
PHYSICIAN PAYMENT REFORM

AAFP Position

The AAFP supports efforts to create and maintain a reliable and effective payment system for physicians, particularly a system that recognizes the value of primary care-centered reform initiatives. Physician [payment](#) should be based on the quality of care, effort, and comprehensive care that recognizes the importance of prevention, early diagnosis, and early treatment while preserving a strong physician-patient relationship. The AAFP [recognizes](#) the need for payment reform but also acknowledges the associated challenges, advantages, and disadvantages, especially those related to expanding preventive services, improving clinical outcomes, enhancing patient satisfaction, and ensuring physician wellbeing.

The Need for Payment Reform

The United States consistently spends more on health care than other high-income countries yet consistently experiences lower health outcomes on a variety of metrics.¹ Despite a consensus of needed payment reform, the fee-for-service ([FFS](#)) payment system and skepticism about true cost savings of any payment transformation are significant challenges to overcome. In traditional FFS payment, physicians are paid a fee for every service rendered and rewarded based on the volume of services provided, regardless of the patient's health outcome. By nature, this can lead to more services being provided with diminishing gains in health outcomes. As a solution, health systems are moving toward offering blended payment models with FFS and value-based payments that reward clinicians on quality of care and patient outcomes.² However, these programs may be costly for practices in acquiring information technology and data collection and may create confusion from multiple programs and guidelines.

Federal Action

Movement on payment reform occurred in 2015 when the Medicare Access and CHIP Reauthorization Act (MACRA) repealed the flawed sustainable growth rate and created the two-track Quality Payment Program (QPP), which aimed to transition physicians to alternative payment models (APMs). MACRA also created the Physician-Focused Payment Model Technical Advisory Committee ([PTAC](#)) to advise the Secretary of the Department of Health and Human Services on physician-focused payment models.

Quality Payment Program

One of two payment tracks in the QPP is the Merit-Based Incentive Payment System ([MIPS](#)). MIPS eligible clinicians (ECs) receive a positive, neutral, or negative payment adjustment to their Medicare Part B FFS payments based on their performance in four categories: quality, cost, promoting interoperability, and improvement activities. The second track within the QPP is the Alternative Payment Model (APM) track. [APMs](#) offer physicians incentives when they provide high-quality and efficient care and often include initiatives to transform primary care practices. While APMs are growing in [popularity](#) – one in three health care payments flows through an APM – FFS still dominates the payment industry as physicians worry that APMs will harm their financial security.² Although not perfect, APMs have contributed to better preventive care and care management, interconnectivity, and improved strategies to target social determinants of health, which can impact up to 20 percent of

¹ Peter G. Peterson Foundation. (2020). "How Does the U.S. Healthcare System Compare to Other Countries?" Web.

² Rev Cycle Intelligence. (2020). "Entering the Next Phase of Value-Based Care, Payment Reform." Web.

AAFP Headquarters

11400 Tomahawk Creek Pkwy.
Leawood, KS 66211-2680
800.274.2237 • 913.906.6000
fp@aaafp.org

AAFP Washington Office

1133 Connecticut Avenue, NW, Ste. 1100
Washington, DC 20036-1011
202.232.9033 • Fax: 202.232.9044
capitol@aaafp.org

patients' health outcomes.³ Many APMs target the Medicaid and Medicare programs to reduce the high costs associated with serving patients with complex needs. The AAFP submitted the [Advanced Primary Care-Alternative Payment Model](#) (APC-APM) to the PTAC, which recommended it for testing.

CMS Innovation Center

In 2010, the Centers for Medicare and Medicaid Services (CMS) [Innovation Center](#) (CMMI) was established to help move Medicare away from a FFS payment system and develop new, innovative payment models to reduce spending. Among the models, Comprehensive Primary Care Plus ([CPC+](#)) is a national primary care medical home model that aims to strengthen primary care through regionally-based multi-payer payment reform and care delivery transformation. There are more than 2,600 primary care [practices](#) participating in CPC+ in 13 states (AR, CO, HI, LA, MI, MT, NE, ND, NJ, OK, OR, RI, TN) and five regions (Greater Buffalo; Greater Kansas City; North Hudson-Capital; Ohio and Northern Kentucky; Greater Philadelphia). In the spring of 2021, CMMI [announced](#) the CPC+ model will sunset on December 31, 2021 for all participants, regardless of start date. This has caused concern that many practices will revert to FFS as APM options are limited and may result in reduced revenue.

Building on CPC+ principles and incorporating [feedback](#) from the AAFP, [Primary Care First \(PCF\)](#) provides prospective payments with minimal downside risk and aims to reduce Medicare spending by preventing avoidable inpatient hospitalizations and improve quality of care and access to care for all beneficiaries. PCF is offered in 21 states (AK, AR, CA, CO, DE, FL, HI, LA, ME, MA, MI, MT, NE, NH, NJ, ND, OK, OR, RI, TN, VA) and five regions (Greater Buffalo; Greater Kansas City; North Hudson-Capital; Ohio and Northern Kentucky Greater Philadelphia;). Other models include the [Independence at Home Demonstration](#) which allows practices to test the effectiveness of providing comprehensive primary care in the patient's home, [direct contracting](#), and the Community Health Access and Rural Transformation ([CHART](#)) Model.

Other Alternative Payment Models

Accountable care organizations (ACOs) are groups of physicians and clinicians, clinics, and hospitals, that coordinate with one another to provide care for patients. Initially formed within Medicare, ACOs are now common in Medicaid and among private payers. ACOs avoid unnecessary duplication of services and allow for easier information transmission between a patient's multiple providers, thereby preventing errors and reducing costs. While states vary in their level of commitment to the ACO model, a total of [14 states](#) (CO, CT, DE, ID, IA, ME, MA, MN, NJ, NY, OR, RI, UT, VT) have ACO programs for Medicaid beneficiaries. Programs include characteristics like a state-wide, all-payer ACO in [Vermont](#), a global budget approach in [Oregon](#), and shared savings in [Massachusetts](#).

Bundled payments are a form of APMs that consist of one predetermined payment to the provider that combines all costs associated with a medical event or episode of care. They help maintain costs and quality of care, creating incentives for coordinated care that leads to positive health outcomes. Episode of care programs that use bundled payments exist in 15 states (AR, CO, CT, IL, IA, ME, MN, NV, NY, OH, PA, SC, TN, VT, WA).⁴ Global budgeting is a similar method of capping payment in which a health system, hospital, or group of health care providers receive a fixed rate per enrollee for a defined scope of services over a specific period, for example, a month or a year. Global budgeting aims to reduce unnecessary hospitalizations and expenditures while increasing the value of care provided.

Originating in 2010 and operating under Medicaid Section 1115 Demonstration Waiver authority, Delivery System Reform Incentive Payment (DSRIP) programs were initially used to provide funding for safety-net hospitals to change how care was provided to Medicaid beneficiaries, as in [Texas](#). Many newer DSRIPs are used for more types of delivery system reforms, including integrated provider networks, which coordinate hospitals, primary care physicians, and other community-based organizations to achieve performance improvements, as seen in [New York](#).⁵ Twelve states (AZ, CA, KS, MA, NH, NJ, NM, NY, OR, RI, TX, WA) have approved DSRIP programs or have similar programs.

Updated: September 2021

³ Schroeder S. (2007). "We Can Do Better – Improving the Health of the American People." *New Engl J Med*. Web.

⁴ Change Healthcare. (2019). "Value-Based Care in America: State-by-State." Web.

⁵ National Academy of State Health Policy. (2020). "State Delivery System and Payment Reform Map." Web.