

# Value-based Reimbursement for hospitals



## Frequently asked questions

### Population-based performance

#### What is the population-based performance component of Value-based Reimbursement?

Population-based performance rewards hospitals for improved coordination of care with their physician partners. This enhanced collaboration helps with reducing unnecessary use of medical services and delivering the appropriate level of care in the appropriate setting. Hospitals that prove to be successful in improving their population-based performance over the course of their Value-based Reimbursement have the chance to share in a percentage of achieved savings.

#### How is population-based performance defined?

Population-based performance is measured as each hospital's weighted, population-based total cost of care per member per month. It's also based on the performance of the hospital's shared physician organization partners. Hospitals have the opportunity to share in savings if their year-over-year trend in population-based performance outperforms a defined shared savings trend target.

#### How are values calculated for per member per month?

The total cost of care per member per month is calculated by combining the costs (allowed amounts) for both the facility and professional components of medical-surgical and pharmacy claims. Cost of care reflects comparable patient care costs by removing charity care, bad debt and direct and indirect medical education; this adjustment represents the true payment related to care in actual dollars.

Each hospital's population-based performance is based on the weighted, per member per month performance of its partnering physician organizations. Physician Group Incentive Program physician organizations are responsible for the **entire per member per month cost experience** of their attributed Blue Cross Blue Shield of Michigan members, regardless of type or location of service.



## Population-based performance

### How is a hospital's shared patient population defined?

A shared patient population is defined as:

- A PGIP physician organization and its attributed BCBSM members that represent **at least 10 percent** of the hospital's business
- An organized system of care in which the hospital represents **at least 20 percent** of the system's inpatient volume

BCBSM members are attributed to primary care physicians via a care relationship algorithm using Evaluation & Management codes. PCPs participating in PGIP choose to affiliate with a single physician and single organized system of care.

### Where can a hospital find information about its shared patient population?

BCBSM's Population Insights Reporting provides both the hospital and physician communities with information about their shared patient population. This collection of reports should be used as a tool to identify physician partners, better understand current population-based performance and begin conversations between hospitals and their physician partners.

These reports are distributed in June and December to both hospital leadership and physician organization representatives on a semi-annual basis.

### How are hospitals eligible to share in population-based savings?

Hospitals are eligible to share in population-based savings if the hospital's year-over-year population-based per member per month performance trend exceeds an actuarial incentive target goal, set by BCBSM Dec. 1 prior to the measurement year.

### What risks are associated with a shared savings model?

Hospitals currently assume no downside risk in BCBSM's Value-based Reimbursement arrangements.

### What year does measurement on performance start?

Measurement on performance starts in the first year of the agreement, as determined in partnership with BCBSM and participating hospitals. Population-based performance is calculated as the year-over-year per member per month trend in the first performance year as compared to a base year. In turn, performance in the first year will become the new base year for trend calculation in the second year. And the second year will become the new base year for trend calculation in the third year.

### How are any resulting savings distributed to hospitals?

Shared savings are provided to hospitals as separate payments and paid via the BCBSM Interim Payment program. Hospitals or health systems will then distribute the payments to their partner hospitals or physician groups as determined by the project requirements and terms.

### When are shared savings paid to hospitals?

Hospitals are paid for achieved shared savings in the third quarter following the performance year.