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Expanded Healthcare Solutions

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Value-Based Care Allocation of Incentive Dollars

Value-based care focuses on quality and using incentives to reward lower costs and better outcomes for patients. Based on recent survey data*, approximately 58% of primary care physicians, 49% of medical physicians, 51% of surgeons, and 45% of hospital-based physicians take part in value- or quality-based incentive programs as part of their compensation plan. This can be in the form of individual physician employment arrangements, clinical co-management agreements, or more robust hospital quality and efficiency programs.

Over the years, we have seen too many arrangements where the methodology for allocating dollars to various quality or efficiency metrics is overly simplistic, putting hospital organizations at-risk. "We have a $100,000 incentive plan with 10 measures and plan to pay $10,000 for each." This seems to be the most common approach, which we believe makes very little sense. How could you place the same value on an AMI mortality metric with only 10 cases as a Hospital Wide 30-day Readmission metric that captures 1,000 cases? This, and other factors, should be taken into consideration.

Once the compensation plan is in place and value- or quality-based metrics are defined, hospitals and medical groups typically struggle to determine how to allocate dollars to specific metrics. Pinnacle has developed a five-point framework to address this issue and assist in allocating incentive dollars to metrics in value-based compensation programs.

1. **Cost Impact** – What is the overall cost impact of cases to the hospital or department for that metric? Did we only have five cases fail a metrics last year and what was that cost? Or did another metric have 100 failing cases and what was that cost? Those cases with a greater impact from a cost perspective, thus greater impact to hospital financials, should be given more weight.

2. **Financial Pay for Performance Impact** – Does the metric impact hospital performance as it relates to at-risk reimbursement programs such as Hospital Value-Based Purchasing, Hospital Acquired Conditions, or Hospital Readmissions Reductions Program? Certain metrics may be part of one or more at-risk programs via government or commercial payors.

3. **Public Reporting** – Is the metric visible to the public via Hospital Compare or other state required resources? Publicly visible information could have a greater impact on hospital reputation.

4. **Quality/Safety Risk** – To what degree does the metric impact the patient's health (i.e., mortality vs. infection)? Sepsis mortality may be given greater weight than sepsis readmission given the loss of life.

5. **Hospital Focus/Improvement Opportunity** – Is the metric a focus of the hospital due to poor performance or for strategic reasons? Has the hospital struggled in certain areas of quality or care provision in the past? Is the hospital placing a strategic focus on certain areas for improvement?

Value-based care increases financial accountability and the level of integration between hospitals, providers, health plans, and patients. Pinnacle has extensive experience in developing and valuing value- and quality-based incentive programs for hospital clients as well as assisting in a thoughtful determination of the value of each metric.

*Sullivan Cotter 2017 Physician Compensation and Productivity Report.

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