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Arlene S. Ash
University of Massachusetts Medical School

Randall P. Ellis
Boston University

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Risk-Based Bonus Payments for the Patient-Centered Medical Home

Arlene S. Ash, PhD,*†  Randall P. Ellis, PhD,§†
*Department of Quantitative Health Sciences, University of Massachusetts Medical School, Worcester, MA
†Verisk Health, Inc., Waltham, MA  §Department of Economics, Boston University, Boston, MA

Background
The Patient-Centered Medical Home (PCMH) requires fundamental reform of health care financing. We propose a Risk-Based Comprehensive Payment system with risk-adjusted base and bonus payments.

Bundled base payments cover the expected cost of primary care services but do not encourage quality. Bonus payments incentivize desired outcomes by rewarding better-than-expected performance in clinical quality, efficiency, and patient-centeredness.

Bonus payments can:
- Discourage use of low-value services
- Encourage clinical quality, patient health and satisfaction
- Provide each practice with a fair opportunity to earn appropriate rewards for doing a good job with its mix of simple and complex patients

Base and bonus payments require credible risk adjustment to discourage practices from cherry-picking easy patients and dumping difficult ones.

We gratefully acknowledge collaboration with scientists at Verisk Health, Inc, and support from The Commonwealth Fund.

Methods
We estimated models to predict thirteen cost and utilization measures in 17.4 million commercially insured people using diagnoses, age, and sex from Thomson-Reuters MarketScan® 2007 claims data.

Using the same data, we imputed assignment of 456,781 people to 436 medium-sized primary care practitioner (PCP) panels (500 – 5000 patients).

For each measure, a PCP’s performance is judged by summing the difference between observed (O) and expected (E) outcomes across panel members.

For each outcome we calculated: mean; coefficient of variation, or CV = SD/mean; and both individual and grouped R² as measures of predictive accuracy.

Results
Using risk models to calculate expected outcomes explained 29-49% of the observed patient-level and 85-98% of practice-level variation in performance, with differential variability.

Deviation from the mean in total health spending is more variable at the PCP level than other more targeted measures.

Example: Antibiotics of Concern (ABX)
Problem: Doctors may over-prescribe high-cost or high-risk antibiotics (ABX) as identified by the National Committee for Quality Assurance (NCQA).

Clinical guideline development is hard. Doctors say their patients have conditions that warrant ABX prescribing.

Idea: Reward observed ABX use that is less than expected, based on patient illness burden.

Conclusion: Only about half of all AB prescribing is for ABX (571 prescriptions per 1000 person years vs. 1061); however, AB prescribing exhibits nearly 3 times the relative variability (CV = 4.72 vs. 1.59). Patient-level factors explain about 30% of the individual-level variability in either measure and 95% of variability across patient panels. Risk-adjusted ABX is an effective bonus measure because it targets an activity that we want doctors to change, and panels can be adequately adjusted for patient-level differences.

Discussion
Bonus calculations should account for case-mix differences across practice panels.

Risk-adjusted payments for less variable outcomes focus incentives on provider-associated, rather than case-mix-driven or random, variations.

Rather than attempting to reward reductions in total health spending, risk-sensitive calculations of more targeted outcomes will better support the goals of a PCMH.

### Predictive Power of Cost and Utilization Measures

<table>
<thead>
<tr>
<th>Description</th>
<th>Member-level (N=456,781)</th>
<th>PCP-level (N=436)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Coeff. of Variation</td>
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<tr>
<td>Number of prescriptions for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>antibiotics of concern (ABX)</td>
<td>0.571</td>
<td>1.59</td>
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<tr>
<td>Number of prescriptions for all</td>
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<td></td>
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<tr>
<td>antibiotics (AB)</td>
<td>1.061</td>
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<tr>
<td>Emergency department visits</td>
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<td>Advanced imaging tests, in RVUs</td>
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<td>2.36</td>
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<tr>
<td>Total health spending, in dollars</td>
<td>$3,675</td>
<td>4.01</td>
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