

Value-Based Care Models: Deep Dive FAQs for Physicians Practicing in Academic Medical Centers

This document provides information on strategic considerations for physicians who practice in an academic medical center (“AMC”) and are currently or considering participating in a value-based care arrangement. Such arrangements may include Advanced Alternative Payment Models (“APMs”) operated by the Centers for Medicare and Medicaid Services (“CMS”), private payor models, and other opportunities to work with hospitals in arrangements beyond traditional fee-for-service.

The AMA also has additional resources for [hospital-employed](#) and [hospital-affiliated](#) physicians participating in value-based care models. For more AMA Medicare payment resources, see ama-assn.org/medicare-payment.

General

Q. How is an AMC organized and how does this compare with other hospital systems?

A. AMCs’ missions, legal structures, and funding streams reflect their identity as an educational institution and may be intended to fulfill obligations associated with receipt of state funding. Typically, there are three main components comprising an AMC: a medical school, the faculty practice, and the hospital. These components may be organized as separate legal entities, under the one AMC umbrella, or some hybrid in-between. In addition, there can be separate affiliated physician or clinician entities. The legal structure of the AMC is important because it may impact how dollars flow in a value-based arrangement, and because it may influence your individual rights and obligations vis-à-vis value-based care and payment models.

Q. How might my institution’s participation in a value-based model affect me since I practice in an AMC?

A. Value-based care and payment models incentivize participants to reduce the overall cost of care while maintaining or improving the quality of care; the latter is typically measured using quality metrics specific to the model. If an AMC provides care to more medically complex patients than other participants in the model, it may be more difficult for the AMC to perform well on cost and quality metrics so that participation will be sustainable and advantageous. Some value-based efforts are beginning to incorporate risk-adjustment methodologies so that providers are not penalized for caring for and focusing on high-risk and high-cost patients. Physicians may therefore consider how to structure their affiliation or, to the extent practicable, employment by the AMC to ensure that they have options to modify their agreements should they be subject to negative compensation adjustments or burdensome administrative requirements pursuant to the value-based model.

Q. What is a faculty practice plan and how may my inclusion in a plan impact participation in value-based care models?

A. Many AMCs include a faculty practice plan (“FPP”), a legal entity comprised of the faculty who treat patients at AMCs. The structure of the FPP can vary, and it may be organized within the legal structure of the AMC or wholly separate and apart from the AMC. Other clinicians may be organized as a

multi-specialty group practice or practice using a department model. Many FPPs and multi-specialty group practices are separate not-for-profit corporations, but they can also take the form of multiple professional corporations or other arrangements. The FPP may have its own governance structure, professional requirements for membership, and leadership; understanding the legal entity with which you have an agreement to practice at the AMC will help you better understand your rights and obligations under any value-based model in which the FPP or AMC participates. For example, while a private physician practice not operating under a FPP may be able to adopt the quality requirements of a particular value-based model, a FPP's structure may require that decisions resulting in process changes go through certain channels to be approved.

Q. Under most value-based models, is there likely to be a difference between compensation for clinical faculty and compensation for research faculty?

A. Since value-based models relate most specifically to clinical services furnished to patients, it is unlikely that there will be a significant impact on research faculty, who typically receive less total compensation than do than clinical faculty. Note that many clinical faculty members also conduct research as they may submit proposals for external funding, publish in peer-reviewed medical journals and provide clinical input on the AMC's research activities. Because the landscape for federal grant funding can be uncertain, AMCs are increasingly seeking other ways to ensure revenue flow, including reduction in costs and participation in value-based models wherein they may achieve shared savings with payors and plans. Such efforts may have implications for physician compensation.

Q. I understand that some value-based contracts require public reporting; will my individual performance be available to the public?

A. Some programs, such as the Medicare Shared Savings Program ("MSSP") for accountable care organizations ("ACOs"), do publish data regarding the performance data at the ACO level; individual level performance results are not shared publically at this time. A clinician's performance on quality measures evaluated in the Medicare Quality Payment Program ("QPP") in past years has been provided as non-public feedback to the clinician; however, CMS has stated it intends to begin publishing individual and group-level QPP data on the Physician Com-

pare website in late 2018. The particulars as to what information will be publicly available have not been announced, but CMS has noted that certain elements of physician and group performance on APM measures as well as the Merit-based Incentive Payment System (MIPS) performance categories may be published. Note that for publicly-funded AMCs, there may be public reporting of the compensation of certain individuals within the AMC, for example reporting of the top-20 compensated employees of the AMC. This could include some highly-compensated physicians.

Q. I have heard Medicare's Hospital Readmission Reduction Program ("HRRP") referred to as a value-based program; can I be adversely impacted by this program since I practice in an AMC?

A. The HRRP is a CMS program that analyzes readmissions rates for certain conditions and penalizes hospitals whose patients have higher than expected (benchmark) readmission rates. Historically, AMCs have argued that the HRRP, which penalizes medical centers for readmission rates above national benchmarks, inequitably impacts AMCs, given that AMCs may serve a disproportionate number of medically complex, high acuity, medically underserved patients who are at higher risk of requiring readmission. Starting in 2019, the HRRP will be modified to assess hospital performance to that of their peer institutions, and it is possible that these changes could improve the performance in the HRRP for some AMCs. Nevertheless, some AMCs already struggling as a result of the HRRP penalties are turning to other contracting models and have modified their agreements with faculty and other entities to maintain revenue. These business decisions may therefore have a downstream impact on physicians practicing in the AMC. Physicians should closely review their agreements with the AMCs with which they are affiliated or employed to determine whether the AMC's performance under the HRRP and other similar programs will impact the physician's overall compensation.

Q. How might participation in a value-based model impact my compensation relative to my peers who do not practice in an AMC?

A. Much like the impact of value-based models on [hospital-employed](#) and [hospital-affiliated](#) physicians, the impact on your individual practice and compensation may vary based on a number of factors, including patient mix and applicability of performance measures to your practice. The specific

impact on your compensation will likely depend on the details of your compensation and how it is structured. Factors such as whether you're employed or affiliated with an AMC may or may not result in changes to compensation. That said, many employers of physicians, including AMCs and their associated FPPs are responding to changes in health care reimbursement by changing the methods used to determine compensation for some physicians. Those changes may include holding individual physicians accountable for their performance in a value-based model; for example, some hospitals have required physicians to take on a share of the financial risk for the hospital's performance in a model, meaning that the physicians are eligible for positive and negative adjustments to their compensation based on hospital performance.

These changes are occurring across the industry—at all types of hospitals. At a minimum, you should understand how your compensation is currently determined, and have confidence that the data used and the methodology applied are accurate and can be validated. This means, for example, that any adjustments to your compensation linked to value-based models should be able to be tracked and understood by you. You should receive meaningful reports and feedback that help you understand your performance on important variables including those that may impact compensation. It's in your own best interest (and the best interest of the hospital) to ensure that you are able to optimize your performance under the model.

Q. Is my compensation likely to be affected if my AMC performs well in a value-based model?

- A. While it is possible that your compensation could be impacted, the exact changes will be determined by your contract with the AMC. Generally, the payment structure of value-based models aims to reduce the cost of services in the present and future, in comparison to the cost for those same services in the past. Where an entity achieves cost savings in the aggregate relative the historical cost baseline, that entity may be eligible for a performance-based payment. What each entity does with such a payment is for it to decide, subject to applicable rules and regulations. As discussed below, physicians may want to consider getting involved in their hospital's value-based efforts, so as to be able to contribute to the direction of those efforts.

Q. My AMC has a self-funded insurance plan; how might that impact the performance of my AMC in a value-based model?

- A. AMCs that have a self-funded insurance plan may have additional flexibility when implementing value-based models, depending on their legal structure. For example, some AMCs have a "Single Incentive Fund" structure in which funds from the AMC's MSSP ACO, self-insured plan, and clinically integrated network ("CIN") all funnel into one pool. Because MSSP ACOs are afforded certain waivers of federal self-referral and anti-kickback laws that would otherwise prevent value-based models from sharing savings or incentives, funds receiving waiver protection have greater flexibility from a fraud and abuse perspective when implementing value-based arrangements.

Q. My AMC has instituted a host of new quality metrics as part of their participation in a value-based model and I am concerned that they are not applicable to my practice. How can I impact the AMC's planning?

- A. Physicians are at the center of the delivery system regardless of practice setting or specialty, so exercising a leadership role in connection with your AMC's adoption of a value-based model may be a good place to start. Seek opportunities to participate in your AMC's quality committees and engage with your clinical department leadership to identify opportunities to have input on value-based model implementation and quality metric selection.

It is also worth considering the scope of the model in which your AMC is participating—some value-based models apply only to care furnished for specific conditions (such as the Bundled Payments for Care Improvement Advanced model); while others apply more generally (such as the MSSP ACO program). Hospital participants in these models often are required to report certain quality metrics, and it's possible that your AMC was not able to select the quality metrics it will use. Further, if the metrics are not applicable to your practice, this may mean that the care you provide is excluded from the evaluation of the AMC's performance in the model.

In addition, it is helpful to understand whether the value-based model in question is mandatory or voluntary. For example, participation in MIPS under the QPP is required for most physicians that furnish patient-facing care after accounting for certain exclusions and thresholds. (See the AMA's [MIPS Action](#)

[Plan: 10 Key Steps for 2018](#) for more information on participation and exclusions.)

Q. Can I opt out of participating in a value-based model in which my AMC has chosen to participate?

- A. It depends on a variety of factors, including your contract with the AMC, your employment status, and the scope of the model, among other issues. However, as the prevalence of value-based payment efforts continues to increase, it is likely to become more difficult to avoid these models altogether. Many CMS models do not allow a hospital's physicians to opt out of participation in the model. And AMCs, in particular, may be subject to additional scrutiny, given the higher reimbursement rates they have historically received from many payors, including CMS. Given the current payment trends, physicians may be well-served by seeking knowledge of, and participation in, value-based models and contracts so as to prepare their practices for the future, when value-based payment is likely to be more prevalent.

Q. Can my AMC participate in more than one value-based model at a time and how is this likely to impact my practice?

- A. Yes. In fact, many AMCs participate in multiple models across different payors. Participating in several similar models at the same time may assist with alignment and integrating certain goals or strategies into a particular service line. CMS does restrict participation in certain value-based models by barring participation from entities that are current participants in other CMS models. If your AMC is participating in multiple value-based models that may be a signal that the institution is seeking to implement changes to how health care is furnished at its facilities. On the other hand, it could just be the result of the AMC finding success in a certain area and then seeking to replicate that success through participation in similar models. For example, an AMC that sees success in a CMS bundled payments model that focuses on joint replacement procedures for Medicare patients could enter into similar arrangements with commercial payors, as a way of applying the strategies that worked in the CMS model to all of the AMC's patients. Thus, participation in multiple models is not necessarily an indicator of broad institutional change.