

Provider Incentive, or Gainsharing, Program Rules and Proposal Requirements Acute Care Episode Demonstration

Gainsharing, or provider incentive programs, allow physicians and hospitals to share remuneration for implementing and coordinating improvements in efficiency and quality. In the Acute Care Episode (ACE) demonstration, a provider incentive program is an optional element left to the discretion of individual demonstration sites. Qualified demonstration sites must be an affiliation of at least one hospital with at least one physician group, otherwise known as a physician-hospital organization, or PHO. CMS will work with sites post-selection period to review their provider incentive programs.

If an ACE demonstration site chooses to establish a provider incentive program, CMS will require that such a program adhere to the following rules and proposal requirements. These rules and requirements have been established as safeguards to ensure quality of care to beneficiaries under provider incentive program arrangements. There will be ongoing measurement and monitoring of quality during the demonstration. While these rules discuss physician provider incentive programs, through the ACE demonstration, CMS encourages development of provider incentive programs that include nurses and allied health professionals as well.

Program Rules

To be eligible for a provider incentive program, demonstration sites must comply with the following rules:

1. All CMS hospital quality improvement program requirements.
2. HQA performance data reporting requirements.
3. Endorsement of the physician staff involved in the demonstration. Physicians must voluntarily participate in provider incentive programs. There may be no negative consequences to any physician who chooses not to participate.
4. Each provider incentive program must have a committee of hospital administrators, and physicians or other appropriate practitioners develop and monitor the demonstration and oversee progress to assure quality. The committee membership must include at least one independent patient advocate or consumer representative who participates in both the development and the operation of the demonstration.
5. Incentive payment must not induce a physician to reduce/limit services that are medically necessary to a patient entitled to Medicare benefits.
6. Incentives must not be based on the volume or value of referrals or business otherwise generated between the hospital and physicians.

7. The provider incentive program must be based on net savings, that is, reductions in overall patient care costs attributable to the program activity offset by any corresponding increases in costs associated with the same patients.
8. Payments must be linked to actions that improve overall quality and efficiency and result in cost savings for the episode of care. Payments to physicians may not exceed 25 percent of the amount that is normally paid to physicians for such cases.
9. Payment to physicians and others must be made in such a manner as to assure a reasonable balance between incentives and the demonstration objectives.
10. Physicians who fail to adequately meet quality performance targets will not be eligible for financial incentives.
11. The provider incentive program must be implemented in a manner that is uniform across physicians and can be reviewed and audited.
12. The provider incentive program must be a transparent arrangement that clearly and separately identifies the actions that are expected to result in cost savings.

Provider Incentive Proposal Requirements

Each provider incentive program proposal must include a detailed explanation of:

1. Each clinical process of care intervention designed to promote improved quality and how the intervention will lead to more efficient use of resources.
2. The patient population(s) targeted by the proposed intervention.
3. The physicians and hospital department(s) that will be subject to the intervention.
4. Details of how physicians participating in the intervention can directly affect use of hospital resources required to treat the targeted population.
5. The timing and periodicity of incentive payment determinations and the timing and method of distribution of savings to participating physicians.
6. How financial gains to the demonstration site are measured.

7. What proportion of those gains to the physician-hospital organization, or demonstration site, are shared with physicians.
8. How the portion of the gains shared with physicians are allocated among physicians. Specifically, how quality, patient safety, and internal efficiency measures influence that allocation.