HFMA Washington-Alaska Chapter

Physician Compensation Implications from Health Care Reform

February 26, 2014
3:00 p.m. – 4:00 p.m.



Jeff Bramschreiber, CPA, Partner
Wipfli Health Care Practice

WIPFLi LLP
CPAs and Consultants

Agenda

1. Industry perspective and its influence on physician compensation plans
2. Changing reimbursement
3. How physician compensation can enhance alignment
4. Example of:
   - Reform-minded reimbursement
   - Reform-minded physician compensation plan
5. Q & A

FIERCELY FOCUSED > WIPFLI LLP CPAs and Consultants

Industry Perspective and Its Influence on Physician Compensation Plans

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Industry Perspective

Patient Protection and Affordable Care Act (ACA) presents significant changes for the health care delivery industry, particularly with respect to payment reform:

- Payment reduction
- Value-based purchasing, bundled payments, shared savings
- Transparency
- Insurance changes (Pre-existing conditions)
- Delivery system changes (Pioneer ACOs)
- About 48 million uninsured in 2012

  (About 25 million expected to become insured as a result of the ACA. May create near term surge in utilization.)

Industry Perspective

Transformation of health care delivery is underway.

- The current cost curve is unsustainable.
  - Too many stakeholders acknowledge the need for reform.
- Payment systems based strictly on volume get what they pay for.
- Recognition that the only way to bend the cost curve is to make providers accountable for the care they deliver.
- Consumerism continues to rise ("boomers" coming into Medicare; greater financial risk with HDHPs, etc.).

With payment and health care delivery reform must inevitably come physician compensation "reform."

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

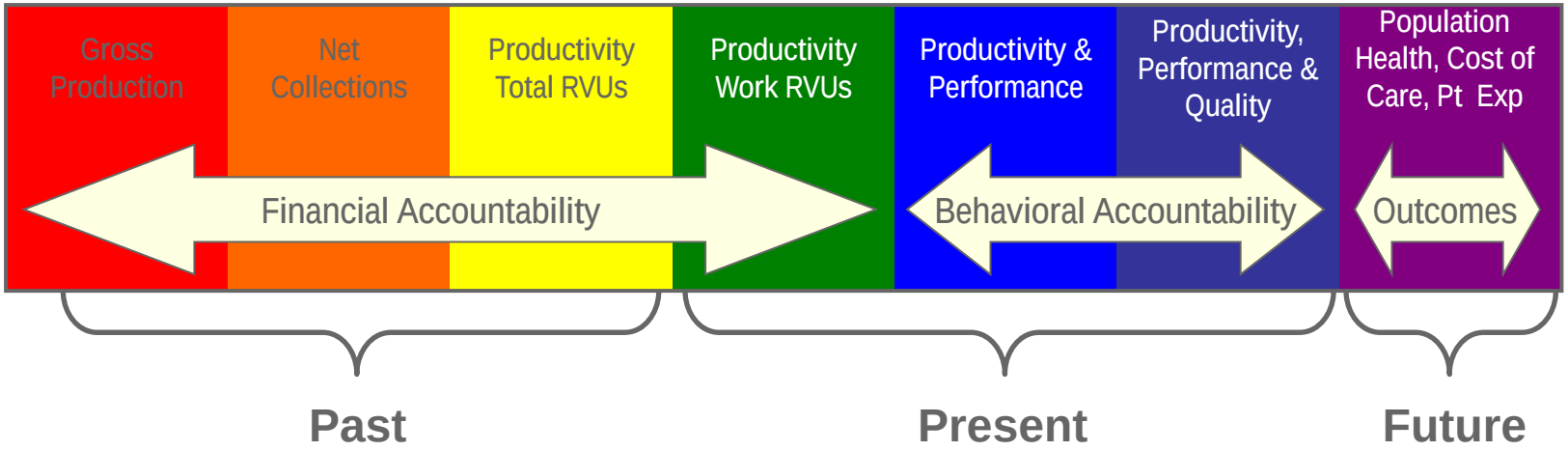
Influence of Health Reform on Compensation Plans

- While most physician compensation plans continue to encourage increased productivity, other incentives have emerged and comprise an increasing portion of total compensation.

- Market dynamics will continue to push for quality over quantity and value over volume
  - Population health management (managing panels of patients)
  - Patient-centric delivery models (e.g., medical home)
  - Reduced variation among providers
    - Quality and patient experience; individual and team goals

- Financial risk will be shared with practitioners

Historical Perspective – The Evolution of Compensation Incentives



- Plans have evolved from revenue-based to productivity-based
- Performance incentives (coding/documentation, citizenship, EHR implementation, etc.) are becoming more prevalent
- Emerging use of other non-production incentives to include patient satisfaction, access, and quality in rural markets
- Greater use of patient panels, cost of care, quality, and patient satisfaction in urban markets

Evolution of Incentive Compensation – The Present

Medical Group Management Association

MGMA DataDive

Physician Compensation and Production: 2013 Report Based on 2012 Data

	Med Pracs		Providers	
	Count	Percent	Count	Percent
100% Salary	59	15%	538	16%
100% Equal Share	10	3%	216	7%
100% Productivity	180	47%	1,194	36%
50% or More Salary Plus Incentive	74	19%	726	22%
50% or More Production Plus Incentive	60	16%	606	18%
	383		3,280	

Evolution of Incentive Compensation – The Future

For example:

- Sanford Health-MeritCare (29 hospitals; 800 physicians)

  Compensation is based on productivity and a revenue-minus-expenses model. The next compensation model will more actively address physician involvement in system-wide leadership initiatives as well as quality. "But we're not going to lose a significant productivity component to what we do. I don't think that is ever likely to go away." - Ken Aspaas, MD, Sanford Chief Medical Officer.

Changing Reimbursement

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Reimbursement – What's Happening?

- ACO development and pursuit of advanced reimbursement mechanisms (total cost of care, value-based purchasing, shared savings, bundled payment, etc.) reside primarily within larger systems where a greater continuum and volume of care is controlled and, therefore, more of the total cost of care.

- Unless a health system has a substantial portion of required services, it will likely continue to operate in more of a fee-for-service contract environment for the various components of care that it provides with some quality and patient satisfaction incentives.

Reimbursement – What's Happening?

Provider organizations will want to get out front and plan for change,

and . . . translate and align incentives from health plans to compensation to providers.

FIERCELY FOCUSED > WIPFLI LLP CPAs and Consultants

How Physician Compensation Can Enhance Alignment

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Why Physicians Often Pursue Alignment Through Integration

- Improve clinical outcomes; achieve greater consistency in outcomes
- Reduce cost, removing unnecessary variability of clinical practice
- Maximize opportunity for reimbursement
- Better position for negotiations with payer(s)
- Position for participation within an “accountable care organization”
- Deliver enhanced/exceptional patient experience

FIERCELY FOCUSED > WIPFLI LLP CPAs and Consultants

How Can Provider Compensation Enhance Alignment?

Provider productivity will remain a mainstay of most compensation plans although an increasingly larger portion of compensation will focus on the "Triple Aim":

- **Improved efficiency and quality**:
  - Standardization of clinical protocols, evidence-based medicine, etc.
    - "One best way" - Reduced variation
    - Managing quality metrics
    - Cost per enrollee (PCPs); supply/procedural costs (specialists)
    - Adoption of information technology competencies (EHR, HIE, etc.)

How Can Provider Compensation Enhance Alignment?

- **Population health**:
  - Increased emphasis on primary care and clinical interdependency and coordination:
    - Medical home; growth/management of assigned/attributed PCP panels
- **Enhanced patient experience**:
  - Deliver the “promise” each and every time
  - Use of patient/referring physician satisfaction surveys, access standards, etc.
  - Scrutinize individual practitioner data; measure overall system performance.

How Can Provider Compensation Enhance Alignment? – Key Principles

- Align with the Mission, Vision, Values, and Strategic plan of the health system.
- Consistent with marketplace needs and financial realities.
- Be affordable and sustainable beyond the immediate economics of the practice setting.
- Be understandable with measurable outcomes.
- Reward the right things with using attainable goals/targets for participants.
- Be considered fair (and FMV) using external comparisons, and participated process for development.

FIERCELY FOCUSED > WIPFLI LLP CPAs and Consultants

Examples of Reform-Minded Reimbursement

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Reform-Minded Reimbursement

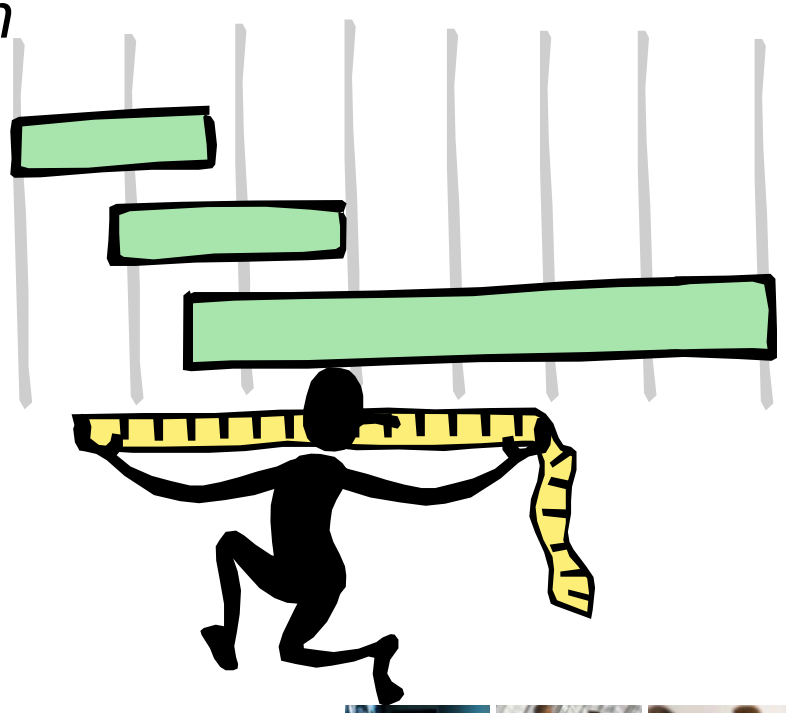
For hospitals employing primary care physicians, many payers are encouraging and paying for implementation of PCMH using NCQA standards and its "must pass" elements. Must score 50% or higher for Level 1 certification.

- Example – Five physician group, upper rural Midwest earning $250K in incremental reimbursement (10% of total net revenue) from BCBS for implementation of PCMH including an uplift (up to 20%) on E & M codes.

Reform-Minded Reimbursement

Centers for Medicare & Medicaid Services

- *EHR Incentive Program*
- *Physician Quality Reporting System*
- *Value-Based Payment Modifier*
- *Readmission Reduction Program*
- *Bundled Payments*
- *Shared Savings Program*
- *Pioneer ACOs*



Example of Reform-Minded Compensation Plan

Where to Start

Compensation Committee to develop incremental/transitional compensation plan that incorporates productivity, quality, patient satisfaction, and/or other relevant metrics:

- No less than six months and no more than one year of "shadowing" before putting providers at some financial risk ("soft landing")
  - Depends upon variation

Potential Other Factors

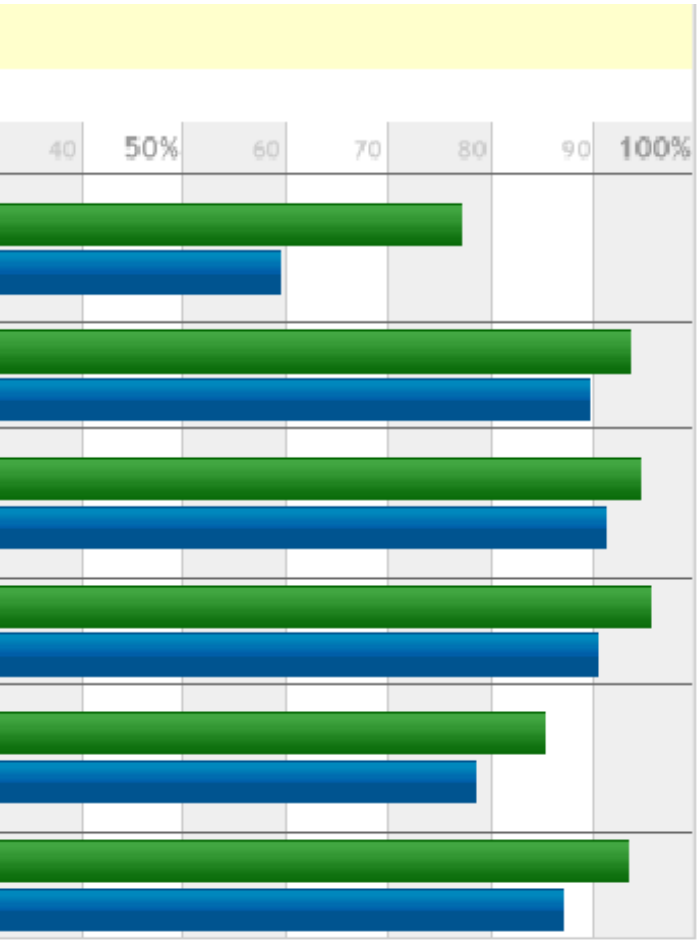
Factors included in compensation incentive arrangements:

- Productivity – wRVUs and/or patient encounters (helpful for RHCs)
- Good Citizenship – Community service, medical directorships, medical staff leadership
- Patient Satisfaction – Press-Ganey, HCAHPS (Hospital Consumer Assessment of Healthcare Providers & Systems)
- Timely Completion of Medical Records – 90% within 2 business days
- EHR Implementation/Meaningful Use – Stages 1 & 2
- Access – 3rd next available appointment short-term (2 days) and long-term (21 days)

Example of Service Excellence Metrics

PATIENT EXPERIENCE - VISIT RESULTS

Measure	Rank **
Getting Timely Appointments, Care, and Information 2012 Patient Experience	8 of 9
How Well Providers Communicate 2012 Patient Experience	11 of 12
Helpful, Courteous, and Respectful Office Staff 2012 Patient Experience	9 of 12
Follow Up on Test Results 2012 Patient Experience	8 of 12
Rating the Provider a "9" or "10" on a 0-10 Scale 2012 Patient Experience	11 of 12
Willingness To Recommend 2012 Patient Experience	10 of 12



FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Examples of Quality Metrics

- Influenza Immunization
- Pneumococcal Vaccination
- Adult Weight Screening and Follow-Up
- Tobacco Use Assessment Cessation Intervention
- Colorectal Cancer Screening
- Mammography Screening
- Tobacco Non User
- Diabetes Composite:
  - Hemoglobin A1c Control (<8%)
- Low Density Lipoprotein (<100)
- Blood Pressure <140/90
- Aspirin Use
- Diabetes Mellitus:
  - Hemoglobin A1c Poor Control (>9%)

FIERCELY FOCUSED > WIPFLI LLP CPAs and Consultants

Compensation Plan Example

Compensation for clinical services:

Productivity incentive determined on a 5-tiered conversion factor scale applied to work Relative Value Units (wRVUs) and adjusted for clinical FTE status. Tier 3 conversion factor of $39.50 tied to MGMA median conversion factor inflated to 2013 but reduced to accommodate quality incentives.

Tier Levels							
Tier		wRVU Production	Production Level wRVU Variance	Production Level % Variance	Conversion Factors	Multiplier Level $ Variance	Multiplier Level % Variance
Level 1	Less than	3,800			$36.40		
Level 2	3,801	4,400	600	14%	$37.90	$1.50	4%
Level 3	4,401	5,100	700	14%	$39.50	$1.60	4%
Level 4	5,101	5,800	700	12%	$41.10	$1.60	4%
Level 5	Greater than	5,801			$42.70	$1.60	4%

Compensation Plan Example

Quality incentive annual maximum of $50,000 per physician clinical full-time equivalent (FTE) awarded on a point system; initial Year 1 incentive linked to formulating quality metrics.

1. **Patient access (40% total):** new patients (10%), open schedule (10%), acute care access (10%), and long-term care access (10%).

2. **Citizenship (10% total):** completion of medical records (5%), and primary supervisor of NP/PA (5%).

3. **Quality (50% total):** improve patient satisfaction (10%), maintain PCMH status (30%), and coding accuracy (10%).

Compensation Plan Example

- Compensation for other services:
  - **Medical Directorships** – Chief of Staff and Directors of RHC, LTC, Rehab, and ED paid at an hourly compensation of $100. Job descriptions and documentation of hours worked required.
  - **Unrestricted "Soft" E.R. call** paid at an hourly rate of $25.00.
  - **E.R. scheduled shifts** considered outside income for plan purposes. The additional hours and compensation for working the E.R. are not considered part of the overall compensation plan.

Summary

"If something cannot go on forever, it will stop."

Stein's Law
(Herb Stein)

Questions

?

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Thank you!

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

Contact Information

Jeff Bramschreiber, CPA
Partner, Health Care Practice
Wipfli LLP
920.662.2822
jbramschreiber@wipfli.com

FIERCELY FOCUSED >
WIPFLI LLP
CPAs and Consultants

WIPFLi LLP

CPAs and Consultants

www.wipfli.com