AAOS American Academy of Orthopaedic Surgeons
American Association of Orthopaedic Surgeons

Position Statement

Alignment of Physician and Facility Payment and Incentives

This Position Statement was developed as an educational tool based on the opinion of the authors. It is not a product of a systematic review. Readers are encouraged to consider the information presented and reach their own conclusions.

The United States healthcare system continually faces numerous challenges. Current methods of physician reimbursement by government programs and private insurance have changed in recent years, but continue to offer little incentive to help control the cost of delivering care. Increasingly complex regulation, high patient cost responsibility, variation in practice patterns and eroding public confidence in the quality of healthcare delivery in the U.S. have become recognized as major threats to our healthcare system. Faced with these daunting challenges, alignment of physician and facility payment incentives has caught the interest of federal policymakers and many other stakeholders, who are searching for ways to stimulate savings and improve operational and financial performance. “Episode of care” bundled payment initiatives and gainsharing arrangements with physicians, when led by physicians, are common examples of ways to align facility and provider incentives.

The American Association of Orthopaedic Surgeons (AAOS) supports efforts of all stakeholders to develop and evaluate payment methodologies that will incentivize coordination of care among providers (including physicians and hospitals) and help reduce healthcare inflation. As the demand for musculoskeletal care increases with a more active society and an aging population, it is incumbent on orthopaedic surgeons to take a lead role in the development and deployment of such programs.

Currently, hospitals are paid under a Diagnosis Related Groups (DRG)-based prospective payment system which adjusts for severity and resource use in the discharge diagnosis. Physicians have traditionally been separately paid under a fee-for-service schedule without incentives to control volume or cost. The Centers for Medicare and Medicaid Services (CMS), along with multiple other stakeholders, believe that there are savings to be realized if the hospital and the physicians are paid and incentivized by the same methodology. With a single payment issued for the entire episode of care, interested parties hope to align the incentives of the facility and all involved providers, resulting in more efficient delivery of care and better compliance with standards and reporting requirements.

As traditionally defined, an “episode of care” bundled payment is a single payment covering all care, facilities, laboratories, implants, physician fees and all other health care professionals – for the entire episode of care provided to the patient. Episode of care payment programs may include a physician incentive or gainsharing component. Gainsharing refers to an arrangement between a physician and a hospital to share in the cost savings that result from specific actions to improve the efficiency of care delivery. Gainsharing programs may also be established with or without bundled payment programs.

Bundled, payment methodologies and gainsharing arrangements may carry unintended consequences. One possible consequence is “cherry picking,” the deliberate avoidance of complex or risky patients. The patient must remain the focal point of any initiative; payment mechanisms must not create incentives to treat healthier patients and limit access for sicker patients. Additionally, because a bundled payment covers a specific time period defining the episode of care, a workable and reasonable re-admission policy would be an essential piece to such initiatives. The system should not create incentives for patient diversion when a discharged patient in need of re-admission is sent to a different facility or provider. Developing a coherent risk adjustment policy is the most essential method for preventing the practice of deselecting patients and addressing the readmission issues with this method of payment.

To prevent limiting patient access to care, the AAOS believes risk adjustment is an indispensable component of any successful episode of care or bundled payment initiative and policy. Risk adjustment is important because unpredictable and unavoidable outcomes can occur even in the presence of evidence-based practice. Episodes of care must be risk-adjusted for patient demographics, socio-economic status, co-morbidities, and severity of illness and procedure-specific characteristics that account for the differences that contribute to outcome and costs of treatment.

Protecting Patient Access to Quality Care

The AAOS embraces change that improves quality and lowers cost, but the patient must be the primary focus of all initiatives. Orthopaedic surgeons should continuously work to provide high-value musculoskeletal care reflecting the needs and desires of their patients. Orthopaedic surgeons should be empowered to provide appropriate, evidence-based care to patients while recognizing how their medical decisions affect costs, A facility’s attempt to control costs and maintain clinical programs should not interfere with the surgeon’s goal of providing the highest quality care and serving the patient’s best interest. As part of a collaborative effort, orthopaedic surgeons should collaborate with hospitals and health care systems in the development of cost-containment strategies which protect patient safety, choice, and where quality of care is never compromised and the proper safeguards are in place.

Necessary Safeguards for Patient Centered Care:

- The patient must be the primary focus of all initiatives.
- The patient should be empowered to be a fully participating stakeholder in their healthcare process.
- The patient’s access to quality care must be a priority The physician must be the primary advocate
- All stakeholders must disclose potential conflicts of interest when providing patient care.
- No stakeholders should be incentivized to limit care or provide unnecessary care.
- Patients must maintain access to a variety of necessary providers and facilities.

Protecting and Facilitating Provider Alignment

The AAOS believes safeguards must be in place to protect the practice of medicine and the financial interests of all parties. The AAOS believes patient access to quality care requires trust, collaboration, and alignment of all involved providers and systems. The incentives and influence should facilitate an environment in which all stakeholders can efficiently improve quality.

Necessary Safeguards to Ensure Provider Equity:

- The burden to affect cost savings must be on all providers and stakeholders.
- The process must be transparent so that all financial incentives and any revisions are known by all stakeholders.
- The initiative must incentivize all stakeholders to collaborate**.** An appropriate time scale should be allowed to foster this collaboration.
- All stakeholders must be represented when developing initiatives to align payment and incentives.
- The payment must be agreed upon prior to delivering care.
- All stakeholders must be represented when creating a method of distribution for payment.
- The compensation for work must be fair and reasonable for all providers.
- Payment must be risk adjusted for patient and procedure specific characteristics.
- Competition must be maintained in the health care system.
- A physician must retain the autonomy to provide care that addresses each patient's unique medical needs.

References:

1. National Health Expenditure Accounts (NHEA), by the Office of the Actuary, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services. See https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html**.**
2. National Coalition on Healthcare: The American Health Systems Big Problem: Cost. http://www.nchcbeta.org/wp-content/uploads/2012/09/The-American-Health-Systems-Big-Problem-Cost-2.pdf

Position Statement 1171

For additional information, contact the Public Relations Department at 847-384-4036.