

# Physician-Focused Alternative Payment Models

## Background

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During the past six years, the nation has seen adoption of significant public policies aimed at moving physicians to a payment system that can help them lower spending growth and improve the quality of patient care. The 2010 Affordable Care Act included a variety of reforms intended to lay the groundwork for a shift in how the US pays for health care with an emphasis on improving quality, reducing cost, and expanding coverage. In January 2015, the Department of Health and Human Services announced national goals for transitioning to value-based payment and Alternative Payment Models (APMs). In March 2015, Congress passed the Medicare Access and CHIP Reauthorization Act (MACRA) eliminating the Sustainable Growth Rate (SGR) and MACRA created new incentives designed to accelerate payment reform progress. MACRA specifically creates incentives for physicians to participate in APMs and provides opportunities for them to participate in the development and implementation of Physician-Focused Payment Models (PFPMs).

## Barriers in the Current Payment System

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There are significant barriers to changing the way health care services are delivered in order to improve patient health and reduce spending because current payments are tied to utilization of services. In a fee-for-service (FFS) system, practices lose revenue if physicians perform fewer or lower-cost services even though practice costs often remain the same. Additionally, providers may be financially penalized for providing higher quality services. For example, if a practice reduces errors and complications resulting in the need for fewer

services, the practice's operating margins can decline and threaten its financial viability.

Additionally, Medicare and most health plans do not pay for beneficial services like patient education and care coordination activities that can help reduce avoidable spending. There is generally inadequate or no payment for providing telephone outreach to high-risk patients to ensure they are following their care plan or for checking in to determine if the patient has the socioeconomic resources required to adhere to the care plan. Such outreach could prevent serious health problems and complications and avoid more expensive services like hospital admissions.

Moreover, a number of the current APMs, such as Accountable Care Organizations, are subject to regulatory policies that favor large practices, multi-specialty practices, and health systems while potentially leaving behind small physician practices. Many of these APMs were not structured in a physician-driven manner with the needed flexibility. What some policymakers perceive as unwillingness by physicians to move away from FFS payment may be more a reflection of physicians' legitimate concerns about the way APMs have been structured to date by CMS and private health plans.

## Opportunities under MACRA

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No single approach to payment reform will yield the best outcome for every physician or every specialty. Opportunities to improve care will differ in every community, and both providers and payers will differ in their capabilities to manage and implement payment system changes. PFPMs provide a chance to create APMs that enable successful participation by all physicians in all specialties and practice settings. If properly structured, PFPMs create

an opportunity for physicians to improve patient care in ways that are feasible in their unique practice environments.

### Example of a Physician-Focused APM

The American Society of Clinical Oncology (ASCO) has developed the Patient-Centered Oncology Payment (PCOP) model. The PCOP offers various payment approaches for practices. The PCOP allows oncologists to direct more resources to activities such as spending time with patients in shared decision making, developing care plans, and providing triage and in-office treatment. The model identifies opportunities to reduce spending during an episode of chemotherapy through reduced ED visits and hospital admissions, unnecessary or duplicative testing, and unnecessary drugs. Additionally, the model supports team-based care by providing funding for educators, social workers, and triage nurses with the recognition that the whole team manages a patient. ASCO estimates that oncology practices would receive a significant increase in payments for patient services compared to the current FFS payments, yet overall spending on cancer care would decrease by avoiding expensive hospitalizations and unnecessary tests and treatments.

### Recommendations Going Forward

Physicians are the best suited to assume leadership roles in transitioning to APMs.

The following goals should be pursued as part of a Physician-Focused APM:

- Be designed by or with significant involvement from physicians;
- Provide flexibility to physicians to deliver the care their patients need;
- Promote physician-led, team-based care coordination;
- Reduce the burdens of health information technology;
- Provide adequate and predictable resources to support the services practices need to deliver care to patients;

- Limit physician accountability to aspects of spending and quality that they can reasonably influence;
- Avoid placing physicians at substantial financial risk;
- Minimize administrative burdens;
- Be feasible for physicians in every specialty and for practices of every size.

Medical societies and other physician organizations can help identify and develop Physician-Focused APMs by:

- Identifying leading health conditions or procedures;
- Identifying barriers to the current system;
- Identifying potential solutions to reduce spending through improved care;
- Understanding the patient population including non-clinical factors;
- Defining services to be covered;
- Identifying utilization and spending measures physicians can control;
- Developing a core set of outcomes-focused quality measures;
- Obtaining and analyzing data;
- Identifying mechanisms for ensuring adequacy of payment;
- Seeking support from other physicians, physician groups, and patients.

CMS and private payers should:

- Assist in designing and utilizing a team approach;
- Assist in obtaining the data and analysis needed to monitor and improve performance;
- Assist in obtaining partnerships and alliances to achieve economies of scale and share tools, resources, and data.
- Assist in obtaining the financial resources needed to transition to new payment models and manage fluctuations in revenue and costs; and
- Provide guidance in obtaining deemed status for APMs that are replicable and in implementing APMs that have deemed status.