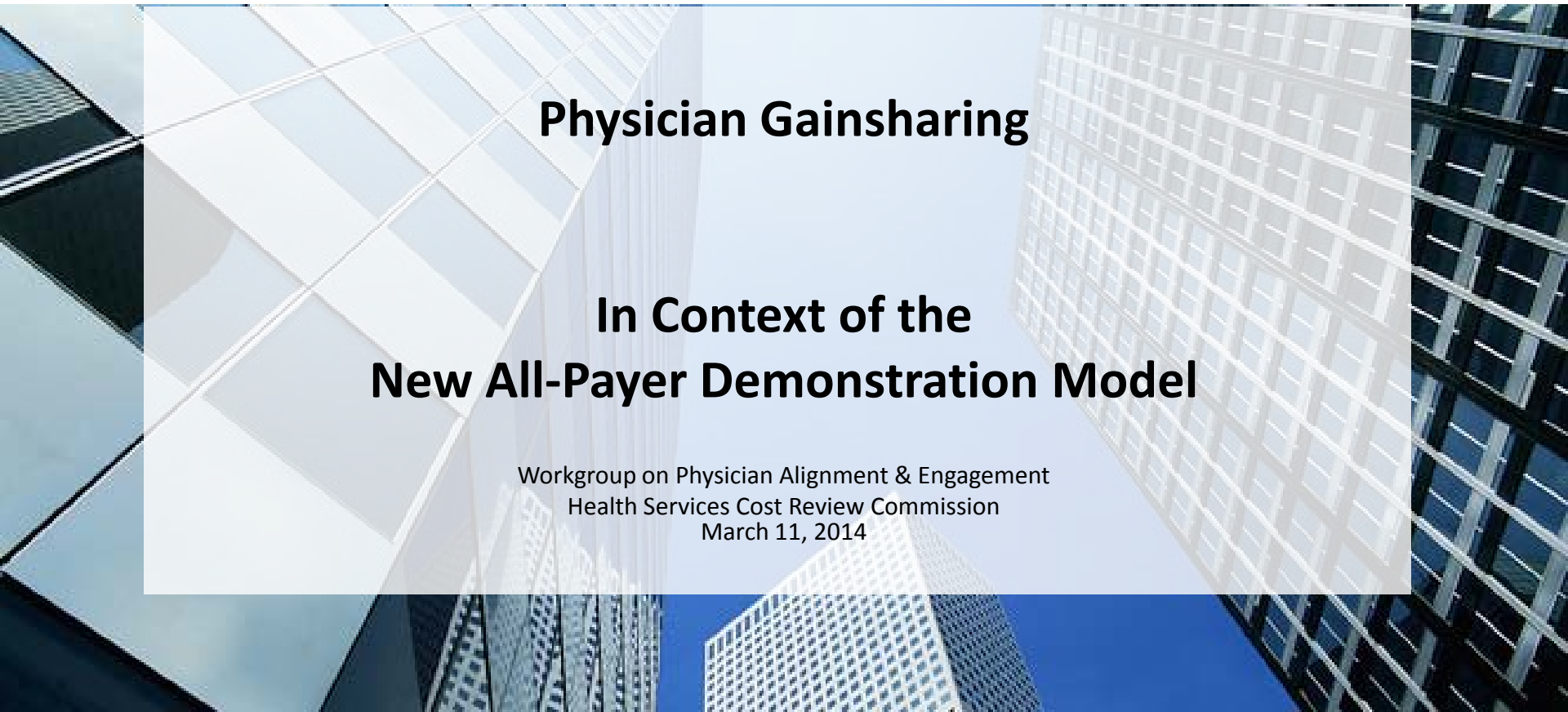

Physician Gainsharing

In Context of the New All-Payer Demonstration Model

Workgroup on Physician Alignment & Engagement
Health Services Cost Review Commission
March 11, 2014

Objectives of gainsharing

- Promote physician engagement through financial incentives
- Align physician-hospital performance targets
  - Focus attention on the highest opportunity/highest priority areas
- Incentivize physicians to meet targets
- Align investments across hospitals and physician practices

Performance targets

Near-term: Statewide hospital targets

- Prevention Quality Indicators (PQIs)
- Readmissions rate
- Complications rate (PPCs)

Longer-term: Hospital-specific targets

- Costs per admission
  - Specific procedures/conditions associated with high degree of variation
- Frequent flyer utilization
- Annual costs of care: Specific chronic diseases
- Local area health improvement targets

Key attributes

- All payer
  - Incentives applied equally
  - Avoid disparities in care
- Quality improvement targets
  - Aligned with HSCRC targets
  - Allowance for hospital-specific defined targets
- Broadly-defined eligibility
- Distribution formulas to reflect ("credit")
  - Role of community-based physicians
  - Increased reliance on post-acute settings

Key attributes, cont'd

- Safeguards
  - If quality declines, no $$ allocated
  - Aggregate performance measures/reviews
  - Upper limit on payment to individual clinicians
  - Savings threshold for distribution
- Hospital authority to design parameters
- Legal protection
  - Allow for hospital-specific innovations
- Expediency
  - Allow near-term implementation

Current constraints

- Physician Self-Referral Statute (“Stark”)
- Anti-Kickback Statute
- Civil Monetary Penalty provision (“gainsharing”)

Waivers under the Shared Savings Programs

- Exemption from the Fraud and Abuse provisions under specified conditions
  - Allows distribution of shared savings
  - Quality and cost-focused
  - Cannot be tied to volume of value of referrals

- Conditions that include
  - ACO eligibility and infrastructure
  - Quality targets and quality controls
  - Minimum savings target (per capita)
  - Physician participation size
  - Terms governing distribution of savings
  - Safeguards (e.g. not based on volume)

Options for Maryland: A Framework

Option 1: Existing constructs that use HSCRC as a vehicle

Option 2: Hospital pre-funding of incentive pool

Option 3: Propose application of ACO waivers to the State of Maryland under the Demonstration Model

The premises:

- Maryland Demonstration Model is a “macro ACO”
- Maryland hospitals can adopt the same safeguards
- HSCRC is positioned to enforce these conditions
- Could be quickly applied to Maryland

Organizational readiness in Maryland

- Infrastructure requirements
  - To include community-based providers and post-acute providers
- Methodologies/policies for eligibility and savings distribution
  - Majority of hospitals are not operating with a single cohesive physician organization
- Allocation of funds for distribution
  - Estimating the funds available for distribution

Additional issues

- Would separate approval be required from the State for other payors?
- How substantial must incentives be to significantly impact behavior?
- Malpractice issues in this context
- Academic medical centers and faculty practice plans
  - Distinct issues