C3 Partners

Preparing for Risk Based Revenue Contracting

Migrating away from fee-for-service into "outcomes-based" medicine is all the rage. CMS seeks to manage the cost of healthcare (*interpretation: pay providers less*) while providers envision the making more money through shared savings, capitation or lucrative quality adjustments. As CMS moves into Alternate Payment Models (APMs), commercial payers could follow suit, depending on their market power modified by perspectives of state-level Insurance Commissioners. Some APMs allow sharing of savings across provider pools, when the associated patient population achieves lower than expected healthcare costs. But newer Advanced APMs increase the level of possible benefit, at the cost of bi-directional downside risk. This increased risk, whether governmental or commercial, should raise provider concern, and spark a level of planning to evaluate whether a provider has goals, data and processes to make effective operational decisions.

Inventory of Strategic Consensus

Provider choices may be limited by "take it or leave it" affairs. But even before reading the opening paragraph of an Advanced APM-type of arrangement, knowing what you hope to achieve can help evaluate improved (or reduced) profitability. Do we expect increased patient volume? Where can our internal costs decrease? Can our providers truly impact inpatient, ASC or other facility utilization (which contributes to our own downside risk)? What are our quality scores, relative to competitors, and can we reasonably expect to improve? Can we reasonably expect to acquire a sufficient volume of attributed beneficiaries to even trigger the features of a new contract? And do we need enhanced downstream referral or inpatient partners that may result in additional informal agreements, or even formal contracts?

Creating an inventory of reasonable goals and capabilities can provide the context within which a provider group can evaluate whether the risk of an Advanced APM is likely to result in benefit or damage.

Implementing a contract

Provider systems and processes are well-tuned engines for evaluating fee-for-service billing arrangements. But even doing a good job with HCC coding may not be enough to evaluate Advanced APM performance.

Depending on the features of a specific contract, providers may need to implement analytics, teams to evaluate them, and executive responsibilities for reacting to results. Teams will probably need new training on contract features, particularly when new concepts apply.

One of the pre-startup activities of a new contract should be to inventory each risk element, and identify what analysis will evaluate performance, who will be empowered to effect any required change, and from where data will be provided. Once the inventory is completed, and organizational actions have been socialized, the clinic can evaluate the costs and timetable to realization.

Achieving Operational Excellence

Medicare ACOs (APMs) have not universally delivered shared savings to member provider groups. Governmental or Commercial Advanced APMs, carry the risk of adverse financial consequences. Provider groups who thrive in the new environment will do more than simply sign a contract, and hope for good results.