

Physician Incentive Arrangements

- Government or third party payor sponsored (Pay for Performance ("P4P")) programs
- Provider P4P programs
- **Gain-Sharing**



P4P Initiatives: Environment and Context

- Professional and Industry Interest In Improving Quality and Questions re Efficacy of Existing Quality Interventions
- **New Focus on Quality in Compliance Arena**
- **Cost Pressures**
- Data Mining with Respect to All of These Factors



Legal Considerations

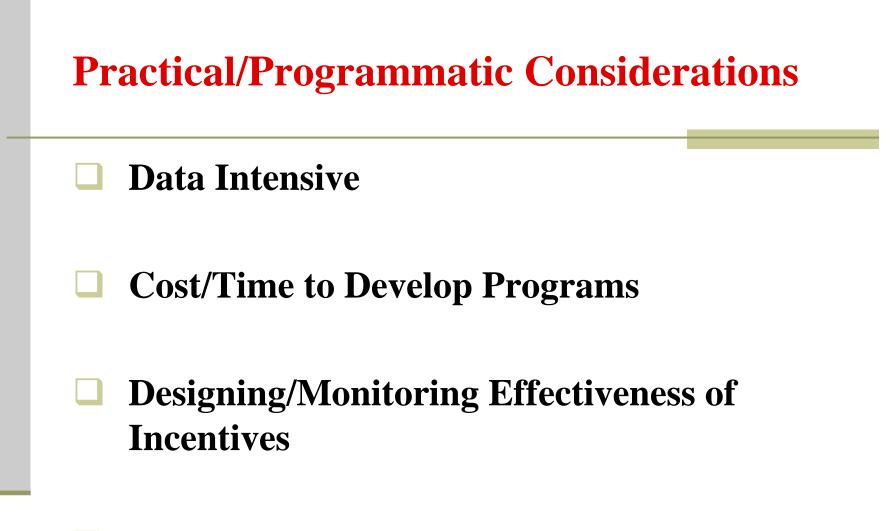
- **Physician Incentive Plan Law**
- **Stark Law**
- Anti-Kickback Law
- Business & Professions Code § 650; PORA
- **General Contract Law Issues**



Legal Considerations (cont'd.)

- **Non-Profit Tax Issues**
- **Antitrust**
- **Other Legal Considerations**
 - Corporate Practice
 - Liability Issues
 - Privacy/HIPAA
 - Intellectual Property Considerations





Effect of Possible "Mega" System Changes?



Gain-Sharing

- **Programs Focused on Aligning Physician Incentives with Hospital Cost Savings:**
 - Hospitals paid DRGs at risk for utilization
 - Physicians paid FFS no stake in hospital costs
- **OIG Special Advisory Bulletin**
- Advisory Opinions and Current Regulatory Status of Gain-Sharing Programs
- **CMS Gain-Sharing Study**



Medicare and Third Party Payer P4P Plans – Opportunities & Limitations

 Individual Plan Initiatives
 Collaborative Initiatives
 Medicare - Hospital Quality Initiative



Incentive Compensation Features

Elements of Effective Incentive Plans --

- Transparency
- Objective Measures Predominate
- Clear Linkages to Goals
- Simplicity -- Operational Consistency
- Reasonable Income Stability Provide rewards rather than impose penalties
- Legal Compliance
- Structure for Review/Accountability



Incentive Performance Measure Principles

Incentive Performance Measures Should:

- Foster care coordination among providers
- Affect a significant number of patients
- Be valid, scientifically sound, and tested
 - Visible
 - Clinically Relevant
 - Define Good Care and Optimal/Improved
 Outcomes
- Be developed with physician input
- Be effectively communicated to physicians



Incentive Performance Measure Principles (*cont'd*.)

- Relate to factors physicians can impact
- Be meaningful to patients
- Measure improvement over time
 - Relevant goals
 - Appropriate time periods
- Include milestones, benchmarks and provision for detours



Incentive Performance Measure Principles (*cont'd*.)

- Be aligned with national measures
- Be aligned with Hospital/Health System goals
- Have appropriate incentives amounts/types
- Be designed to maximize physician participation



Closing Thoughts

- Spend some time to consider options & strategize
- P4P an opportunity to achieve many objectives

