



Using Gainsharing to Transition to an ACO at JFK Health: Six Critical Success Factors

By William Oser, MD, and Jo Surpin

Gainsharing is the direct payment by hospitals to physicians, based on reducing inpatient hospital costs and meeting quality of care standards. Gainsharing reduces costs by improving the efficiency of care delivered at the point of service and eliminating medically unnecessary services. By working cooperatively to decrease costs, hospitals share a portion of the cost reductions with physicians.

JFK Health (Edison, NJ) implemented its gainsharing program in 2009 as part of the New Jersey Hospital Association (NJHA) Medicare Demonstration, and later as part of its BPCI Model 1 Gainsharing Program. In 2013, the shared responsibility and trust developed through gainsharing led to the formation of the JFK Accountable Care Organization which coordinates the care of more than 11,000 Medicare beneficiaries. The JFK ACO expanded to care for more than 8,000 Horizon BCBSNJ members in 2014.

The gainsharing program at JFK Health was effective in lowering costs, improving quality, and building the foundation for long term change. Six critical success factors of the gainsharing program helped to guide the ACO.

1. Ensure Patient Protection

Of paramount concern to JFK Health is the protection of patients from any potential harm. Built into the gainsharing program are the following.

- *Patient notification.* Admission packets include a notice that the physician is participating in a gainsharing program. JFK Health, as well as all other facilities that participate in the gainsharing program, have yet to have a patient complaint.
- *“Cherry picking”.* The gainsharing program (1) applies a severity adjustment methodology to accurately compare resources for patients, and (2) eliminates any penalties to physicians for treating seriously ill patients. The program is based on rewards and not on penalties.
- *“Quicker-sicker”.* Discharging patients “quicker and sicker” occurs when patients are discharged before they are ready. This is done to minimize costs, but often results in readmission. The gainsharing program protects against discharging patients “quicker-sicker” by monitoring readmissions for a 7 and 30 day period.
- *“Steering”.* Physicians cannot be induced to steer patients to JFK Health. The program caps incentive payments for physicians that split between multiple campuses based on the prior year volume. Also, a physician has to be on the medical staff for at least 12 months before they are eligible for incentive payments.
- *“Payment Cap”.* A cap limits incentive payments to discourage new and untried practices. For each APR DRG, a maximum physician incentive is established. Typically, physician incentives are limited to 25% of professional fees and/or fair market value.

2. Establish Quality Components

JFK Health ensured that quality is an essential part of determining incentive payments. “Stinting”, which occurs when providers limit clinical services to decrease costs, was of particular concern. The result can be poor outcomes. Measuring and reporting clinical indicators by physician is essential to prevent stinting.

The gainsharing program established the following standard measures created from hospital discharge data:

- *Mortality.* Deaths are monitored to ensure that changes in care and reduction in costs do not result in increased mortality.
- *Hospital Readmissions within 7 and 30 days.* The program tracks readmissions to ensure that physicians did not discharge patients too quickly. This is consistent with the CMS readmission penalty program.

The ACO built on the standard measures which aided in the transition, and addressed concerns by physicians that this is all about payments. In addition, reporting on care coordination activities was also incorporated. All measures are reported by physician.

(continued on page 2)

Using Gainsharing to Transition to an ACO...continued from page 1

3. Establish Institutional Safeguards

An internal steering committee administers the program. It establishes institutional safeguards and ensures that the program meets quality measures and performance standards. The committee is the program's protector, implementer, and cheerleader. It approves all payments, administers the quality structure, and provides governance.

Like other gainsharing programs, the JFK steering committees consists of at least 50% physicians. This ensures that physicians guide the process and work to secure physician buy-in. Management and a public member make up the other members of the committee.

The steering committee performs the following functions:

- Prioritizes institutional initiatives to make strategic goals.
- Sets conditions for incentive payment based on quality and performance.
- Establishes the minimal institutional savings threshold required before providing incentive payments.
- Insures the fair administration of program requirements

An example of the importance of the steering committee is to help protect against "Phantom Savings", or showing favoritism to a physician to reward actions other than goals established in the gainsharing program.

Communications needs to be consistent and dispel misperceptions that quality is being used only to reduce payments. Quality is paramount. Incentives reward cost reduction and high quality.

4. Condition Payments To Ensure Program Integrity

Quality measures are used as a condition of payment to encourage improved patient care and ensure program integrity. Financial performance determines how much a physician is eligible for; how a physician performs on their quality measures determines if they will receive it. The viability and clinical reputation of the hospital is protected. Gainsharing is a complementary part of the ACO strategy at JFK Health.

The measures are implemented prospectively by the steering committee to ensure that physicians are informed and engaged in the measures, and any changes in the measures that may occur. Communications needs to be consistent and dispel misperceptions that quality is being used only to reduce payments. Quality is paramount. Incentives reward cost reduction and high quality.

5. Work with a Third Party Facilitator

For JFK Health, NJHA is the facilitator/convenor in the Medicare gainsharing program. The third party facilitator organizes the hospital participants, administers the program, and ensures patient protection. It applies a uniform methodology to protect against "phantom savings", the payment of incentives based on factors other than performance -- i.e., efficiency and quality.

The facilitator guides the implementation of the program based on best practices from the other hospitals in the NJHA program. For JFK Health, NJHA (and its subcontractor Applied Medical Software) perform the following activities:

- Serve as a conduit to CMS during the application process.
- Ensure the hospital can complete CMS reporting requirements
- Be a liaison to CMS
- Develop and apply the gainsharing methodology
- Process data and reports
- Provide direct hospital engagement to foster effective implementation.
- Ensure the hospital adheres to program rules

6. Build on a Sound Foundation

A successful program rollout requires a solid foundation built on the contributions of a committed implementation team and an active steering committee. Leadership should come from physicians from the rank and file, as well as more traditional positions such as the CMO, academic chairs, medical executive committee, and/or physician leadership if a non-academic facility. JFK Health also appointed a Program Coordinator, Sheila McCoy BSN, RN. This is the hospital's "go-to" person. A staff person from the project management department, Sheila had not just the clinical and financial skills, but also good communication expertise to interact with medical staff and administration. No additional staff was hired.

Right from the beginning of the program, key physician leaders were identified, a core group of physicians were enrolled, and vehicles for on-going physician /engagement, communication and support were created.

Conclusion. Gainsharing began the process of aligning the goals of JFK's physicians with those of the health system. It provided the framework for collaboration and contributed to an organizational focus on improving quality and lowering costs that is essential for the JFK ACO to succeed in larger population health initiatives.

(continued on page 3)

Using Gainsharing to Transition to an ACO...continued from page 2

NOTE: This article does not discuss all legal/regulatory issues related to gainsharing, and does not constitute legal advice. Readers considering implementing gainsharing should consult qualified counsel for assistance.

William Oser, MD, is the Acting Executive Director, JFK Health ACO; Senior Vice President and Chief Medical Officer, JFK Health (Edison, NJ), and can be reached at woser@jfkhealth.org. JFK Health includes acute care hospital JFK Medical Center, inpatient and outpatient rehabilitation centers, nursing facilities and specialized treatment programs. Jo Surpin is the president of Applied Medical Software (AMS), Collingswood, NJ. AMS has developed a gainsharing program that aligns hospital and physician incentives. The program has been approved by CMS for BPCI Model 1 (for Medicare), and also is in use in "commercial" (non-Medicare, non-Medicaid) applications. Reach her at jsurpin@amspbis.com.