Capitation Payment Model:
Understanding Payment Models in a World of Value-Based Care

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Atrius Health
Atrius Health

• The Northeast’s largest nonprofit, independent multi-specialty group practice
• A national leader delivering high-quality, patient-centered, coordinated care

Dedham Medical Associates
Granite Medical Group
Harvard Vanguard Medical Associates
VNA Care Network & Hospice/VNA of Boston

• Providing care for ~ 675,000 adult and pediatric patients
• 750 physicians across more than 35 specialties.
Key Statistics

- Employees: 6,800
- Physicians: 750
- Patients Served: 675,000
- Annual Patient Visits: 2.3 million
- Clinical Locations: 32, (3 hospices)
- Revenue: $1.9B (2015)
  - 75% through a capitation payment model
Atrius Health Payment Model Mix:
- 75% of revenue aligned with reducing total cost of care

- 25% Fee for Service
  ~ $500 K

- 75% Capitation
  ~ $1.4b

Pie chart showing:
- Commercial
- Medicaid
- Medicare Advantage
- Fee-for-Service (includes Pioneer)
Atrius Health’s Services

- **Primary care**: ~340 physicians.
  - Internal Medicine, Pediatrics, Family Medicine
- **Behavioral Health**: ~160 providers
- **Specialties**: ~250 physicians
  - 35+ medical and surgical specialties
- **Urgent Care**:
  - Evenings/weekends/holidays 365 days/year. 24/7 phone advice
- **VNA Care Network/Hospice**:
  - Home health, palliative care and hospice, private duty nursing, assisted living nursing management
Why Choose Capitation Payment Model?

• **Long history of managing capitation**
  – Practice originated from HMO staff model
  – 75% of revenue under capitation today

• **Population Health management is in our DNA**
  – Proactive and preventive care, chronic disease management, hi-risk patient management for *all* patients

• **Mature Informatics and Analytics Infrastructure**
  – Same EMR since 1998, 100% organizational adoption
  – Enterprise Data Warehouse. Integrated EMR + All Payer Claims Data
The Concept of Value-Based Care is Not New

“The existing deficiencies in health care cannot be corrected simply by supplying more personnel, more facilities and more money. These problems can only be solved by organizing the personnel, facilities and financing into a conceptual framework and operating system that will provide optimally for the health needs of the population.”

Dr. Robert Ebert, Founder,
Harvard Community Health Plan, 1969
How does Capitation Payment Model Work?

A “per member per month” (pmpm) budget or a percent of premium is negotiated
- “Gross” capitation revenue ranges from @ $350 to $900 pmpm
- Atrius maintains a mix, it has been important to have diversity

A “per member per month” (pmpm) payment is made by the health plan
- made on a monthly basis for patients with an Atrius PCP
- happens whether or not we have provided services
- “net” capitation payment is @ 30-40% of the gross capitation
- remaining 60% - 70% is kept by the health plan for outside claims
Breakdown of Commercial Capitation Payment

Gross Capitation $400 pmpm

- Hospital
  - 16% or $64 pmpm

- Outpatient services
  - 33% or $132 pmpm

- Rx
  - 11% or $44 pmpm

- Atrius Health
  - 40% or $160 pmpm

= Net Capitation Payment $400 pmpm

$ for illustration only
What services do our budgets cover?

• “gross” capitation revenue covers nearly all “Covered” services

• Inpatient and outpatient hospital services, rehab and SNF, emergency room, primary and specialty care, pharmacy and ancillary services
  ✓ If we provide services they are included in our monthly pmpm
  ✓ If provided by outside providers they are paid by health plan

• What’s not included? behavioral health, vision services, out of area services may be carved-out by health plan or employer
  ✓ If we provide services we are paid on a fee for service basis.
How are our pmpm budgets adjusted?

- adjustments happen concurrently and at settlement
- adjustments reflect changes in the population
  - patients’ age, gender, “health status”, i.e. DxCG, plan design and benefits
- significant variation exists at site level, as much as 50%
- budgets trended annually, based on medical expense
How Does the Capitation Model Work?

How much risk do we accept?

• generally accept 100% of the risk
• exception is either small populations or new risk arrangements
• If exception, we may share risk and/or have a cap on gains/losses
• we purchase outside reinsurance to protect ourselves against individual catastrophic or high cost cases.
Capitation Model: What does it take?

- Organizational Culture
- Medical Management
- Data Reporting and Analysis
- Health Information
- Patient Engagement

Large enough Scale to manage risk
Capitation Model: What are the incentives?

Provide high quality, cost effective, coordinated patient-centered care

- Payment comes up front, focus on patient needs, not what is billed
- Improve patient experience, improve population health and reduce TME
- Right care, right time, right place

What does this look like in the medical practices?

- Same day access, urgent care, 24/7 telemed
- Integrated Behavioral Health services and BH facilitators
- Case Managers embedded in primary care practices
- Clinical Pharmacists, Pediatric Care Facilitators
- E-consults and telehealth visits
- Coding and EMR supports
Capitation Model: What are the incentives?

Population Health Management
- Focus on hospital transitions
- ECF program, CM’s in ED and Inpatient NP’s
- Palliative and End of Life Care
- VNA integration
- Population Managers

External Partners
- Selecting the right partners is critical, engagement is key
- Use of lower cost hospitals ($11,769 vs. $18,150!)
- Regular reporting on key performance measures
- Explore collaborative risk arrangements
- IT interoperability is key
Capitation Model: What are the Incentives?

Facilities with Atrius Employed Clinicians:
- Facilities: 16
- ALOS: 13.9
- Readmit rate: 8.3%
- % of admits: 40%
- # of admits: 1,380
- TME per SNF Case: $7,624

Preferred Facilities:
- Facilities: 20
- ALOS: 15.8
- Readmit rate: 8.4%
- % of admits: 30%
- # of admits: 1,026
- TME per Case: $9,395

“Outer Space”
- Approx. 240 Facilities
- ALOS: 22.3
- Readmit rate: 10.9%
- % of admits: 30%
- # of admits: 1,023
- TME per case $11,249
Capitation Model: What are the Incentives?

% of Adult Med Surg Admits Transferred to Preferred SNF*
For Hospitals with 20+ Transfers to a SNF
June 13 – May 2015

*Preferred SNF of ANY Atrius Health Preferred Skilled Nursing Facility Grid, April 2015
Capitation Model: What are the Results?

Across the 20 Pioneer ACOs:
- Overall quality score range: 74.16% to 94.24%
- Atrius Health Score: 91.4%
Capitation Model: What are the Results?

![Graph showing the results of Atrius Health and Medicaid Network from 2009 to 2014. The graph indicates a rising trend for Medicaid Network and a more fluctuating trend for Atrius Health.]
Our Challenge is to Move

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
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</thead>
<tbody>
<tr>
<td>Volume-based reimbursement</td>
<td>Value-based reimbursement</td>
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<tr>
<td>Price focus</td>
<td>Total Medical Expense</td>
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Our Challenge is to Increase Alignment

- Discount Arrangement
- Shared Risk Arrangement
- Hospital and/or Specialty Capitation
- Performance Based (P4P) Arrangement
- Global Budget Capitation

Degree of Difficulty/Risk

Degree of Alignment
Our Challenge is to increase alignment

“Physician compensation is expected to increasingly incorporate factors such as quality, outcomes & patient satisfaction. Incentive pay makes up 3% to 5% of the total compensation of employed physicians. But is expected to be between 7% and 10% in the next few years, according to a survey of 424 health care executives.”

MDs have been shielded from direct financial exposure from Alternative Payment Models
Why Doctors Are Sick of Their Profession

American physicians are increasingly unhappy with their once-vaunted profession, and that malaise is bad for their patients.

“American doctors are suffering from a collective malaise.

We strove, made sacrifices—and for what?

For many of us, the job has become only that—a job.”

Sandeep Jauhar WSJ.com, Aug. 29, 2014