THE ACADEMY ADVISORS

**SURVEY ANALYSIS BRIEF**

# VALUE-BASED REIMBURSEMENT & PHYSICIAN COMPENSATION

Despite the political uncertainty in the healthcare space, there is a strong consensus in the industry that the shift towards value-based care will continue. Given this trajectory, Leading Health Systems are increasingly considering how to align physicians around these changes, and incentivize physicians to drive value. The Health Management Academy conducted a survey of Leading Health Systems to determine how clinical and administrative executives are thinking about physician compensation models. Key findings include:

- A majority (83%) of responding health systems are considering restructuring physician compensation:
  - 55% for employed physicians;
  - 28% for both employed and independent physicians.
- Of the health systems considering restructuring physician compensation, just under half are restructuring compensation to mirror how physicians will be paid through changes implemented by the Medicare Access and CHIP Reauthorization Act (MACRA).
- About 60% of health systems looking to redesign compensation models are moving toward adding quality, performance, and outcomes metrics to standard productivity-based contracts.

## Methodology

In April 2017, The Health Management Academy conducted a quick hitting survey of 18 Leading Health Systems regarding physician compensation models. Respondents included Chief Medical Officers (CMOs), Medical Group Presidents, and Chief Human Resource Officers (CHROs) and represent health systems with an average Net Patient Revenue of $4.1 billion that own or operate 307 hospitals with over 55,000 beds and approximately 2 million admissions annually.

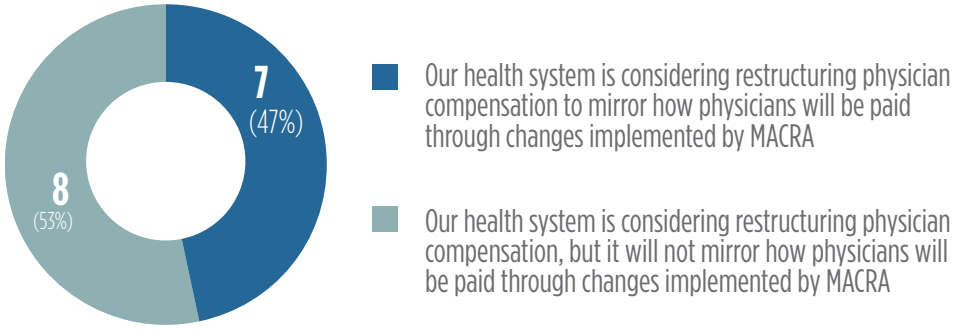
## Results

As Medicare reimbursement and commercial contracts are increasingly tied to quality, performance, and outcomes metrics, health systems are restructuring physician compensation models to align with these changes. A majority (55%) of responding health systems are considering restructuring physician compensation models for only employed physicians, while over one-fourth (28%) are considering restructuring compensation models for both employed and affiliated independent physicians.

FIGURE 1. WITH MORE COMMERCIAL CONTRACTS AND GOVERNMENT PAYMENT MODELS TIED TO QUALITY, PERFORMANCE, AND OUTCOMES METRICS (E.G., MACRA, ACOS, BUNDLES), IS YOUR HEALTH SYSTEM CONSIDERING RESTRUCTURING THE WAY YOU COMPENSATE PHYSICIANS?

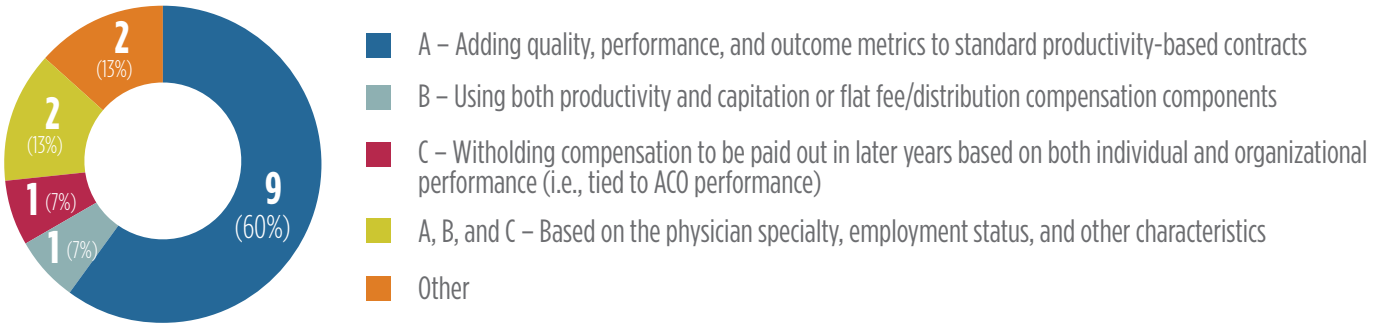
Of the health systems considering restructuring physician compensation (83%), respondents were fairly split on whether the restructure would directly mirror how physicians will be paid through changes implemented by MACRA (Figure 2). Based on additional comments from responding executives, it is likely that the majority of systems are considering incorporating pieces of the Quality Payment Program (QPP)—including certain performance measurements—rather than basing compensation variation solely on overall QPP performance.

FIGURE 2. WHICH OF THE FOLLOWING WOULD YOU SAY IS MOST ACCURATE?




In fact, most (60%) respondents whose systems are looking to redesign compensation models noted that they are moving toward adding quality, performance, and outcomes metrics to standard productivity-based contracts (Figure 3). Few health systems are considering using both productivity and capitation or flat fee/distribution compensation components (7%) or withholding compensation to be paid out in later years based on individual and organization performance (7%). Executives also reported considering significantly increasing the percent of physician compensation tied to value.

FIGURE 3. AS IT RELATES TO NEW COMPENSATION MODELS, WHICH OF THE FOLLOWING MODELS IS YOUR HEALTH SYSTEM MOST LIKELY TO MOVE TOWARD?




## Conclusion

With Medicare reimbursement increasingly tied to performance, and other payers likely to follow over the next several years, health systems are looking to align physician incentives with the organization's value-based goals, and improve the measurement and process of physician performance.

Leading Health Systems are at varied points in developing strategies and implementing value-based compensation models, and there is certainly no one model that will work best for every health system. While some health systems are beginning this shift by modifying existing compensation arrangements very modestly based on performance, others are considering more significant variability or non-traditional approaches such as adjustments based on non-clinical activities, capitation, or performance-based withholds.

Most health care providers are not likely to move away from largely productivity-based compensation models in the short term, but Leading Health Systems are certainly realizing that shifting compensation is an important strategic consideration over the next several years.

**JARRETT LEWIS**
**DIRECTOR OF RESEARCH**
**703.647.3194**
**JARRETT@HMACADEMY.COM**

**CAITLIN GREENBAUM**
**DIRECTOR, HEALTH POLICY & STRATEGY**
**703.647.3184**
**CAITLIN@HMACADEMY.COM**