

Performance Based Payment Arrangements

Type of Health Plan or Product	General Description of Model	Key Policy Features	Key Actuarial Features	Elements Required for Success
Commercial-IPA / HMO	Med/Surg. PMPM budget with a withhold and hospital pool incentives, contracted at the IPA group level	Budget vs. Actual quarterly reviews. Annual withhold returns contingent upon performance	Annual updates – utilization/unit cost trends, IBNR adjustments, age/sex normalized	Ongoing Actuarial Review / Severity / Benefit Plan Adjustment. Drill down reports to the IPA for actionable issues. Maintain stop loss protection
Commercial HMO – Direct Physician Contracts	Age/Sex adjusted physician specific referral and hospital pool. PCP capitated	For each PCP a referral and institutional pool budget are established. Incentives paid quarterly	Annual updates – utilization/unit cost trends, IBNR adjustments, age/sex normalized	PCP specific report cards. Realistic targets/ongoing budget review, severity adjustments, stop loss targets
Group Model Health Plan (All Products)	Full Risk PMPM Cash Transfer for a Group Model	Monthly PMPM Payment, may include Hosp. incentive	Annual adjustments tied to premium increase	Accurate and ongoing data transfer to the Medical Group. Appropriate actuarial adjustments
Medicare / Commercial P4P Physicians	Targeted Quality and Utilization based Measures	Quarterly incentive system payout	Projected results build into premium	Ongoing industry improvement in quality data and measures
Medicare / Commercial P4P Hospitals	Direct Hospital Care Quality Measures (e.g. Infections)	Payouts build into the future per diem or paid separate	Projected results build into premium	Ongoing industry improvement in quality data and measures
Percentage of Premium (Comm./ Medicare)	Direct Risk Allocation based upon filed premium with DOI	Percentage of risk transfer may differ based on type of service	Actuarial based Insurance Dpt. Filing utilized for PMPM Rates	Alignment of incentives with Health Plan and Providers. Severity Adjustment at the Provider Level
Full Risk Medical Group (Commercial Medicare) with PCP Bonus	Full Risk for both Commercial & Medicare	Corporate entity created for risk transfer. Annual Settlements with Health Plan	Risk normalized for hospital unit cost, benefits, severity adjustments	Accurate and ongoing data transfer to the Medical Group. Appropriate actuarial adjustments
Medicare Advantage Profit Sharing	Providers obtain a surplus return based upon the actual profit of the health plan	Aligned Incentive with Health Plan (e.g. Data Collect for Enhance Risk Score Revenue)	May require regional adjustments for CMS regional per capita payments	Requires transparency between Health Plan Providers. Ongoing data file analysis
Medicare Bed Days / 1000 Hosp. / Physician Incentive	Significant physician incentive for meeting bed target	Ongoing days / 1000 saving paid to specific providers	Age/Sex and TOS adjustments to days / 1000 target	Model requires a balanced incentive for hospital for long term success
Medicaid Full Risk Transfer wt. Pooling to Hospitals	Hospitals responsible for full risk of population	Each Hospital Full Risk Pool is severity adjusted	Reinsurance Captive was created for stop loss. PMPM based upon % of premium	Ongoing management of high risk payments. Use of data base for review and observations of State Premium levels
Direct PCP / Specialty Line Item Capitation (e.g. Lab/Rad.)	Direct provider specific full risk	Typical for PCPs and ancillary. Monthly PMPM payments	Ensure savings – vs. FFS equivalency. Robust Encounter reporting	Membership PCP assignment data critical & FFS equivalency reporting