

Health System Reform INSIGHT



June 10, 2010

Given the new direction for the nation's health system, the AMA has developed *Health System Reform Insight* to help you understand the health system reform legislation and what it means to you and your patients.

AMA resources on new payment pathways

As described in the [May 6 issue](#) of *HSR Insight*, the Patient Protection and Affordable Care Act opens a number of avenues to begin testing new payment and delivery reform models. In addition to establishing a Center for Medicare and Medicaid Innovation within the Centers for Medicare and Medicaid Services (CMS), the law calls for the creation of:

- Accountable care organizations, or ACOs
- A national payment bundling pilot program
- Team support for patient-centered medical homes
- An extension of the Medicare gainsharing demonstration.

The AMA believes that in order for these new payment and delivery reform programs to become a viable strategy for fundamentally changing the way health care is organized and delivered, they must be patient-centered and physician-led. Payment systems can and should be designed in ways that enable independent physician practices of all sizes to not only survive but thrive.

White paper on succeeding under new payment models

To help achieve that vision, the AMA is releasing a new white paper for AMA members, titled "Pathways for physician success under health care payment and delivery reforms." The white paper is available to AMA members on the [AMA Web site](#). The AMA is dedicated to providing resources for physicians on new payment models.

Written by a nationally recognized expert, Harold D. Miller, the white paper spells out:

- Opportunities as well as challenges that new payment



[Pathways for physician success under health care payment and delivery reforms](#) (PDF)

[How reform law integrity provisions impact your practice](#) (PDF)

[Medicare payment adjustments made for 2010](#) (PDF)

[Independent Payment Advisory Board](#) (PDF)

[New Payment and Delivery Reform Models](#) (PDF)

[Overview of Major Provisions Relating to Coverage](#) (PDF)

[Taxes and Credits in the Health System Reform Law](#) (PDF)

[Major Medicare Savings Under Health Reform Legislation](#) (PDF)

[Health Reform Law Raises GPCIs](#) (PDF)

[How Health System Reform](#)

- models present to physicians, especially those who practice independently of hospitals and large systems
- Key skills and resources that practices will need to overcome the challenges and barriers to succeed under each model
 - The advantages and disadvantages of partnering with hospitals or insurance plans in developing new payment models, and how physicians can succeed under a variety of organizational structures
 - Methods for compensating individual physicians when their practices are receiving bundled or global payments, such as tying compensation to the physician's own performance or to the organization's performance, as well as salaried compensation
 - The implications of local markets for the way physicians may want to structure new payment models in their communities, such as how to deal with multiple, small payers, each using a different payment system, a large or dominant payer that refuses to implement desired payment changes, or a large hospital that refuses to contract to provide necessary services
 - Regional coordination of payment reforms through regional health improvement collaboratives
 - Legal issues involved in adoption of payment reforms, such as laws governing referrals of patients and prohibiting joint actions by payers and providers
 - "How-to" examples illustrating how actual physician practices successfully adopted new payment models, including independent practice associations and a Medicare Acute Care Episode demonstration site

Keys to a successful payment model

A major takeaway from the paper is that the key to success of any new payment model is having primary care and specialist physicians working together as a team toward a common objective of better quality and lower costs.

A solo physician practice could have all the capabilities needed to succeed with a new model, and a large integrated delivery system could be missing many of them. Small, independent physician practices should not be categorically excluded from new payment models nor should large integrated systems automatically be included.

For example, the goal of an ACO is to take responsibility for managing the costs and quality of health care for a population of patients, not necessarily to deliver every health care service itself. It is not necessary for hospitals to be part of the same organization as the physicians in order for these new models to succeed, and it is not necessary for physicians to become hospital employees in order to collaborate with hospitals in a new payment model.

[Affects Patients \(PDF\)](#)

[How Health System Reform Impacts Physicians' Practices](#)

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About white paper author, Harold Miller

Miller is executive director of the Center for Healthcare Quality and Payment Reform in Pittsburgh. He organized the Network for Regional Healthcare Improvement's national summits on payment reform in 2007 and 2008 and has had papers on value-based payments published by the Commonwealth Fund, the Robert Wood Johnson Foundation, Health Affairs and the Institute of Medicine. In addition, he is author of the report, "How to Create Accountable Care Organizations." Miller also has worked with local groups on payment reforms in their own communities, including the Minnesota Health Care Transformation Task Force, the North Dakota Medicare Task Force and several state medical societies.

CMS provides guidance on ACOs and medical homes

This week's release of the white paper is timely as CMS has just issued initial information for those considering forming an ACO or participating in the Multi-Payer Advanced Primary Care Practice Demonstration. In a [question-and-answer document on ACOs](#) (PDF), CMS describes the criteria for an ACO that are included in the law and indicates that it will issue a notice of proposed rulemaking on ACOs in the fall. CMS also clarifies that Medicare beneficiaries will continue to be able to choose their physicians and other providers and will not be required to receive all services from the ACO. Also, ACOs will share in savings if they successfully meet the program's criteria but they will not incur penalties if their savings targets are not achieved.

The Medicare ACO program will be established by Jan. 1, 2012. CMS plans to hold a listening session this summer to gather and provide more information about its plans.

Deadlines approaching for states to apply as demonstration sites

Following years of delay in establishing a Medicare medical home demonstration program, the new CMS Multi-Payer Advanced Primary Care Practice Demonstration is moving on a very fast track. **States that plan to apply to be one of the demonstration sites must submit a notice of intent to apply by June 17, 2010, and the deadline to submit applications is Aug. 3, 2010.**

Demonstration eligibility requirements

The medical home demonstration will emphasize prevention, health information technology, care coordination and shared decision making. To be eligible to participate in the demonstration, states must have all the major payers in the state or demonstration area involved and must be ready to implement multi-payer medical homes within six months of being notified that they have been selected for the program.

Practices participating in the multi-payer medical home demonstration cannot participate in any other Medicare demonstrations. CMS indicates that it also plans to set up a medical home demonstration for federally qualified health centers and may also initiate a Medicare medical home demonstration.

Under the multi-payer medical home demonstration, physicians will be paid from Medicare in the standard manner. States will need to describe in their applications the methods to be used to pay physicians for services that Medicare does not cover, such as a monthly fee, an add-on payment, and/or pay-for-performance incentives.

Up to six states will be selected for the demonstration.

Additional resources

An executive summary of the white paper, "Pathways for physician success under health care payment and delivery reforms," can be downloaded at www.ama-assn.org/go/paymentpathways. The full paper may be downloaded by AMA members.

[PowerPoint slides](#) (PDF) from the June 7 webinar "Innovative payment and delivery models: Pathways for physician success," may be downloaded at www.ama-assn.org/go/paymentpathways, in addition to the May 6 issue of HSR Insight describing the various provisions of the Patient Protection and Affordable Care Act establishing new payment models.

For additional information about the CMS demonstrations, check out the [CMS Web site](#) and a list of [preliminary questions and answers](#) (PDF) on ACOs.
