

## How COPE Health Solutions is Transforming Health Care

### Value-Based Payment and the IPA—5 Key Considerations



Authors: *Allen Miller, CEO, and  
Evan King, MPH, MA, Executive  
Vice President*



One of the biggest challenges and opportunities facing providers today is the rapid shift from a fee-for-service payment model to a value-based payment model. An increasing percentage of the market is transitioning to managed care across the country and payers want to see more value for their health care dollars. However, it can be

difficult for independent physicians and smaller health care organizations to make the necessary investments and practice transformations to compete in that type of environment and demonstrate value. Coupled with the fact that nearly 257,000 eligible professionals will face a 1% cut to their Medicare reimbursements as of January 2015 for not meeting the Center's for Medicare and Medicaid Services' meaningful use requirements, it's no surprise that many providers are interested in understanding the value of current or potential new Independent Practice Associations (IPAs) as a means to alleviate many of the headaches associated with running a private practice or small provider organization while maintaining a desired level of independence.

At the same time, large health systems, even those with significant market share, find they are in need of deeper clinical and financial alignment with many physicians, behavioral health organizations, skilled nursing facilities, home health agencies and other community-based providers in order to thrive in today's high expectations for easy access, high quality and reduced cost. In the state of New York, with its new Medicaid 1115 DSRIP waiver, IPAs are considered an important vehicle to align disparate physicians and other providers around the enhanced management of a common population through the use of value-based payments.

Physicians and provider organizations that join IPAs maintain their independence but are able to contract as a group to provide services. Therefore, they can often negotiate both better reimbursement rates and payment for key care coordination services with insurers. However, an IPA is only as good as its physician leaders and managed services infrastructure—whether owned or leased. IPAs have the potential to support smaller physician practices and other

provider organizations with office management, meaningful use achievement, financial incentive alignment, consistent care and referral processes, and assistance with contract negotiations.

Before jumping into the development of an IPA, it is essential to understand the business reasons for creating an IPA. The following are 5 key considerations:

**1. Clarify the business case.** There must be a quantifiable potential value that is driving the desire to develop an IPA.

This may include, but is not limited to:

- Aligning the ability of independent physicians and provider organizations to deliver quality outcomes and reduced cost for a defined population
- Enabling one or more acute care institutions to take capitated risk or other value-based payment in collaboration with an organized group of primary care physicians, specialists and other provider organizations
- Gaining greater market penetration for one or more lines of business

Whatever the reason for wanting to develop an IPA, it is important to develop a business plan and financial pro forma to clearly understand the potential impact the IPA may have on the physicians and provider organizations. This includes the types of care the IPA can successfully take risk for under capitated or other value-based payment arrangements.

Essential to this process is a comprehensive assessment of the competitive landscape and market with relation to current IPA membership, managed care penetration and distribution of market by line of business. Balancing revenue with projected investments in core infrastructure to support physician practices is critical. The IPA needs to set and achieve reasonable growth goals and payer mix to ensure movement towards a level of membership that will distribute risk, as well as cost, while also representing a significant share of each practice and health system's volume to add value to the network and market.

**2. Establish strong physician leadership and a physician-led governance structure.** The physician leader for the IPA should have extensive experience, having either led an IPA before or been in a leadership role in a large medical group or a health system with a large ambulatory network. In addition, the IPA must develop an operational governance structure that enables physician members and provider organizations within the IPA to weigh in on topics, such as utilization requirements, types of service offered, and health plan contracts. A key to your IPA's success will be physician and provider engagement and the ability to clearly articulate the value of the IPA to each physician and provider. Physicians and provider organizations in the new IPA need to have a seat at the table to influence the design of financial incentives, utilization review processes, network refinement, quality, and care coordination models.

**3. Build or lease a strong management services organization [MSO].** If leasing, it is important to seek out an MSO that understands your local market, has experienced leadership at the helm and the tools and resources to effectively support the business and clinical goals of the IPA. If building managed services, it will be very important to hire experienced, proven talent and to benchmark planned services against best practices prior to development—there have been many more failed attempts to develop new managed service organizations than there have been

successes. The MSO should help guide utilization management and deliver good analytics to physicians so they can understand their patient populations better, close care gaps and improve health outcomes.

The MSO should have a strong and measureable provider engagement strategy—how do you plan to keep contracted physicians informed, educated, and satisfied? The MSO also needs to help physicians with managed care contracts, customer service, meaningful use requirements, claims and billing management and coding. In other words, how can the MSO help physicians maximize their revenue opportunities? Lastly, your MSO partner should be willing to invest in developing new services for patients, whether that is an electronic health record patient portal, senior services or a new urgent care center.

- 4. Make ownership in the IPA and/or MSO an option, particularly for key physicians and provider organizations.** Physicians in the IPA need to be financially rewarded or penalized based on their performance with relation to quality outcomes and total cost for their assigned members. For instance, if one your physicians has patients who are going to the hospital or specialists too often, he or she will burn through the portion of money you were given to manage those patients' care and negatively impact the IPA as a whole. The MSO is basically a utility; its value is tied to the payment arrangement set out in physician and provider organization contracts – the IPA has little to no value without primary care capitation.
- 5. Determine the right mix of physicians and provider organizations.** The IPA should intentionally seek out and designate which providers are a good fit for its business model based on the geography, targeted populations and the health systems it is trying to impact. Set clear, measurable and objective participation criteria for inclusion of primary care physicians, specialists and provider organizations in the IPA. Striking the balance between having a narrow network to manage costs (utilization), while at the same time trying to bring in the appropriate mix and breadth of specialists to meet the needs and preferences of patients and primary care physicians is critical to right-sizing the IPA.

The IPA must offer competitive rates and/or enough volume at a minimum to attract top quality physicians—creating opportunities for ownership and governance will help improve the business case for participation. New IPAs must have a clear value proposition to pull physicians and attract health systems away from the current options in the market, many of which have significant penetration and well-established networks and systems to meet health plan needs and manage out of network utilization.

For more information on the pros and cons and for help developing, assessing, implementing or managing an IPA, please contact: [Consulting@copehealthsolutions.org](mailto:Consulting@copehealthsolutions.org).

