

## ***DRAFT – FOR PUBLIC COMMENT***

### **Characteristics of Payment Models Likely To Be Recommended by the Physician-Focused Payment Model Technical Advisory Committee**

In order to assist stakeholders who are considering submitting proposals for Physician-Focused Payment Models (PFPMs) and to facilitate its own deliberations, the Physician-Focused Payment Model Technical Advisory Committee (PTAC) has developed some initial guidance as to the kinds of payment models that are more likely to receive favorable recommendations. However, the PTAC will consider all proposals on their merits and it reserves the right to make decisions on individual proposals that differ from this guidance. It also reserves the right to modify this guidance as necessary based on experience in reviewing proposals, based on comments and recommendations offered by stakeholders, and based on the regulations governing PFPMs that are issued by the Secretary of Health and Human Services.

The PTAC will use the information submitted in a proposal to determine whether a PFPM has the characteristics described in this document. The information needed to make this determination is defined in detail in the PTAC's PFPM Proposal Information Requirements.

#### **1. Goals and Focus of Physician-Focused Payment Models**

The PTAC encourages innovative proposals for PFPMs that will control healthcare spending and/or improve healthcare quality. In general, PTAC will only consider PFPMs that change the method of payment for physicians if the payment model also requires the physicians or the entity receiving the payment to take accountability for (1) reducing spending without reducing the quality care, (2) improving the quality of care without increasing spending, or (3) improving the quality of care and reducing spending.

The types of PFPM proposals that will be considered by the PTAC include, but are not limited to:

- Payments designed to enable an individual physician or physician practice to improve care for patients who are receiving a specific treatment or procedure. These “treatment-based payments” could focus only on services delivered on the day(s) of treatment or on services delivered during a longer episode of care.
- Payments designed to enable an individual physician or physician practice to improve care during a period of time for patients who have a specific health condition or combination of conditions. These “condition-based payments” could focus on either acute conditions or chronic conditions.
- Payments designed to enable teams of clinicians to deliver more coordinated, efficient care for patients who have a specific condition or are receiving a specific treatment or procedure.
- Payments designed to improve the efficiency of care and/or outcomes for patients receiving both services delivered by physicians and related physician-ordered services delivered by other providers.
- Payments designed to enable physicians to improve care for particular subgroups of patients, e.g., patients with a severe form of a condition, patients who have an early stage of a condition where progression can be more easily prevented, patients who need special services after treatment, patients living in very rural communities, etc.
- Payments designed to enable a primary care physician or a multi-specialty group of physicians to improve care for most or all of the health conditions of a population of patients, or to prevent the development of health problems in a population of patients with particular risk factors.
- Revisions to the codes and fee levels for a broad range of physician services designed to support delivery of a different mix of services in conjunction with accountability for measures of utilization, spending, or outcomes for a group of patients.
- Payments in which the amount of payment depends on patient outcomes, with or without changes to the units of payment for individual physicians.

## **2. Services Supported by a Physician-Focused Payment Model**

In general, the PTAC will only recommend PFPMs that directly affect the method and/or amount of payments for one or more services delivered or ordered by one or more types of physicians.

If a proposed payment model changes the method and/or amount of payments to both physicians and other types of providers (e.g., hospitals, home health agencies, skilled nursing facilities, etc.), the PTAC will be more likely to recommend the model as a PFPM if a substantial portion of the payment supports services that are delivered or ordered by physicians.

## **3. How the Method of Payment Differs from the Physician Fee Schedule**

### ***Payment for Individual Services Not Billable Under the Physician Fee Schedule***

In general, the PTAC will be unlikely to recommend a proposed PFPM if the only change it makes is to give a physician the ability to bill for a single type of service that is not currently eligible for payment under the Physician Fee Schedule or to alter the fee level for a service that is currently billable, particularly if there is no change in the measures or methods of accountability that would otherwise apply under the Merit-Based Incentive Payment System (MIPS). There is already a process for proposing and making these types of changes through the regulations governing the Medicare Physician Fee Schedule.

### ***Payments for Packages and Bundles of Services***

If a proposed PFPM would create a new payment for a physician that replaces or includes the payments for two or more services that are currently paid for separately under the Physician Fee Schedule, the PTAC will be more likely to recommend the proposed PFPM if the new payment replaces all or most of the physician's current payments for individual services that are related to: (1) a specific health condition or risk factor, or combination of conditions and risk factors; (2) a specific treatment; or (3) all of the health care needs of a population of patients. (For example, a monthly payment that covers all office visits, phone calls, emails, and office-based procedures needed by a patient, replacing separate payments for Evaluation and Management services and procedures.) The new payment could allow flexibility to deliver services that are not currently billable in addition to services that are billable, and the amount of the payment could be stratified or adjusted based on characteristics of the patients, rather than based on the number or types of services delivered.

If the physician would continue to be paid separately for any individual services related to a condition, risk factor, or treatment covered by the new payment, the PFPM proposal should explain why those services cannot or should not be included in the new payment. In these cases, the PTAC will be more likely to recommend the PFPM if it also includes a mechanism for accountability for spending on the services that are not included in the new payment. For example, the PFPM might include a performance-based payment component using a measure of total spending on all services related to the condition, risk factor, or treatment (both the services that are included in the new payment and those that are still paid separately) or a measure of total spending on all aspects of the patient's care.

The PTAC will be more likely to recommend a PFPM if it defines a process for updating the definitions of what is included and excluded in a new payment and the amount of the new payment as changes in technology and evidence occur over time.

#### **4. Relationship of Physicians to Entity Receiving the Payment**

The PTAC recognizes that there are many different organizational structures through which physicians deliver services to patients and through which physicians are paid for those services. The PTAC will not limit the types of entities that can submit proposed PFPs and it will consider proposals for PFPs that would need to be implemented through entities other than physician practices and physician groups. The PTAC encourages submission of proposals that show how the PFP could be successfully implemented by small, independent physician practices.

If a PFP requires that the payment be made to an entity other than a physician practice or physician group, information should be submitted explaining:

- What requirements there would be as to how physicians will be involved in the governance of the organization or entity;
- How the payments or incentives for the individual physicians who are part of the organization or entity would change; and
- How the payments or incentives for individual physicians would encourage high performance on the accountability measures that are part of the PFP.

#### **5. Accountability for Spending and Quality**

In general, the PTAC will only consider PFPs that change the method of payment for physicians if the payment model also requires the physicians or the entity receiving the payment to take accountability for controlling the costs and quality of care for the patients affected.

##### ***Measures of Utilization, Spending, Quality, and/or Outcomes***

The PTAC will be more likely to recommend a PFP that is focused on a condition, risk factor, or treatment if the PFP requires the physicians or the entity receiving the payment to take accountability for (1) controlling total Medicare spending on all services the patients receive that are related to the condition, risk factor, or treatment, (2) controlling total Medicare spending on all services the patients receive, or (3) improving performance on measures of spending, utilization, and/or quality that are primary drivers of total cost of care.

The PTAC will be more likely to recommend a PFP in which the physicians or the entity receiving the payment can demonstrate that the services to be delivered and the projected savings for the Medicare program are sustainable without any increases in spending by other payers.

The PTAC will be more likely to recommend a PFP that changes payment related to a treatment if the physicians or the entity receiving the payment take accountability for ensuring that the treatment is appropriate for the patient.

The PTAC will be more likely to recommend a PFP that changes payment related to a health condition if the payment model defines a consistent method of identifying the condition for which payment would be made and if the physicians or the entity receiving the payment take accountability for ensuring the accuracy of the diagnosis of the condition.

The PTAC will be more likely to recommend a PFP if it includes specific mechanisms for ensuring that patients receive evidence-based services for the health condition(s) or for the delivery of the preventive or treatment service(s) that are the focus of the PFP.

The PTAC will be more likely to recommend a PFP if the physicians or the entity receiving the payment take accountability for some or all of the outcomes of the care delivered.

The PTAC will be more likely to recommend a PFP if it proposes evidence-based quality measures that are feasible to collect and use to monitor performance, or, if such quality measures are not available, if the proposal presents a compelling case for how quality would be maintained or improved and how research or periodic monitoring could be used to demonstrate positive quality outcomes.

If a PFPM is designed to support services that would prevent future health problems, slow the progression of disease, or achieve other outcomes that will occur over a multi-year period, and if additional spending is needed in the short run to achieve savings in the future, the PTAC will be more likely to recommend the PFPM if it (a) requires accountability for improving a current clinical measure that has been shown to have a close direct linkage to the long-term outcome, and (b) requires accountability for ensuring spending does not increase more than the amount projected to be needed to achieve the improved outcome.

### ***Financial Risk***

The PTAC will be more likely to recommend a PFPM in which the physicians or entity receiving the payment accept more than nominal financial risk for achieving the desired results on the measures of spending and quality/outcomes.

PTAC will consider proposals for PFPMs that define financial risk in different ways, including, but not limited to:

- the amount of payment that could be lost by the practice if the desired results are not achieved;
- the increase in unreimbursed costs the practice would incur if the desired results are not achieved; or
- the amount that the practice would be expected to pay to CMS if the desired results are not achieved.

The PTAC will be more likely to recommend a PFPM in which the amount of financial risk and the way in which the risk is structured are (a) likely to be financially feasible for physician practices to accept, including small physician practices, and (b) likely to adequately encourage changes in care delivery needed to achieve the desired results on the measures of spending and quality/outcomes. This includes, but is not limited to, PFPMs that have one of the following characteristics:

- when the desired results are not achieved, the potential reduction in payments to a participating physician practice is at least as great as the maximum penalty the physician practice would face if it were being paid under the Merit-Based Incentive Payment System rather than under the PFPM; or
- when the desired results are not achieved, payments to the physician practice or entity could be reduced by more than any increase in payments the practice or entity received compared to the standard amounts it would have received under the Physician Fee Schedule; or
- payments to the physician practice or entity could be reduced by an amount sufficient to ensure there is no net increase in Medicare spending for the condition(s) or treatment(s) that are the focus of the payment model.

The PTAC will consider PFPMs in which the amount of financial risk during an initial period of time is smaller than the amount of risk in later periods.

NOTE: The fact that the financial risk components of a PFPM lead to a recommendation by the PTAC does not necessarily mean that the PFPM will meet the standards for “more than nominal financial risk” under the Medicare Access and CHIP Reauthorization Act (MACRA) and the regulations implementing MACRA.