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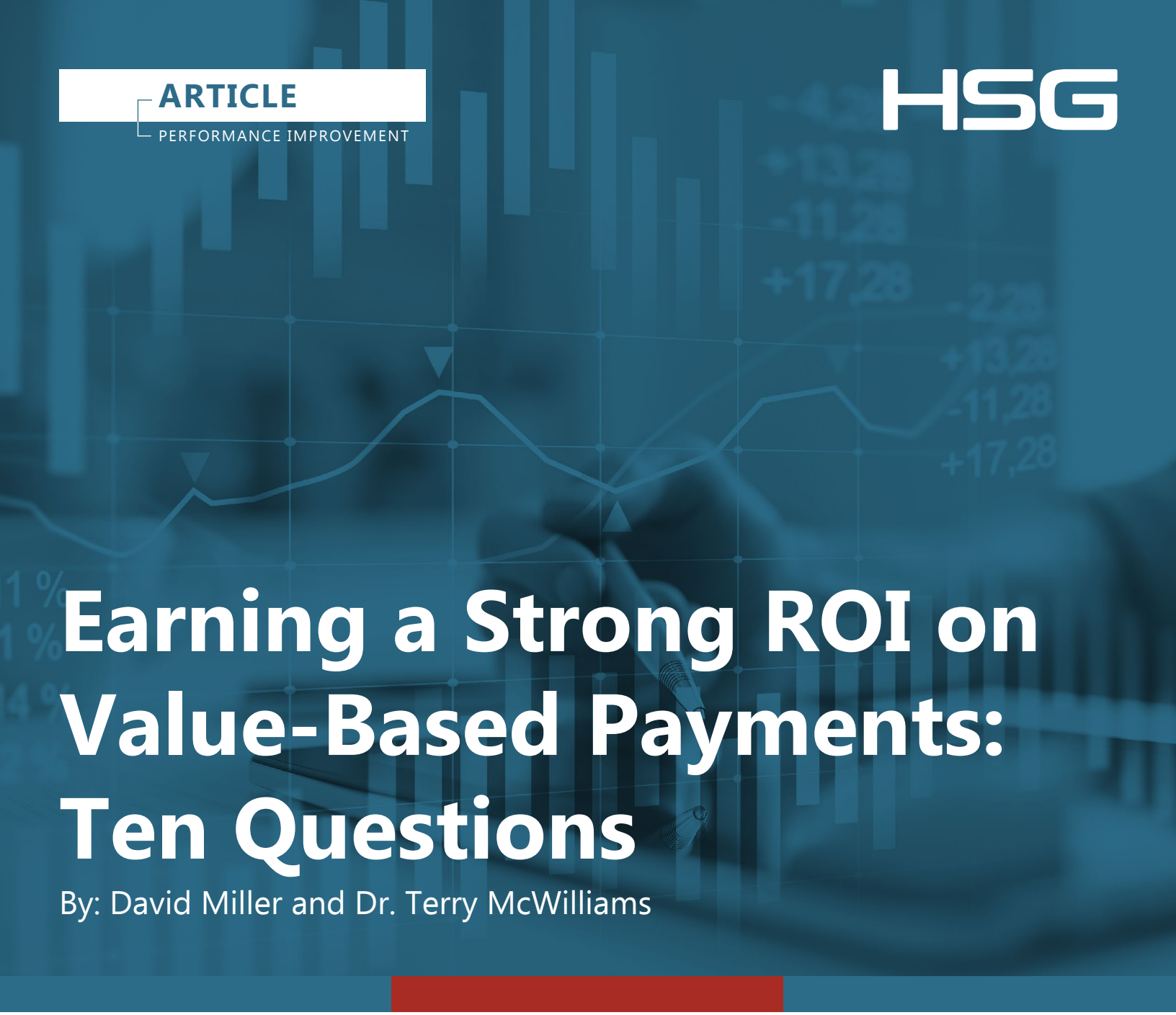

Earning a Strong ROI on Value-Based Payments: Ten Questions

By: David Miller and Dr. Terry McWilliams

Working with dozens of employed provider networks, it is not unusual to find minimal focus on earning value based payments. Many employed networks are leaving a lot of cash on the table – whether due to inadequate management infrastructure, disconnects between payer contracting and the employed network, or a system-wide focus on acute care/hospital contracts.

In the worst case scenarios, the employed network physicians and APPs do not know what metrics, behaviors, or results are being incented by the various payers – and how the metrics may vary between payers. Often, the executives that negotiate with insurers have no insight into the provider network's ability to produce the results desired – only the payers' desires to achieve those results. In many cases, addressing ten simple questions can set the stage to collect millions of reimbursement dollars.

QUESTION #1: Do health system executives address physician practice incentive payments in their managed care negotiations?

In most cases, health system negotiators are most comfortable with hospital incentives, as historically that is where they have made money. In addition, the negotiators become informed of the payers' desires, but may not be aware of the employed network's ability to attain those results before agreeing to them. Educating the lead negotiators about the potentially attainable incentives is a crucial step in the process and can create financial wins for the employed provider network.

QUESTION #2: Do these executives collaborate with the practices in setting incentive goals?

These negotiations cannot take place in a vacuum. Getting input from employed network leaders on what is achievable can avoid setting unachievable targets. The interplay between the employed network and payer contracting is a critical linkage for successful ventures.

QUESTION #3: Do the executives and practice leadership understand the dollars at risk?

Oddly, HSG often finds that executives do not know the payer-specific metrics and targets – nor the actual dollars at risk. It is not uncommon to see health systems leaving millions on the table – and to see no one focused on that opportunity. The CFO and employed provider network leaders should ensure that this is on everyone's radar.

QUESTION #4: Do you have the resources to measure, monitor, and report metric performance?

Many organizations take on pay-for-performance contracts but lack the management infrastructure to know how the network is performing against the pertinent metrics and targets. If it can't be measured, it can't be improved.

QUESTION #5: Have you documented and shared performance related to those incentive goals?

Routine reporting around performance on the incentive goals must be institutionalized. In addition to network-wide metrics, drill downs to individual practices and individual providers should be created and shared – and personally discussed.

QUESTION #6: Do you routinely evaluate the gaps in performance/dollars left on the table, to build plans to correct deficiencies?

Understanding failures creates an opportunity to rectify those failures. Too many health systems tell the providers to "do better" and honestly believe improvement will occur. The greatest opportunities for success rely on incorporating change into daily practice operations. In some cases, the solutions may be as simple as documentation. Others may require an overhaul of major care delivery processes, EMR changes, and/or additional resources to effectively address issues. Addressing these challenges often requires additional network infrastructure resources, which add to the subsidies. Taking the long view, and looking at the ROI (noted on the following page) can help justify the investment.

QUESTION #7: Does your compensation model reinforce the incentives?

The physician and APP compensation models should align incentives and give providers "skin in the game." Many health systems are evolving their compensation models to include quality and other nonproductivity, value-based metrics to help address performance gaps.

QUESTION #8: Have you set improvement goals and individual accountability?

Tied to the compensation question is the issue of individual accountability. We recommend regular review by a quality committee, performance reporting on an individual level, and transparently sharing data in open forums of all providers. This creates peer pressure that will prove invaluable.

QUESTION #9: Have you documented the ROI of your investment?

In most cases, the ROI is strong. Calculate it, share it with the providers and staff in the practices, and help them understand the economic value of their work. Determining the potential ROI supports investment in the infrastructure needed to achieve it.

QUESTION #10: Is there a feedback loop to the contract negotiators?

Negotiators need to understand what is working, where the group is delivering, and where the group is struggling to achieve the desired results. This will close the loop and enable them to modify their approach and to negotiate more strategically.

While this article focuses primarily on building potentially untapped revenue, it is important to consider a broader context. By setting and achieving objectives related to quality and other nonproductivity metrics, you are progressively building your network's capabilities to respond to value related market demands. **Building those capabilities and mindsets will be invaluable to your health system**.

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ABOUT HSG

HSG is a national healthcare consulting firm that focuses on building high-performing employed physician networks and physician integration so health systems can address complex changes with confidence. We work as a part of your team to build an operationally efficient, strategically valuable provider network. If physician employment is not an option, we define the best model for integration of private groups, the model that best aligns strategy and incentives.

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