considerations

Compliance Checklist
NAVIGATING P4P
Increased Focus on P4P

Market influences (including local and national hospital ratings based on quality scores)

Hospitals need physician participation / alignment in order to improve quality and cost efficiency

Transitions in reimbursement – involves performance
FFS and P4P Co-Exist During Transition

CMS Goals

- Financial Viability
- Payment Incentives
- Joint Accountability
- Effectiveness
- Ensuring Access
- Safety and Transparency
- Smooth Transitions
- Electronic Health Records

Ensuring Access

Safety and Transparency

Effectiveness

Joint Accountability

Payment Incentives

Financial Viability

Smooth Transitions

Electronic Health Records
P4P Background

Primarily quality payment focus during 2003-2010 (sharing savings was a slippery slope)

- Hospital Quality Incentive Demonstration (HQID) for over 250 hospitals: 2003-2009
- Physician Group Practice Demonstration for ten physician groups: 2005-2010
- Third-party payors and health systems start incentivizing for quality

Savings alone (capitation) no longer in the mix – but ACOs emerge with savings and quality thresholds

Multiple models and arrangements exist today beyond commercial and Medicare ACOs

- Medicare Shared Savings Program
- Bundled Payments for Care Improvement
- Commercial payor P4P programs growing exponentially
- Government launching of numerous APMs

*Valuation process should consider regulatory guidance, governmental programs, and third party payor models*
P4P TRENDS
Arrangement Types & Trends

Quality

- Employment
- Co-Management

Cost Efficiency

- ACO model / shared savings
- Bundled payments
- Cost savings

Quality & Cost Efficiency

Hospital efficiency improvement programs ("HEIPs")
Arrangement Types & Trends: Quality

Example: Co-Management Arrangements

Arrangement Component

<table>
<thead>
<tr>
<th>Component</th>
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<tbody>
<tr>
<td>Parties</td>
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Co-Management

- Group(s) of physicians or PHO and a Hospital
- Specific service line(s) or specialty(ies)
- Quality improvement; may also include administrative services
- Internally or Third-Party Payor Funded
- Variable fee tiered based on performance; may also include fixed fee for admin. services
- Rewards achievement of quality outcomes
- Strength of quality metrics
**Arrangement Types & Trends: Cost Efficiency**

*Example: Cost Savings Arrangements*

### Cost Savings

- **Group(s) of physicians or PHO and a Hospital**
- **Specific supplies/devices/DRGs**
- **Cost efficiency/reduction primarily through resource utilization**
- **Savings achieved**
- **Variable fee based on percentage of savings achieved**
- **Rewards cost reduction subject to performance on related quality gates**
- **Cost savings opportunity**

### Arrangement Component

- **Parties**
- **Scope of Impact**
- **Services Provided**
- **Program Funding**
- **Fee Structure**
- **Basis for Incentive**
- **Key Value Driver**
Arrangement Types & Trends: Quality & Cost Efficiency

Example: Hospital Efficiency Improvement Programs

Arrangement Component

- Parties
- Scope of Impact
- Services Provided
- Program Funding
- Fee Structure
- Basis for Incentive
- Key Value Driver

HEIP

- Physician group(s) (often in the form of a CIN) and a Health System
- System-wide initiatives, multiple facilities/service lines/specialties
- Cost efficiency/reduction through the systematic adoption of best practices
- Savings achieved
- Variable fee based on percentage of savings achieved
- Rewards cost reduction subject to achievement of best practices/initiative metrics
- Cost savings opportunity
## Arrangement Types & Trends

### Summary of Examples

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FMV CONSIDERATIONS
Value Drivers That Impact P4P Compensation

- Source of Program Funding
- Level of Responsibility of Parties/Participants
- Degree of Risk of Parties/Participants
- Specific FMV Considerations Related to Arrangement Type
Specific FMV Considerations by Arrangement Type

- Size of the Maximum Bonus per Physician
- Number of Physician Participants
- Strength of the Quality Metrics*
- Size of the Service Line
- Physician Specialty

*Quality Metric Considerations
- Selection and Number of Meaningful Metrics
- Aggregate Physician Responsibility
- Metric Type
- Metric Source
- Benchmark Source
- Likelihood of Achieving Maximum Payout
Specific FMV Considerations by Arrangement Type

**Program Requirements**

- Focus to reduce waste and increase efficiency
- Physicians required to work with hospital(s) to evaluate and conduct clinical reviews of various processes
- Clearly defined participation criteria
- Processes include standardization measures and best practices
- No savings paid unless quality criteria thresholds are met or exceeded
- Certain safeguards are in place to ensure patient safety and quality are not negatively affected
- Objective and credible support for cost reductions are considered, as well as, historical performance related to the subject cost reduction benchmarks
- Metrics/benchmarks/initiatives will be reassessed and/or rebased annually
COMPLIANCE TIPS
### Compliance Questionnaire

**Does your hospital P4P program meet these criteria?**

<table>
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<th>Answer</th>
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<td>Has an agreement been drafted that details the services and responsibilities of each party, fee structure/flow of funds (if applicable), and quality metrics/gates (if applicable)?</td>
<td>✔</td>
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<td>Have all eligible physicians been asked to participate?</td>
<td>✔</td>
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<td>Have safeguards been put into place to ensure patient safety and to prevent reduction in patient care?</td>
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<td>Has there been a review of various P4P programs to ensure there is no overlap of services or payments?</td>
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<td>Have the subject quality metrics and/or cost savings opportunities been determined in advance?</td>
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<td>Do the selected performance metrics align directly with the patient population, service line, and/or the hospital’s mission and values?</td>
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<td>Has performance been benchmarked against historical and national data in order to identify areas of opportunity and superior outcomes?</td>
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<td>Has physician participant risk and/or responsibility for performance under the P4P model been considered?</td>
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<td>Has an infrastructure been put into place to track and monitor performance and expenses incurred?</td>
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<td>Have the parties ensured that the payments to the physician participants in the P4P program are consistent with fair market value?</td>
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QUESTIONS?
CONTACT INFORMATION

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