



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

The Design and Application of Shared Savings Programs: Lessons from Early Adopters

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Synopsis

Enabling health care providers to share in the savings they generate from the delivery of more efficient, higher-quality care is a promising way to achieve the goals of health reform. Reaching agreement on the methods used to calculate and distribute such savings, however, has been a challenge for payers and providers alike. By following a set of design principles, payers and providers may be able to sidestep some of the pitfalls encountered by early adopters of this payment approach.

The Issue

Shared-savings programs that reward physicians and other health care providers for meeting cost and quality targets, but do not penalize them for missing targets, can be a first step in helping providers manage discrete patient populations. While these shared-savings arrangements present no downside risk to providers, they can be difficult to negotiate. Conflicts often arise from concerns over the equitable calculation and distribution of savings. As part of a Commonwealth Fund-supported study, researchers conducted a review of past, current, and planned shared-savings arrangements to identify common elements and challenges.

"This investigation has revealed a considerable range of activity and options in the design and implementation of shared savings arrangements."

Key Findings

- In a nationwide sample of shared-savings arrangements, the researchers found that each one has processes in place to: 1) calculate savings, 2) distribute savings, and 3) measure performance and provide support for transforming practices into fully functioning accountable care organizations (ACOs) or patient-centered medical homes.

- Methods for measuring and distributing savings are designed to ensure that providers are not rewarded for savings that could be attributed to random variation in health care costs. The authors found wide variation in how each program attributes patients to practices, selects savings benchmarks, sets minimum thresholds that providers need to reach before they are eligible for a savings distribution, establishes control groups, sets minimum panel sizes, and allows exclusions.
- To counter the perception that the payment models are designed solely to reduce costs, virtually all of the shared-savings contracts included eligibility criteria based on measures of access, quality, or patient experience.
- To help payers and providers find common ground, the authors proposed a number of design principles for shared-savings programs. These include recommendations to: 1) group together similar small practices to enhance stability of the estimates; 2) apply risk adjustment where appropriate; 3) use sliding scales to distribute savings; 4) encourage multipayer initiatives that pool data and align measures and incentives; and 5) ensure provider buy-in by making the process transparent.

Addressing the Problem

Physicians may require additional assistance to succeed in reducing spending and improving quality of care. For example, they may need data to help them understand the range of services their patients receive inside and outside the practice as well as data to identify high-risk patients, assess potential overuse, and track quality measures. Learning collaboratives or practice coaching may also be necessary to aid the transformation process.

About the Study

The authors relied on business contacts, publicly available data, and Internet searches to develop a sample of payer and provider organizations and state and private agencies involved in past, current, and planned shared-savings arrangements. Twenty-seven organizations participated, and 32 interviews were conducted. The majority were sponsored by commercial payers. One-fourth involved medical home or medical home-like programs.

The Bottom Line

Shared-savings arrangements will likely play a key role in health system reform, but they can be complex and difficult to negotiate. Understanding the advantages and pitfalls of different program design features is critical to reducing costs and improving the quality of patient care.

Citation

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