Gainsharing and Shared Savings

Among the various forms of payment reform are gainsharing and shared savings. Both offer the potential of enhanced payment for meeting established clinical, quality and/or financial targets. However there are potential risks as well. The following offers clarification and guidance on these two topics as well as resources for those considering participating in these types of payments.

WHAT IS THE DIFFERENCE?

Gainsharing generally refers to an arrangement in which a hospital allocates to physicians a percentage share of any reduction in hospital costs for patient care that is attributed to the physician's efforts. Gainsharing is more closely associated with utilization and savings within a specific service line, such as cardiology, or orthopedics. So it may be applicable only to a subset of physicians, but not all. For example, gainsharing may be applied to coronary artery bypass procedures where all agree to utilize standardized materials and procedures in an effort to contain costs with the resulting savings being shared between the hospital and cardiothoracic surgeons. A Health Leader's article provides an example of gainsharing: St. Luke's Health System in Boise, Idaho implemented a gainsharing program to encourage greater supply-chain savings in its cardiac, spine implant, and total joint implant service lines while maintaining or improving the quality of products and care to the patient. For additional information, review the Health Leaders article, *Gainsharing, Shared Savings Examined*.

The legalities of gainsharing need to be reviewed on a case by case basis as such arrangements have been found to violate the Civil Monetary Penalties Law, Stark Law and the anti-kickback stature (collectively known as Fraud and Abuse Laws). However, under the Centers for Medicare & Medicaid Services (CMS) Shared Savings Program, there are waivers of the application of Fraud and Abuse laws to those participating in the Shared Savings Program

Shared savings such as those under the CMS Shared Savings Program are arrangements that base part of the provider's income to the financial performance of the sponsoring program. If the costs are lower than projections, a percentage of the savings are channeled to the providers. Compared to gainsharing, shared savings programs are more comprehensive as it targets a patient base as opposed to a service line. CMS has established a Medicare Shared Savings Program (Shared Savings Program) to facilitate coordination and cooperation among providers to improve the quality of care for Medicare Fee-For-Service (FFS) beneficiaries and reduce unnecessary costs. Eligible providers, hospitals, and suppliers may participate in the Shared Savings Program by creating or participating in an Accountable Care Organization (ACO). The Shared Savings Program will reward ACOs that lower their growth in health care costs while meeting performance standards on quality of care and putting patients first. For additional information, review the CMS.gov site on Shared Savings.

With both approaches, there are structural and legal issues that need to be addressed as outlined in the Health Leaders article, *Gainsharing-Shared-Savings Examined*.

FACTORS TO CONSIDER

In considering gainsharing and shared savings programs, the following factors can help determine whether either model would be effective to your practice:

Criteria

- Who established the criteria? How is the criteria developed and the process for review and, if necessary revision?
- Who is eligible to participate? Does this include physicians and non-physicians? What are the criteria for participation?
- Are there penalties for non-participation?

- Does the program reward improvement against past performance or is it based on meeting an established benchmark? For example, are rewards provided for improving immunization rates over the past year, or will the practice only be rewarded for having a 98% immunization rate?

Measures

- What quality, efficiency and cost measures are included? Were these designed by pediatricians or developed with pediatrician input?
- Does the program measure and reward individual physician performance, group performance, or both?
- What are the performance thresholds that need to be met in order to qualify for payment? How are these reported? What is the process to review performance and appeal adverse decisions?
- What is the timeframe in which the practice is being measured (monthly, quarterly, annually)?

Payout

- How is payment made to the participants?
- What is the timing of payment? Some programs may pay the hospital first and then after a level of savings is met, pay the physicians. Others may have a constant payment rate or develop a tiered model where distribution rates vary based on total savings.
- When are payouts provided (i.e., quarterly, annually)?
- What is the time differential between performance review and payment of bonuses?
- How are payments calculated over time as the program proceeds in subsequent years and assuming cost savings plateau?

Practice Impact

- What are the reporting requirements of the practice?
- Is there a downside risk to the practice (where the practice shares in any financial losses)?
- Does the practice need to invest or update existing infrastructure (i.e., HIT, financial systems, etc)?

ADDITIONAL RESOURCES

Is "Shared Savings" the Way to Reform Payment?
Center for Healthcare Quality and Payment Reform

Evaluating Payment Options - Shared Savings
American Medical Association

Gainsharing
American Health Lawyers Association