3 traits of successful alternative payment models for physicians

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New payment models can help physicians overcome the barriers of current payment systems so they can provide high-quality patient care at lower costs while securing the sustainability of their practices. For physicians who are considering adopting an alternative payment model, the model you choose should have three essential characteristics to ensure your success.

What should a payment model look like?

The goal of developing new payment models is to give physician practices the resources and flexibility they need to improve the aspects of costs and quality that they can control or influence. The fact that a new payment model is different from traditional fee-for-service payment does not automatically mean that it is better—but it can be.

The AMA worked with Harold Miller at the Center for Healthcare Quality and Payment Reform, a member of the newly appointed Physician-Focused Payment Models Technical Advisory Committee to the federal government, to develop the “Guide to physician-focused alternative payment models.”

The guide, in addition to describing seven physician-focused alternative payment models and barriers in current payment systems, highlights the three characteristics of a successful payment model:

- **Flexibility in care delivery.** The design of an alternative payment model should focus on giving physicians sufficient flexibility to deliver the services their individual patients need in the most effective way possible. For example, if a physician performs a specific service and the current payment system does not pay for that service, an important element of the alternative payment model that physician adopts would be for that model to enable payment for additional services, broaden the definition of the services that will be covered or both.

- **Adequacy and predictability of payment.** A crucial component to any practice is the ability to plan for the future. An alternative payment model must provide adequate and predictable...
resources to enable physicians to cover the costs of high-quality care. If physicians cannot predict how much they will be paid for their services, it becomes nearly impossible to make investments in equipment and recruit, train and retain the personnel needed to provide the best care for their patients.

- **Accountability only for costs and quality that physicians can control.** An alternative payment model should be designed to support better quality and lower spending for the specific services that physicians deliver or order. The model should not hold physicians accountable for aspects of spending and quality that they can’t control.

**How physicians are leading the way**

Physicians are voicing their need for new models of payment that are patient-focused and physician-friendly. More than 100 state and specialty medical associations recently joined the AMA in sending a letter to the Centers for Medicare & Medicaid Services (CMS) recommending 10 principles to guide the implementation of the Medicare Access and CHIP Reauthorization Act (MACRA), which includes the adoption of alternative payment models.

The AMA has spent more than five years encouraging the development and implementation of better health care payment systems. This work has emphasized several goals:

- Give physicians more resources and flexibility to deliver care
- Improve financial viability in physician practices
- Minimize administrative burdens that weigh physicians down
- Enable physicians to control aspects of spending that they can influence
- Avoid transferring inappropriate financial risk to physicians

Accelerating its efforts to support physician-designed alternative payment models, the AMA also compiled a step-by-step process to develop successful payment models for medical specialties. Visit the AMA’s Medicare alternative payment models Web page to read more.

Look for more insights about adopting new payment models from the “Guide to physician-focused alternative payment models” in the coming weeks as **AMA Wire®** shares the many different types of alternative payment models that will be available.