Prepare Now or Pay Later

Pay-for-Performance: What You Need to Know

Healthcare organizations have been talking about pay-for-performance initiatives since the 1990s,¹ but this incentive-based approach to provider payments has only recently begun to be adopted extensively, especially among public payers. This shift away from traditional fee-for-service healthcare payments hasn’t affected solo or small group practices much yet, but it’s about to. And physicians need to be ready if they want to enjoy the maximum rewards.

Preparing for pay-for-performance – also known as P4P – is particularly important because of the timing involved. Federal programs such as Medicare and Medicaid are adopting P4P right at a time when healthcare providers are about to see a tremendous influx of patients covered by those programs. Such an influx is the inevitable result of more baby boomers becoming eligible for Medicare and more people qualifying for Medicaid and other coverage under healthcare reform.² This brief is intended to provide physicians with information they can use now to begin preparations for P4P before it begins to significantly affect their practices.

The state of P4P today

By the U.S. Department of Health and Human Services’ definition, P4P is a system in which providers are compensated by payers for meeting certain pre-established measures of quality.³ Often, these measures relate to clinical targets, efficiency, patient satisfaction, and use of information technology.³

At the forefront of this approach today is the Centers for Medicare and Medicaid Services, which already has two major P4P-based projects underway.

- As part of the Affordable Health Care Act, the CMS Hospital Value-Based Purchasing Program rewards hospitals that provide high quality care for patients. In FY2013, the program will distribute an estimated $850 million to select hospitals based on their overall performance on a set of quality measures that have been linked to improved processes of patient satisfaction and care.⁴ This hospital-only program will be followed in 2015 by a physician program called the Physician Value-Based Payment Modifier program (described in the next section of this brief).

- As part of the American Recovery and Reinvestment Act of 2009, hospitals and physician practices are both being asked to step up their use of information technology, specifically electronic health records (EHR).
Initially, failure to comply will cause them to lose Medicare and Medicaid financial incentives; ultimately, it will mean they risk losing Medicare funding. CMS began paying incentives for compliance in 2011; for those who don’t comply, reductions in Medicare fees they can collect will start going into effect in 2015.5

What P4P has in store for physicians in 2015
Physicians in private practice will begin to feel the impact of the CMS Physician Value-Based Payment Modifier program in 2015. Initially, the program will apply to select physicians in private practice (visit www.cms.gov for more information about practice size and other criteria governing participation). It requires participating physicians to engage with a Physician Quality Reporting System (PQRS) starting in 2013; the resulting data will play a role in calculation of payment adjustments.6 By 2017, the program will apply to most or all physicians who submit Medicare claims.7

2015 also marks the start of the shift from financial incentives for hospitals and practices that have implemented EHR technology to penalties for those that are not yet using EHR. (These penalties apply to Medicare payments only; Medicaid is an incentives-only based program that pays bonuses through 2021 to eligible physicians who sign up by 2016.8) The penalties start with a 1% payment adjustment in 2015 and increase each year that the practice does not demonstrate meaningful use, to a maximum of 5%.9

Steps to take now to be prepared for P4P

Sign up now for the CMS EHR Incentive Program.
The latest you can sign up is 2014 for Medicare (2016 for Medicaid), and the sooner you do it, the sooner you’ll start seeing payments. There’s no requirement to sign up for incentives, but eligible physicians who don’t participate will start seeing involuntary reductions in their Medicare payments in 2015.

Start participating in PQRS quality reporting. While only select physicians who meet certain practice-size criteria will be affected in 2015 by the CMS Physician Value-Based Payment Modifier program, eventually all physicians will be affected by the requirement to report quality data through PQRS and by the value modifier. There is an opportunity to get ahead of the curve before looming deadlines add stress and pressure to the process.

Identify an effective patient satisfaction program and put it to work. The ability to achieve and demonstrate patient satisfaction is a key quality indicator for many P4P approaches. Even though you may not be required to measure patient satisfaction yet, it’s never too soon to start. Besides, patient satisfaction can deliver other benefits such as improved patient relationships and lower malpractice risk.10

At Capson, we understand the importance of being proactive and prepared to face the challenges of change in healthcare. Our innovative approach to medical malpractice insurance brings together technology, patient satisfaction programs, and additional resources to help physicians find greater rewards and less risk in their practice of medicine.

2 “Bracing for change: Medical professional liability (MPL) at a crossroads,” PricewaterhouseCoopers LLC, February 2011
3 “What is pay-for-performance?” Health IT Adoption Toolbox, HRSA Health Information Technology and Quality Improvement, U.S. Department of Health and Human Services
4 “Administration Implements New Health Reform Provision to Improve Care Quality, Lower Costs,” HealthCare.gov, April 29, 2011
6 “Medicare FFS Physician Feedback Program/Value-Based Payment Modifier,” CMS.gov
7 “Analysis of the Physician Value-Based Payment Modifier,” Heart Rhythm Society, 2013
8 “CMS Medicare and Medicaid EHR Incentive Programs – Milestone Timeline,” Centers for Medicare and Medicaid Services
9 “Medicare and Medicaid EHR Incentive Program Basics,” CMS.gov