Physician payment arrangements are transitioning away from fee-for-service and toward value-based payments. The change in payment structure is an attempt by the federal government, health insurance companies, large integrated health care systems and physician practices to address health care costs while incentivizing high-quality patient care.

**Payment arrangements**
The American Medical Association’s 2012 Physician Practice Benchmark Survey found that fee-for-service payments account for 69 percent of practice revenue for most physicians. While it is not anticipated that fee-for-service payments will be replaced entirely in the near future, some of the performance- and value-based payment arrangements that are being used more frequently include:

- Team-based incentives
- Bundled payments
- Shared savings arrangements
- Fixed salaries
- Individual incentives
- Pay-for-performance programs

Value-based payments are designed so that health care professionals are accountable for cost and quality, and are rewarded for their participation in caring for patients and in organizing the system of care. Team-based care is a delivery model that is compatible with compensation based on value in that it relies on numerous health care professionals collaborating on patients’ care with payments distributed accordingly.

The transition to value-based payments and team-based delivery of care provides an opportunity for physicians to influence and develop payment strategies that best fit their practice. As physician practices implement value-based payment arrangements, they must determine how to organize the process of care, agree upon team members’ responsibilities and compensation, attribute performance and outcomes to each practitioner, and distribute payments accordingly.

**Effective team-based payment**
In team-based delivery models, the AMA believes that physician leaders should have the opportunity to design and build hybrid payment models that include a mix of payment mechanisms that promote the goals of their health care teams. Team-based physician practices of any size can develop and use innovative payment mechanisms that best fit their objectives and practice design. Payment mechanisms should appropriately compensate the team and all team members.

Some health care systems and physician practices combine a percentage of the team-based performance with a percentage of each individual’s performance to determine compensation for any given individual. Other health care systems compensate team-based physicians entirely with a base salary or by providing a base salary in combination with a percentage of their compensation that fluctuates according to the team’s overall performance. The details of these models should be determined by physicians, including those working collaboratively with hospital and payer partners, to design models best suited for their particular circumstances. All effective team-based payment systems should strive to:

- Reflect the value provided by the team, with the team sharing any savings
- Reflect the time, effort and intellectual capital provided by individual team members
- Be adequate to attract team members with appropriate skills and training to maximize team success
- Be sufficient to sustain the team over the time frame that it is needed

**Practitioner attribution**
Determining how to attribute the performance and outcomes of each practitioner on a team is one of the more complicated factors that must be taken into consideration when developing the details of a team-based payment structure. In some situations attribution may be shared between several practitioners due to the interdependence of their duties. To the extent
possible, team-based payment models will need to have the capacity to reliably assign and measure the accountability of care provided by each practitioner and specify clear lines of attribution. With an increasing focus on value, the care provided should be verifiable so that assessments about a practitioner’s performance are accurate.

**Physician authority**

The AMA believes it is important for physician team leaders to have the authority to manage the revenue generated by services provided to patients by their teams. Team-based physician leaders should receive the payment for health care services provided by their teams, and they should establish payment disbursement mechanisms that foster team-based care. The physician leaders should be responsible for reviewing each team member’s performance regarding agreed upon elements and then distribute payments received accordingly. In order to determine payment, each individual team member’s contributions should be measured according to the following parameters:

- Volume of care provided
- Intensity of services provided
- Profession of the team member
- Training and experience of the team member
- Quality of care provided

**AMA’s continued focus on team-based payment**

The AMA will continue to advocate for physician representation in the development of new payment models. The development, adoption and implementation of physician payment reforms must be: designed with input from the physician community; give physicians appropriate decision-making authority over bonus or shared-savings distributions; include participation options for varying practice sizes, patient mixes, specialties and locales; and promote improved patient access to high-quality, cost effective care.

The AMA is conducting in-depth field research on payment models to better understand which models promote satisfaction and sustainability in different practice settings and to identify critical factors of success. Professional satisfaction and practice sustainability is a strategic focus of the AMA. Accordingly, the AMA is working with RAND Research to study the effects of new value-based payment models on physician practices varying in size, specialty, region and market dynamics, including any activity on payment mechanisms for team-based health care. The study, once completed at the end of 2015, will inform AMA advocacy and initiatives going forward.

To learn more about this topic, view the AMA Council on Medical Service Report “Payment Mechanisms for Physician-Led Team-Based Health Care.” Visit ama-assn.org/go/physicianledteams to view additional documents in the AMA’s team-based care series.