DRAFT DISCUSSION POINTS

PRINCIPLES AND DEFINITION EXTRACTS FROM WHITE PAPERS SUBMITTED BY HEALTH CARE FOR ALL, MHA, AND CAREFIRST

Provide clear incentives

- Provide clear incentives to emphasize value rather than volume
- Reward improved utilization, taking care not to reduce budgets when hospitals have to invest in interventions such as care coordination and physician alignment
- Be careful not to diminish resources available for care coordination
- Encourage reductions in utilization that help achieve the Three Part Aim.
  Discourage reductions in utilization that undermine the achievement of the Three Part Aim.
- Avoid incentives for overutilization that undermine the Three Part Aim.

Reinforce the maintenance of services to the community.

- Encourage competition to promote rational provision of services.
- Competition should be based on value.
- Generally revenue should follow the patient.
- Discourage poor services and low-quality care.

Changes constituting market share shifts should be clearly defined

- Should be used as a mechanism to channel patients from low value to high value hospitals
  - Should be based on channeling of market share by entities such as ACOs, PCMH, MCOs seeking to direct patients to low cost high quality setting
- Closures of services or discrete readily identifiable events should result in a market share adjustment
- Wholesale migrations of patients from one facility to another because of perceived reductions in quality should result in market share adjustment
- There is a distinction between shifts from competitively-induced channeling versus shifts in patients that are not market driven. For instance, large health care systems often acquire practices or provide bonuses. These practices have little to do with improving efficiency and are not consistent with the goals of population-based health payment
- Revenue shifts should not provide excessive funds to reward movement of services that do not add value, that would result in funding the purchase of physician practices to gain market share without adding value
- Changed hospital expenditures resulting from improvements or efficiency losses should not be considered market share shifts. (Be careful when using charges in the calculation.)

How to calculate market share changes

- Increases in the global budget of one hospital should be funded fully by the decrease in another hospital's budget
- If one hospital increases production and another does not decrease production, a market share shift should not be awarded.
- Judge market share shifts with overall volume to ensure that shift has occurred, rather than volume growth
- Reflect market for services provided by the hospital
- Exclude PAU
- Do not exclude ambulatory sensitive conditions with other PAU
- Adjust budgets for substantial shift in market share, after the fact. Use corridors to avoid shifts for minor variations.
- Adjust budgets gradually to reflect the fixed nature of capital