

Contracting ECRs



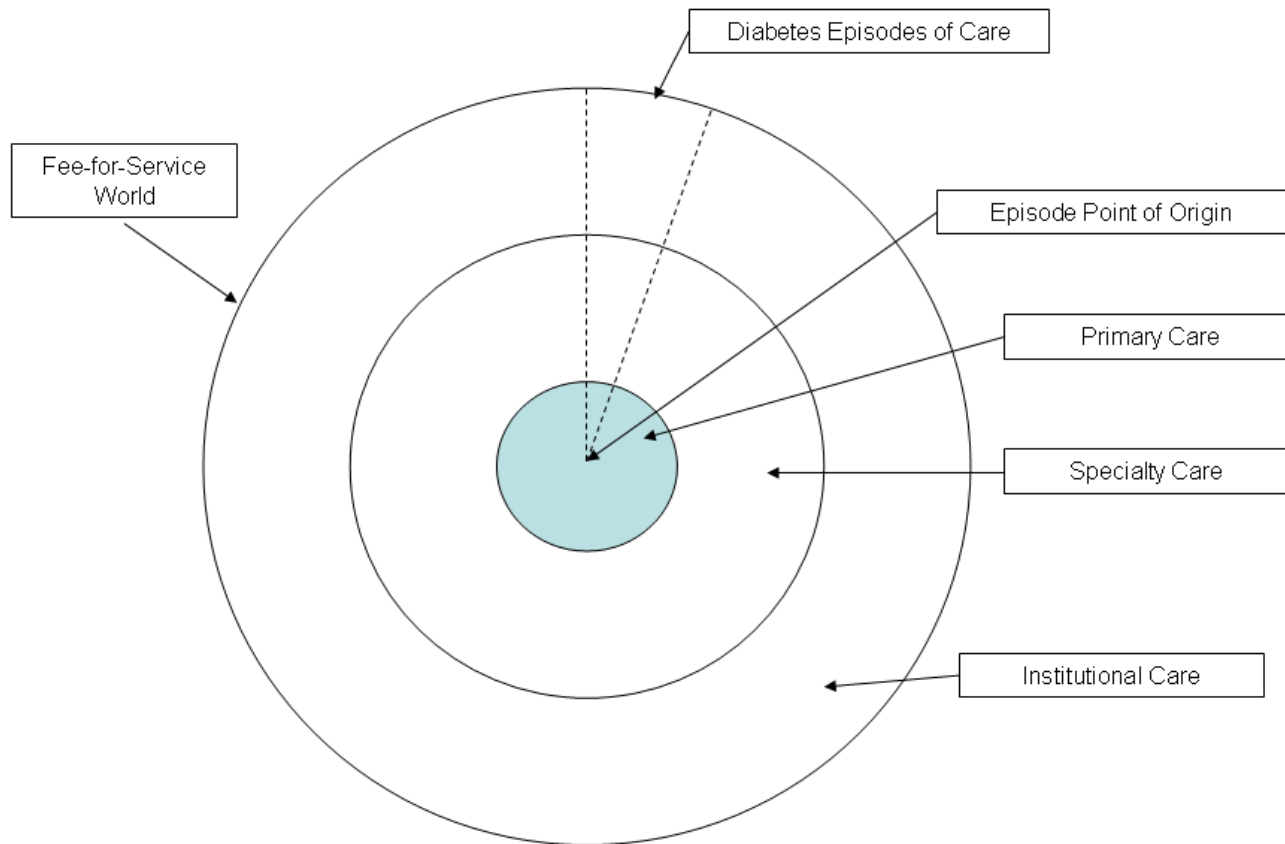
IHA P4P Conference
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Implementation Leader, Western Region
HCI3

Agenda

- ECR Concept and Accountable Care
- Retrospective vs Prospective Payment
- Negotiating Tunable Parameters

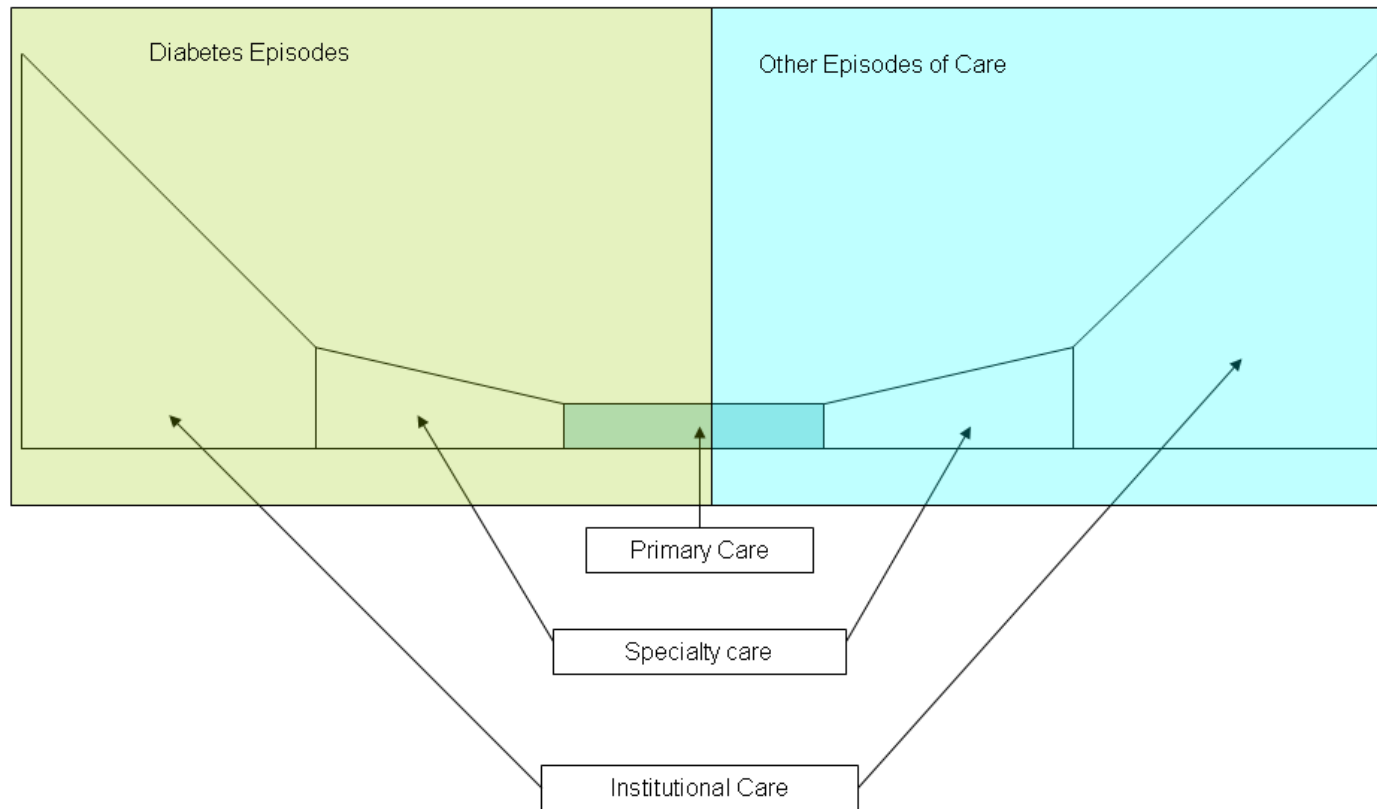
Patient-centered continuum of care



Total Dollar Continuity Over the Longitudinal Path of Care

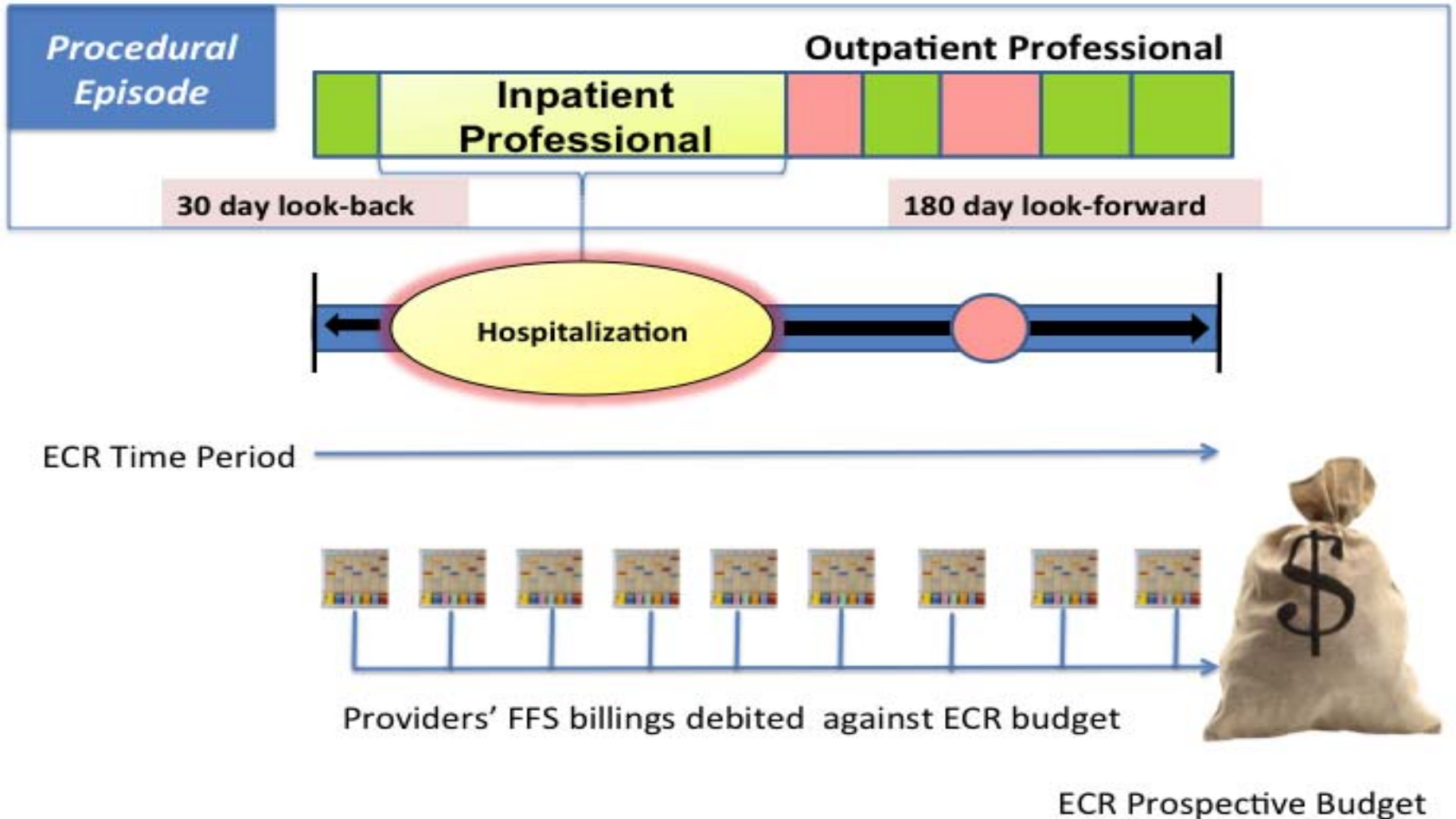
Source: *Sustaining the Medical Home: How Prometheus Payment Can Revitalize Primary Care*, RWJ publication

Amplitude of cost along the continuum

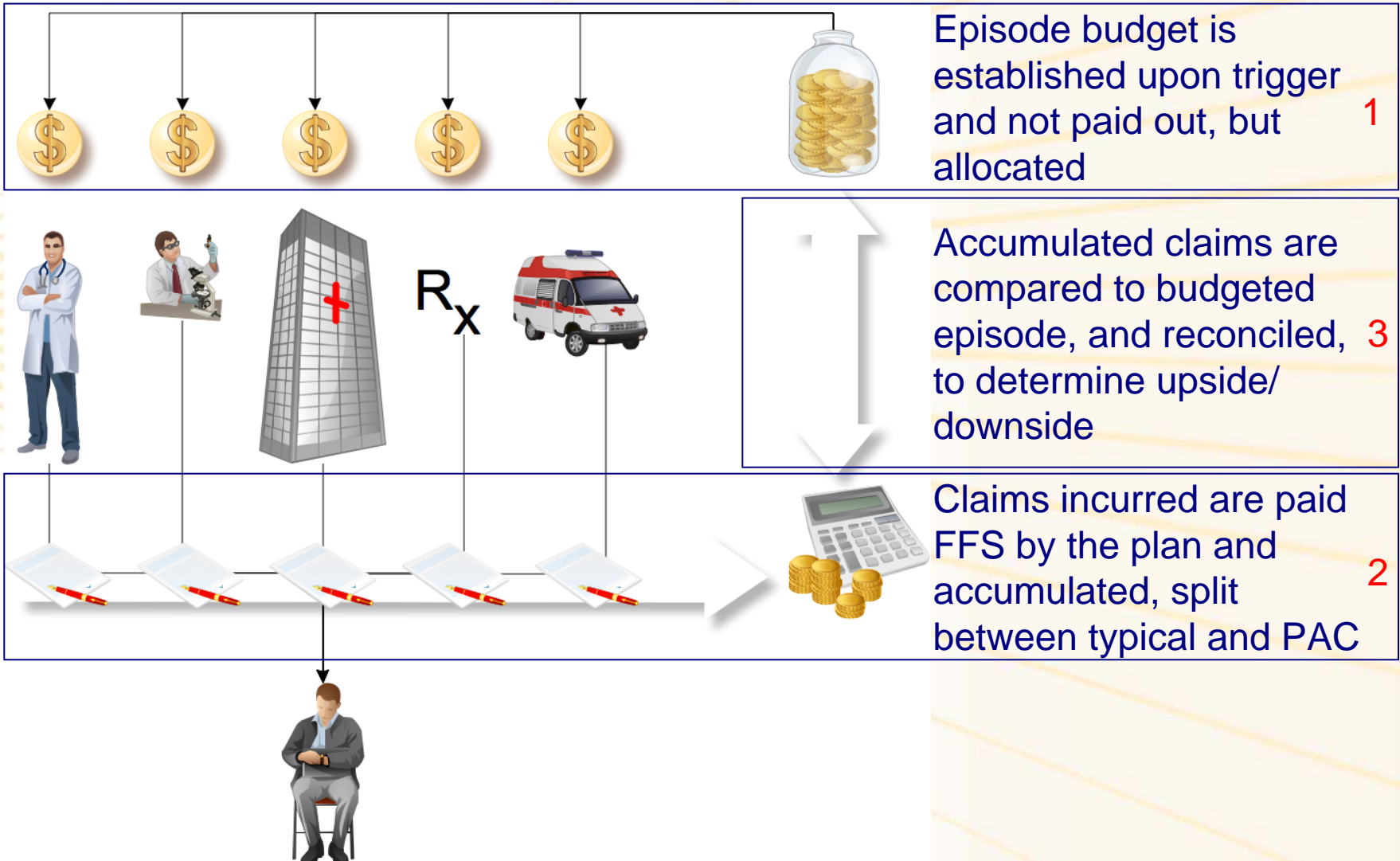


Source: *Sustaining the Medical Home: How Prometheus Payment Can Revitalize Primary Care*, RWJ publication

Retrospective Payment



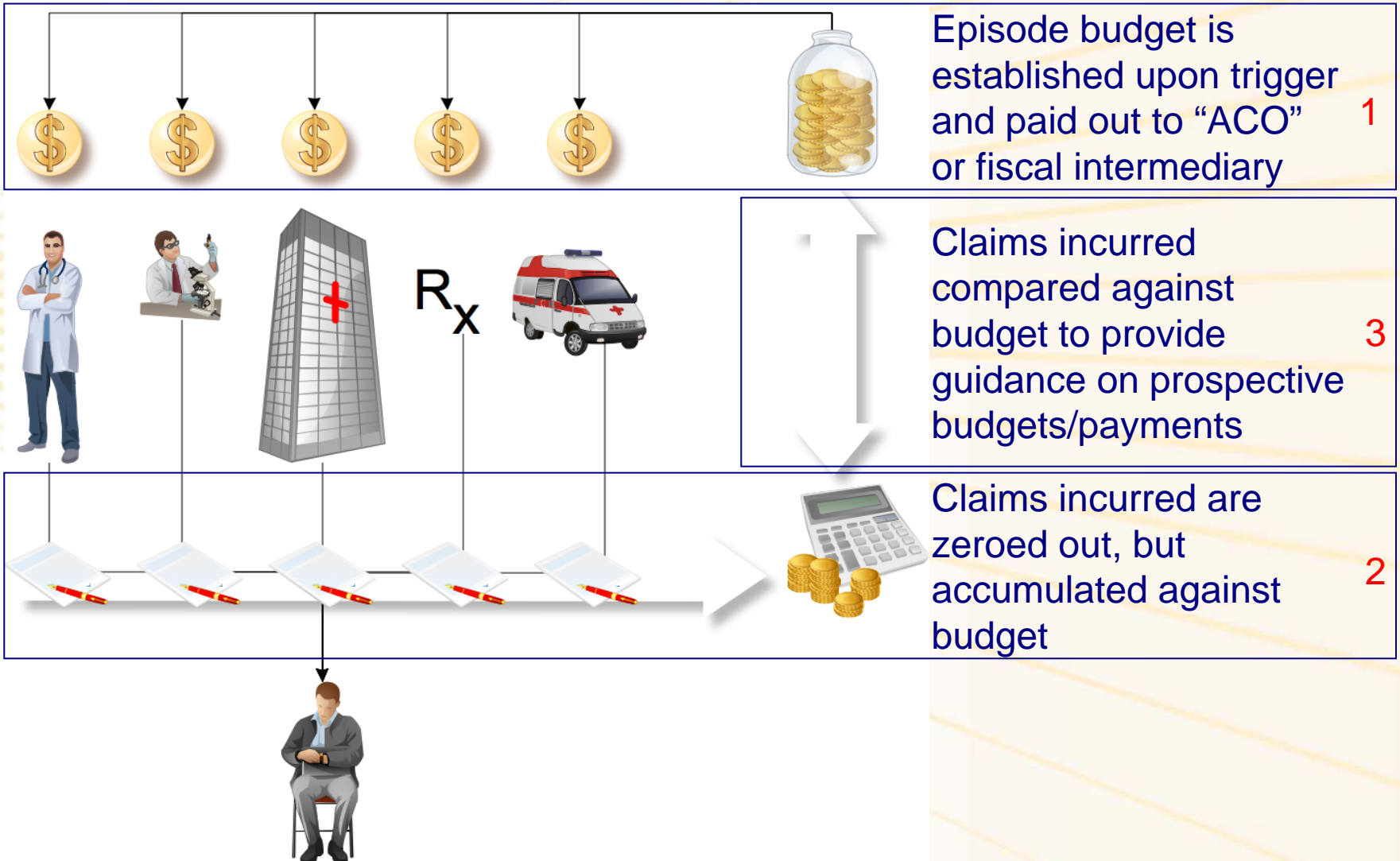
Retrospectively reconciled prospective episode budgets



Operational elements

- Prospective budgets are calculated by the plan, and the tunable parameters (e.g. stop-loss, PAC allowance) are negotiated with providers.
 - Need a contracting organization (health plan)
 - Providers don't have to be legally/organizationally integrated
- Claims incurred are paid according to underlying FFS schedules and accumulated against budgets
 - Need an accumulating engine (currently MedAssets, but working with McKesson and TriZetto for additional solutions)
- Paid claims are reconciled against budgets and upside/downside is determined
 - Need fiscal intermediary (plan) to deduct withholds and process reconciliations, pay out balances

Prospectively paid episode budgets with reconciliation



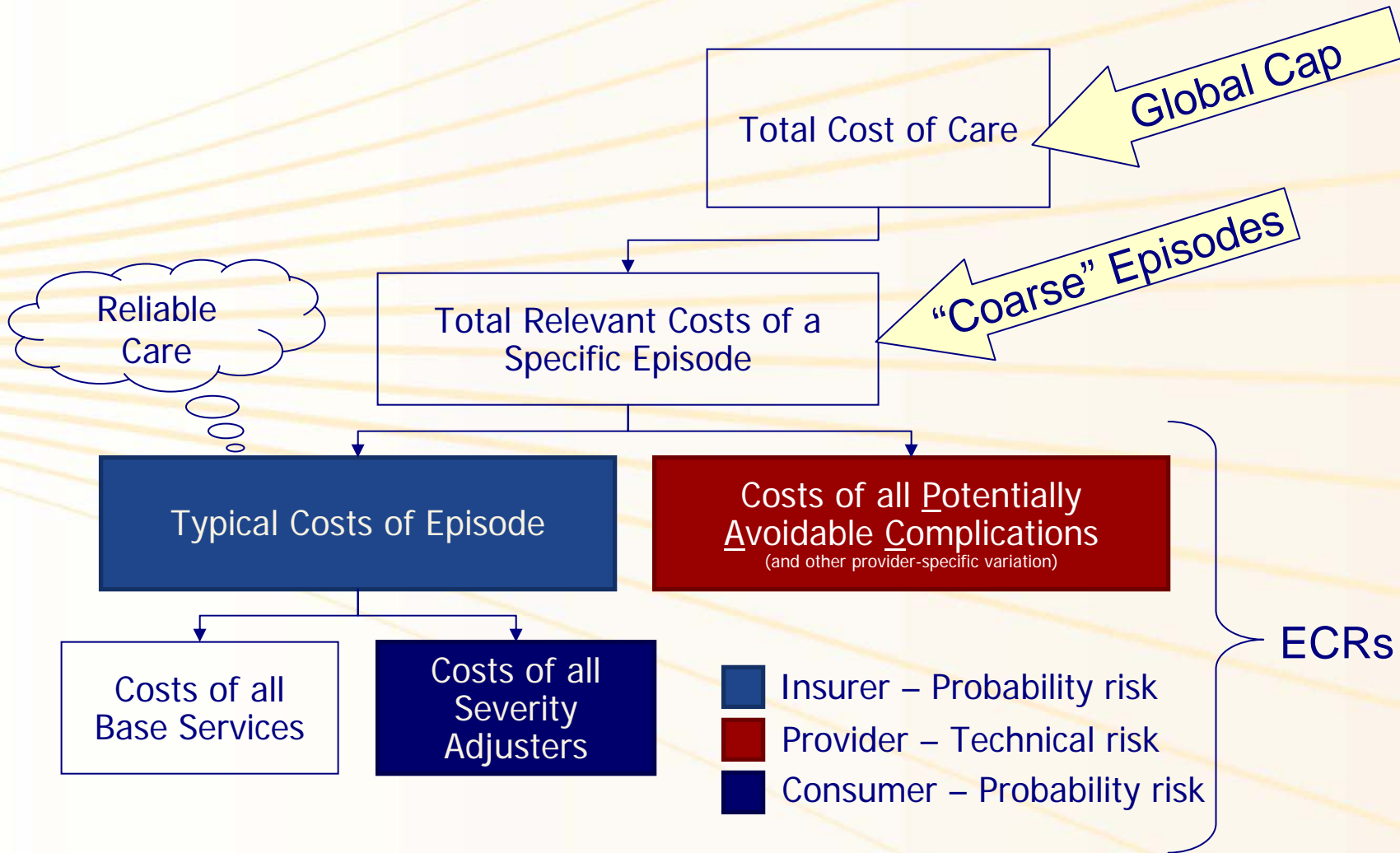
Operational elements

- Prospective budgets are paid out (with or w/o withhold – we recommend always taking a withhold)
 - Need ACO or fiscal intermediary who will distribute funds to subcontracted providers
- Claims incurred are zeroed out but accumulated against budgets to help inform future pricing and severity adjustment reconciliations
 - Need claims engine to zero out claims for triggered budgets and accumulate claims against episodes
- Incurred is reconciled against budgets, and withhold is then balanced out (to guard against overpayment when patients die or seek services outside contracted providers)
 - Need fiscal intermediary to perform reconciliations and determine distributions of withhold balances

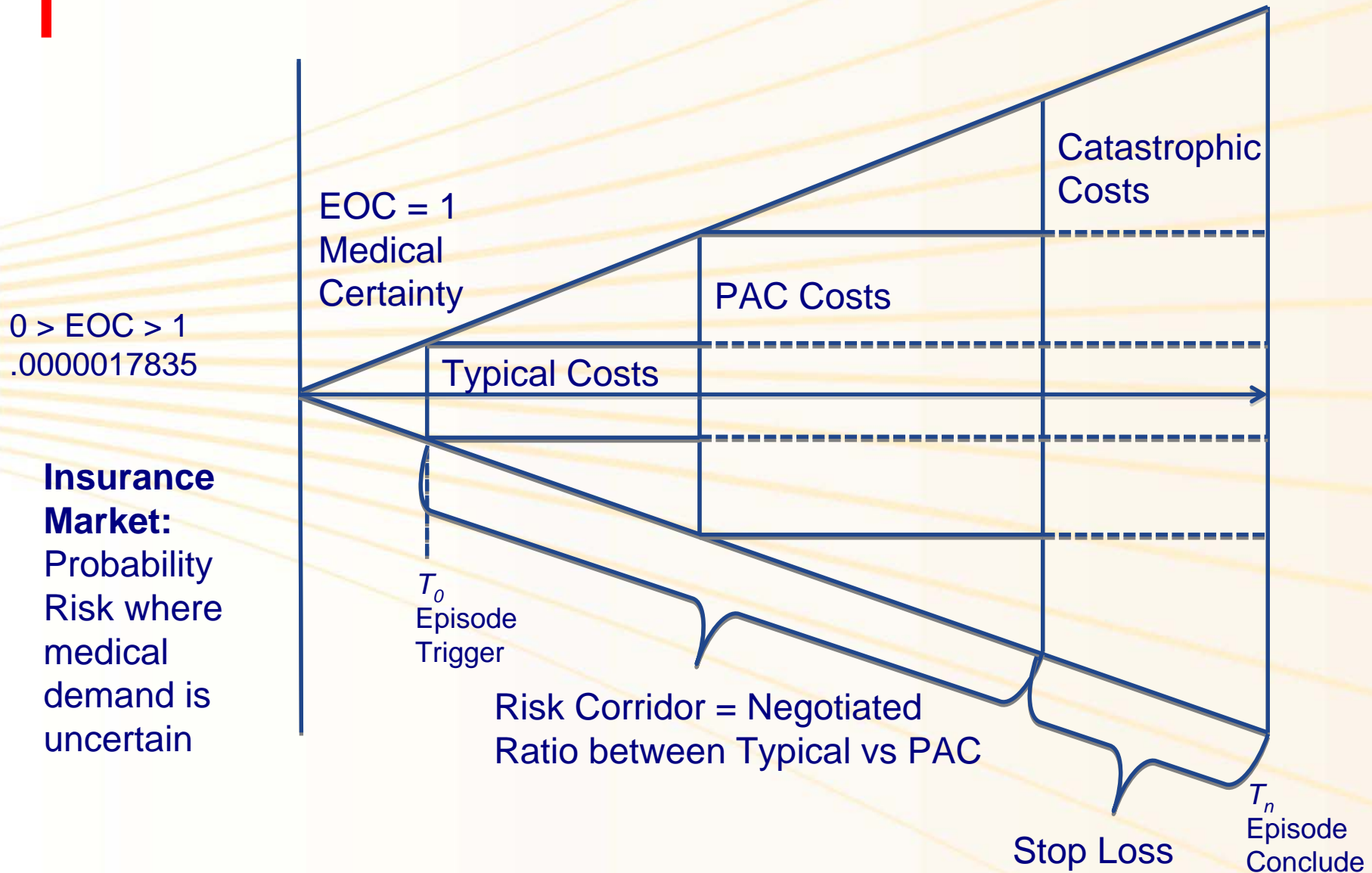


Negotiating Tunable Parameters

Risk Bifurcation

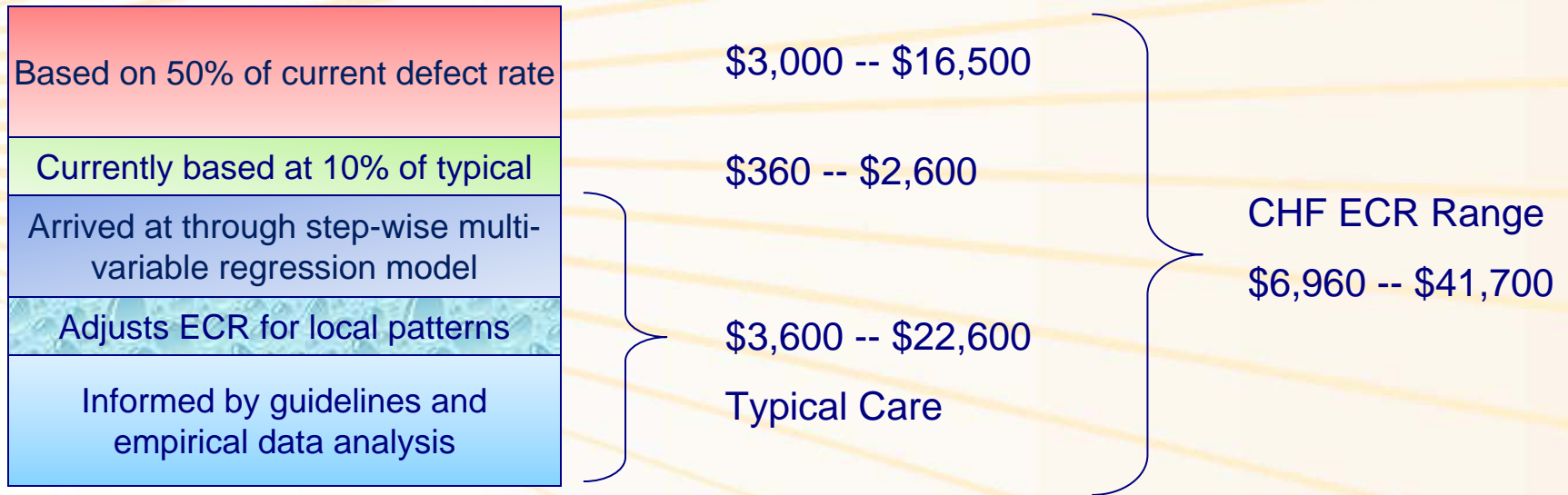


Technical Risk vs. Probability Risk



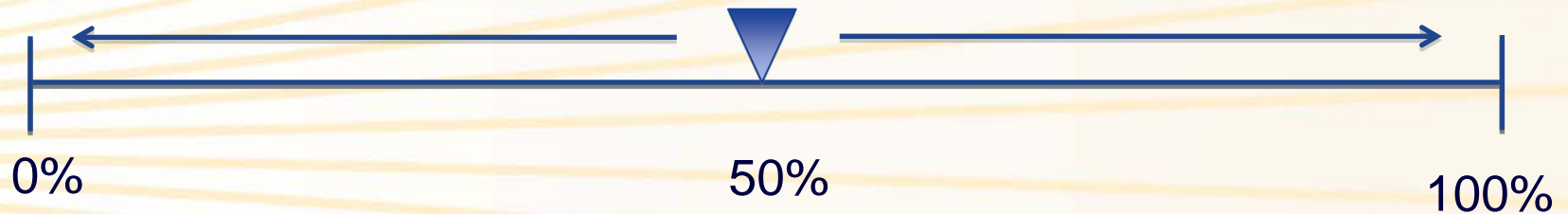
Negotiating Risk Corridors

Total ECR price = Type of services * Frequency * Price per service



Tunable Parameters: Negotiating ECR Risk Corridors

The PAC Allowance:



CHF Prospective Budget @ 50%

Patient 1 = \$4,112

Patient 2 = \$15,549

Patient 3 = \$34,629

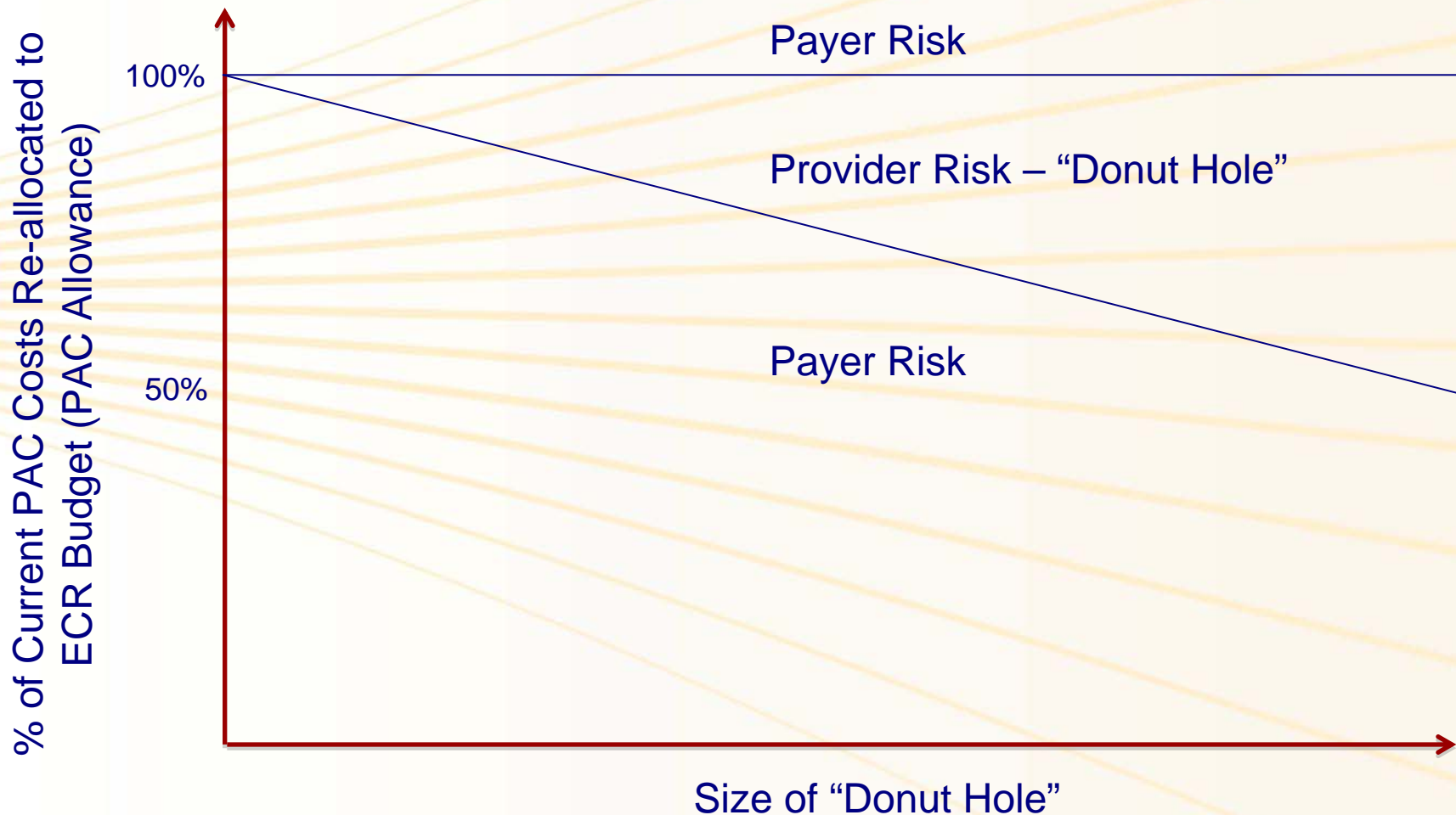
CHF Prospective Budget @ 75%

Patient 1 = \$5,348

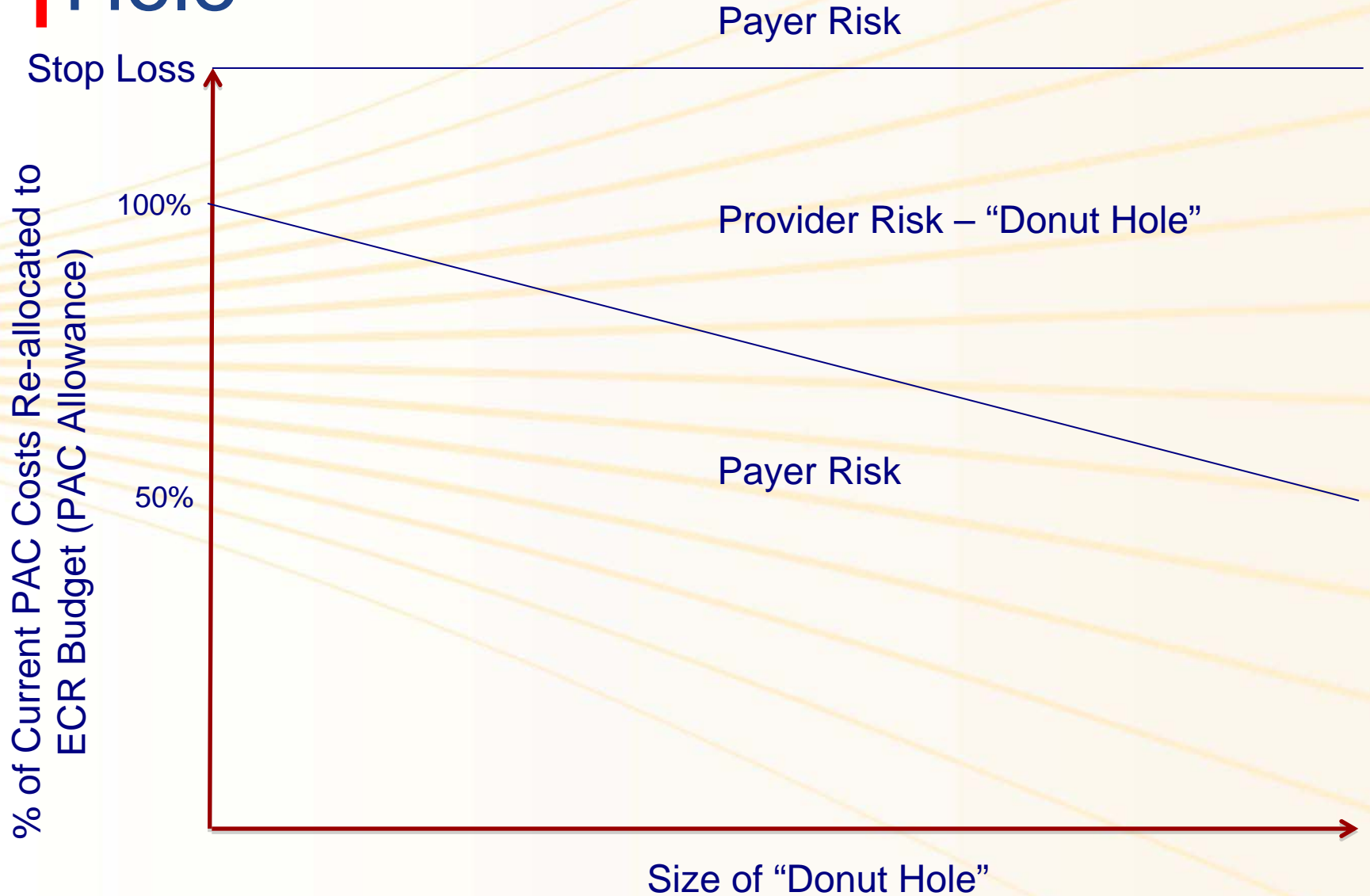
Patient 2 = \$18,714

Patient 3 = \$41,013

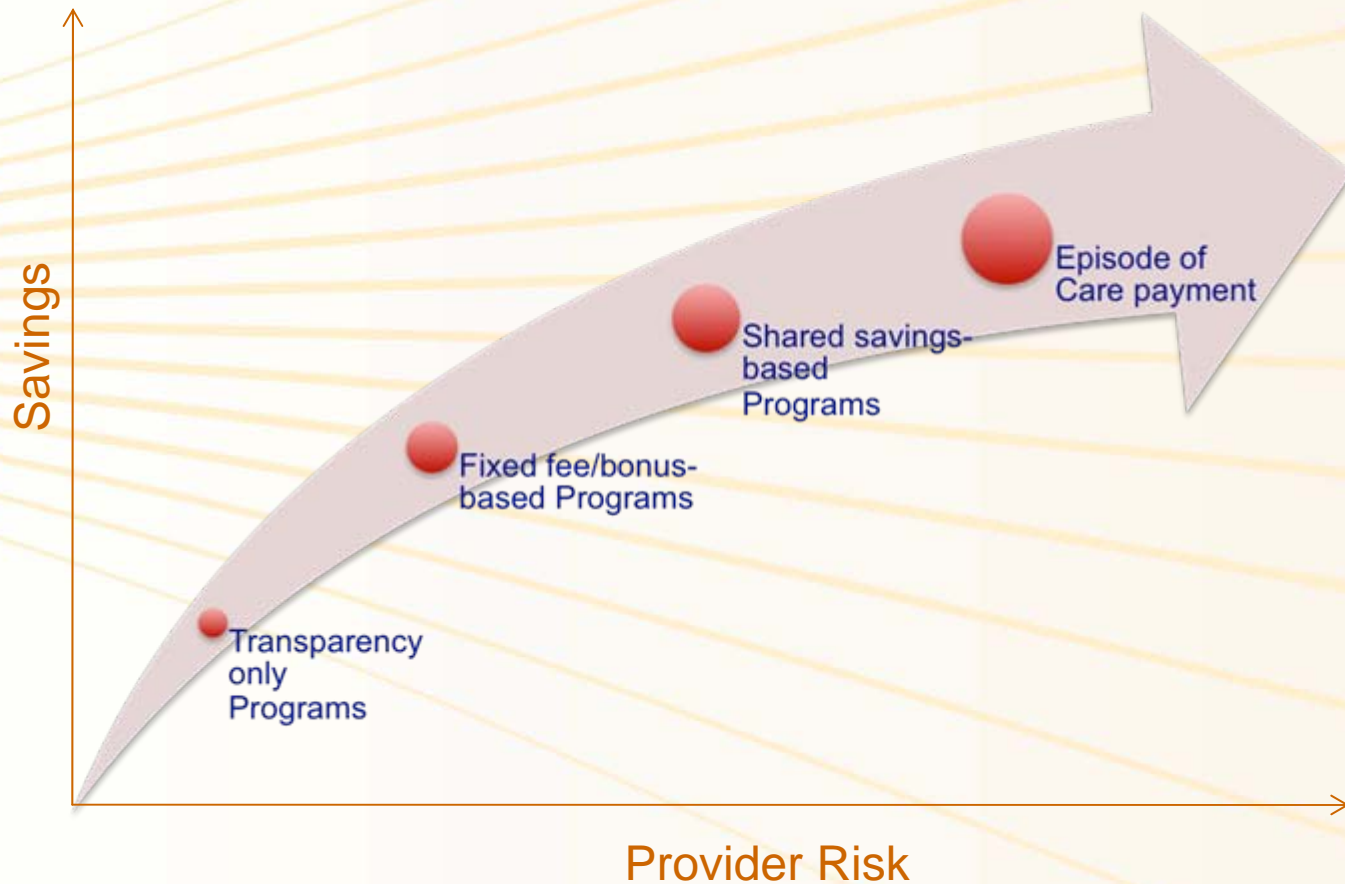
Tunable Parameters: The Donut Hole



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Prospective vs Retrospective Payment



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