PAYING PHYSICIANS FOR QUALITY, VALUE AND COST CONTAINMENT: SIX STEPS YOUR HEALTH CARE ORGANIZATION CAN TAKE RIGHT NOW

The government continues to implement payment reforms and to lay the groundwork for the continuing shift in health care from a volume-based "fee-for-service" model to a value-based system that incentivizes outcomes and reductions in cost. Below we've outlined some immediate steps that health care organizations can take now to incorporate quality, value and cost control metrics into their physician compensation plans.

- **Step 1: Conduct a Payor Contract Inventory**. Health care organizations should examine their major payor contracts now to determine the metrics that are currently being tracked, reported on and used to calculate reimbursement. If looking at all payor contracts is too daunting, start with the top five or ten payor contracts and focus on them first. Health care organizations should also review any metrics that relate to participation in government and private pay alternative payment models (e.g., accountable care organizations, bundled payment models, risk models).
- **Step 2: Determine Performance Under Current Payor Metrics**. Once the payor contracts have been inventoried, it's important to evaluate the health care organization's performance under the current payor metrics and identify potential areas of improvement. Consideration should be given to the metrics that can ultimately drive higher reimbursement, such as physician performance under the Merit-Based Incentive Payment System measures.
- **Step 3: Assess the Metrics in Current Provider Compensation Models**. Health care organizations should also examine their current physician compensation models to determine the metrics that are currently being tracked, reported on and used to calculate compensation. If current compensation plans do not have a mechanism for paying based on metrics, try developing a component of compensation that is updated annually as new metrics are identified.
- **Step 4: Align Compensation Metrics to Payor Metrics (Limit Metrics to the Most Impactful)**. Health care organizations should look for opportunities to align and incorporate the payor metrics identified in Step 2 with the compensation models referenced in Step 3. Focus should be placed on metrics that will drive higher reimbursement and can be impacted by changes in physician behavior.
- **Step 5: Shadow Metrics to Avoid Implementation Issues**. When a health care organization develops new metrics or makes changes to existing ones, it should do so carefully to avoid potential implementation issues. Some organizations shadow new metrics for six months or a year to ensure that metrics and compensation can and will be tracked and calculated accurately.
- **Step 6: Engage and Educate Physicians to Achieve Meaningful Implementation**. Physicians should be educated on the metrics that are under consideration and should be provided with an opportunity to give feedback. Some organizations develop a quality committee that provides periodic input on quality and value-based issues.

Because the shift to value-based care may be quickly approaching, health care organizations should focus on their compensation programs now. The six steps above can help. Interested in learning more? Let's get started.

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