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# MEDICARE PHYSICIAN PAYMENT

## Care Coordination Programs Used in Demonstration Show Promise, but Wider Use of Payment Approach May Be Limited

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Highlights

Highlights of GAO-08-65, a report to congressional committees

### Why GAO Did This Study

Congress mandated in 2000 that the Centers for Medicare & Medicaid Services (CMS) conduct the Physician Group Practice (PGP) Demonstration to test a hybrid payment methodology for physician groups that combines Medicare fee-for-service payments with new incentive payments. The 10 participants, with 200 or more physicians each, may earn annual bonus incentive payments by achieving cost savings and meeting quality targets set by CMS in the demonstration that began in April 2005. In July 2007, CMS reported that in the first performance year (PY1), 2 participants earned combined bonuses of approximately $7.4 million, and all 10 achieved most of the quality targets. Congress mandated that GAO evaluate the demonstration. GAO examined, for PY1, the programs used, whether the design was reasonable, and the potential challenges in broadening the payment approach used in the demonstration to other physician groups. To do so, GAO reviewed CMS documents, surveyed all 10 groups, and conducted interviews and site visits.

### What GAO Recommends

CMS should provide participating physician groups with interim summary reports that estimate participants' progress in achieving cost-savings and quality-of-care targets. CMS agreed with the intent of GAO's recommendation.

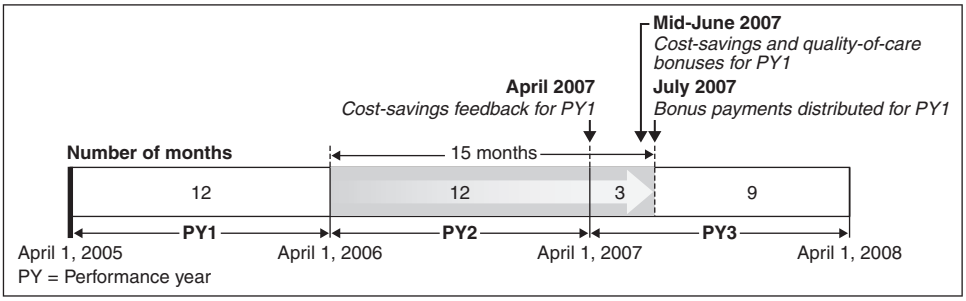
To view the full product, including the scope and methodology, click on GAO-08-65. For more information, contact Kathleen M. King at (202) 512-7114 or kingk@gao.gov.

### What GAO Found

All 10 participating physician groups implemented care coordination programs to generate cost savings for patients with certain conditions, such as congestive heart failure, and initiated processes to better identify and manage diabetes patients in PY1. However, only 2 of the 10 participants earned a bonus payment in PY1 for achieving cost savings and meeting diabetes quality-of-care targets. The remaining 8 participants met most of the quality targets, but did not achieve the required level of cost savings to earn a bonus. Many of the participants' care coordination programs were not in place for all of PY1.

CMS's design for the PGP Demonstration was generally a reasonable approach for rewarding participating physician groups for achieving cost-savings and quality-of-care targets, but created challenges. CMS's decision to use comparison groups, adjust for Medicare beneficiaries' health status, and include a quality component in the design helped ensure that bonus payments were attributable to demonstration-specific programs and that cost-savings were not achieved at the expense of quality. However, the design created challenges. For example, neither bonuses nor performance feedback for PY1 were given to participants until after the third performance year had begun. CMS provides participants with quarterly claims data sets, but most participants report they do not have the resources to analyze these data sets and generate summary reports on their progress and areas for improvement.

**Gap between Completion of First Performance Year and Expected Bonus Payments**




Source: GAO analysis of CMS data.

Note: The 15-month period includes the typical 6-month period necessary for CMS to process a sufficient number of claims to meet its 98 percent complete claims threshold that it uses for analysis.

The large relative size of the 10 participating physician groups (all had 200 or more physicians) compared with most U.S. physician practices (less than 1 percent had more than 150 physicians) gave the participants certain size-related advantages that may make broadening the payment approach used in the demonstration to other physician groups and non-group practices challenging. Their larger size provided the participants with three unique size-related advantages: institutional affiliations that allowed greater access to financial capital, access to and experience with using electronic health records systems, and prior experience with pay-for-performance programs.