



# Guide to Value-Based Reimbursement:

Profiting from Payment Bundling, PHO Shared Savings,  
and Pay for Performance

Note: This is an authorized excerpt from *Guide to Value-Based Reimbursement*.

To download the entire report, go to <http://store.hin.com/product.asp?itemid=4869> or call 888-446-3530.

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# **Guide to Value-Based Reimbursement: Profiting from Payment Bundling, PHO Shared Savings, and Pay for Performance**

*presented by the*  
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# Guide to Value-Based Reimbursement: Profiting from Payment Bundling, PHO Shared Savings, and Pay for Performance

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*This guide is based on 2012 and 2013 Healthcare Intelligence Network (HIN) webinar hosted by Melanie Matthews, HIN executive vice president and chief operating officer.*

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**Julie Hobson**, RN, BSN, manager of provider engagement, performance and partnership at Highmark Inc.

**Greg Mertz**, MBA, FACMPE, director of consulting operations, Healthcare Strategy Group

**Jay Sultan**, associate vice president and chief product portfolio architect, Trizetto® Corporation.

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# Executive Editor's Note

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Welcome to the Healthcare Intelligence Network's *Guide to Value-Based Reimbursement: Profiting from Payment Bundling, PHO Shared Savings, and Pay for Performance*. In healthcare's post-reform volume-to-value world, payor reimbursement strategies are tipping in favor of providers who can deliver the clinical and financial goods. In the mix are bundled payments, shared savings, pay for performance and bonuses — with some going so far as to restructure organizations for maximum gain.

The *Guide to Value-Based Reimbursement: Profiting from Payment Bundling, PHO Shared Savings, and Pay for Performance* explores emerging models of episode-based payments, physician-hospital organizations and physician bonus structures.

- ✓ Chapter 1: Blueprint for Bundled Payments
- ✓ Chapter 2: 7 Key Elements for PHO Success
- ✓ Chapter 3: Physician Pay-for-Performance and Bonus Structure

We hope your organization finds the organizational and financial strategies contained in this guide useful as it navigates the new value-based healthcare terrain.

*Melanie Matthews, HIN executive vice president and chief operating officer*

# Blueprint for Bundled Payments: Strategies for Payors and Providers

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*This chapter is based on a 2013 Healthcare Intelligence Network (HIN) webinar hosted by Melanie Matthews, HIN executive vice president and chief operating officer. This report is aimed at CEOs, medical directors, wellness professionals, human resources professionals, disease management directors, managers and coordinators, health plan executives, care management nurses, business development executives and strategic planning directors.*

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# Blueprint for Bundled Payments: Strategies for Payors and Providers

*Simply put, payment bundling is one of the few policy alternatives available to the healthcare industry in which patients, providers and payors do better, explains Jay Sultan of TriZetto Corporation. It has the ability to reduce the medical cost of care by providing actionable real world working tools to change provider behavior and improve quality and efficiency. Here, Sultan explains the model, in light of CMS' recent Bundled Payments for Care Improvement initiative, believed to be the largest demonstration project ever run by CMS, spurring an all-time interest in it.*

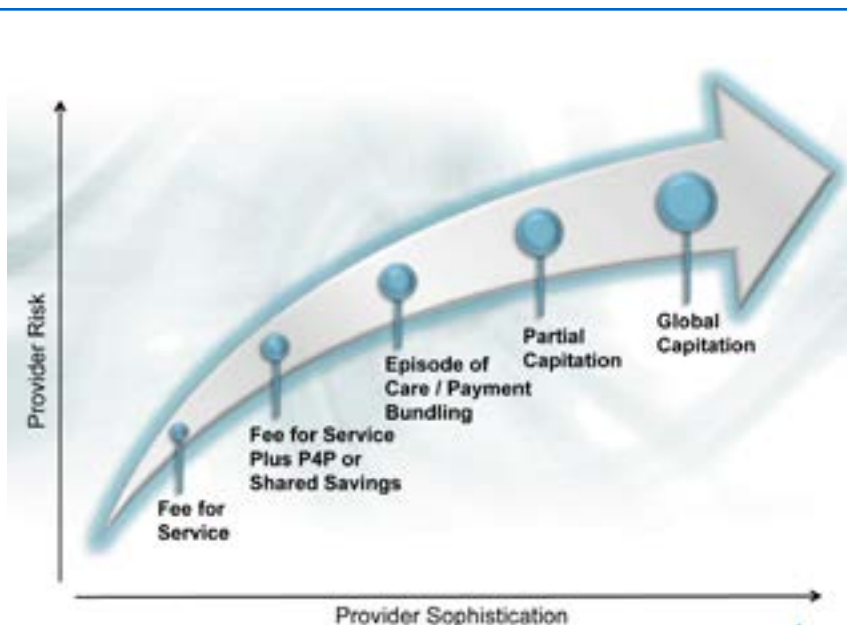
## Moving Forward with Bundled Payments

*Jay Sultan is associate vice president and chief product portfolio architect, TriZetto® Corporation.*

I appreciate this opportunity to describe some of the things that have been going on in the payment bundling space, what we see happening now, and what we think is coming in the future. We're going to address three topics here: payment bundling, about which I'm mostly just going to define terms; why it is a good idea, what trends we are seeing, and what results we actually have.

Once we have covered that introduction, I will focus on areas that are problems for both payors and providers who are looking to adapt to this payment methodology.

### Alternate Payment Methodologies (VBR) A Continuum of Provider Risk "System View" of Healthcare



Source: Jay Sultan, TriZetto

Let me start by explaining where payment bundling comes from and why it is a good idea. Payment bundling is at the point on the curve that you see in Figure 1: this curve describes the difference between increasing provider risk and the necessity of increasing sophistication in order to be able to handle that increased risk. The great thing about this particular spot on the curve is that it's at the point where we've maximized the technical risk to providers. That is to say, this patient is

Figure 1

# 7 Key Elements for PHO Success

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## **Speakers**

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# 7 Key Elements for PHO Success

*Healthcare's value-based reality has changed the rules of organizational alignment. Today, emerging payment models like accountable care organizations (ACOs), bundled payments and shared savings encourage hospitals and physicians to work together and make each more accountable for the other's actions.*

*Here two industry leaders describe the seven critical areas of PHO development, from defining the PHO mission to creating a data environment conducive to registry use, analytics and active patient management.*

## Developing a Collaborative PHO Structure for Shared Savings Agreements

*Travis Ansel, MBA, is manager of strategic services for Healthcare Strategy Group and Greg Mertz, MBA, FACMPE, is director of consulting operations, Healthcare Strategy Group.*

**T**oday's discussion of Physician-Hospital Organizations (PHO) and the shared savings model is really about the rise of shared savings agreements and the development of a PHO model as a strategy for success between hospitals and their independent and employed physician base.

We are in the middle of the changing reality of healthcare. Everyone is quite aware that the market is shifting from fee-for-service (FFS) to fee-for-value (FFV). But how quickly it has started to shift over the past year and how quickly it's poised to shift over the next couple of years is both scary and exciting.

We've seen payors on all levels — at the federal level, the state level, commercial insurers and self-insured employers — increasingly working to stabilize cost growth and shift risk from themselves to providers. And that's turned into a lot of incentives for providers to start managing care, or manage utilization.

We are also seeing a lot of pilot or experimental programs, or, 'please apply to our program where we can test these things out.' But we quickly expect that and are starting to see some areas shift to, 'We prefer that you do this', or 'It's mandatory that you do this', or 'If you're going into contract or work with us, you can't opt out of doing this'.

### The Many Faces of Shared Savings

"We are in the middle of the changing reality of healthcare."

*Source: Travis Ansel, Healthcare Strategy Group*

We provide you with a quick definition of shared savings (see Figure 1) because we're using it as a broad term to encompass any type of arrangement between payors and providers. The Medicare Shared Savings Program (MSSP) has probably been

# Physician Pay-for-Performance and Bonus Structure

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# Physician Pay-for-Performance and Bonus Structure

*The Highmark Inc. physician pay for performance program, Quality Blue, continues to evolve, providing its 6,300 enrolled primary care physicians the opportunity to earn bonus payments across six measure sets. Physicians are eligible for bonus payments across a broad spectrum of measures from clinical and quality measures to prescribing habits, access to care and level of technology use. In addition, practices can also qualify for a bonus payment based on their development and improvement of a Best Practice evidence-based quality improvement project.*

## Highmark Refines Financial Structure to Meet Market Realities

*Julie Hobson, RN, BSN, is manager of provider engagement, performance and partnership at Highmark Inc.*

**I** will be giving a history of our program and how it has evolved over the years. The biggest expansion we have undertaken recently is incorporating the use of meaningful use into our program. I will discuss how we have accomplished this, as well as provide information on outcomes that we are seeing from our current program.

Our Pay-for-Performance (PFP) program began in 1995 with primary care providers. At that time it was a cost savings model. A per-member-per-month (PMPM) target was set for each practice and if the practices' costs were able to be below that target, then they were able to receive an incentive.

In 2005 we structured our program to focus around quality and efficiency. We incorporated several clinical indicators based on national standards and included other measures that led to a focus on quality of care being provided.

The new program was rolled out to our practices within our Western market region in July of 2005 and then we expanded and rolled out to our Central market region in 2006. Because not all of the practices in our market regions were able to participate in the incentive program, we felt it was important that we still communicate and work with them to focus on the quality of care being provided.

It was for that reason in 2008 and 2009 we expanded our profiling so those practices could focus primarily on efficiency and quality and align the provider reimbursement with patient safety and clinical care improvement.