

5 Strategies for Aligning Physician Compensation with Value-Based Performance

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The move toward value-based contracts is happening “in small doses,” a 2018 MGMA [survey](#) found. While nearly three out of five hospitals participate in value-based contracts, just [34 percent](#) of healthcare reimbursement is tied to value.

This presents healthcare leaders with a dilemma: How can we engage physicians in value-based payment models when so little reimbursement is at risk?

Tying physician compensation to value-based payment initiatives is critical to driving alignment, but engaging physicians in value-based models can be a daunting task:

76 percent of physicians don’t believe these models have improved quality, the MGMA survey found, while 90 percent say these initiatives increase their administrative burden. But a well-designed physician compensation plan, combined with an effective communication strategy and administrative support, can mean the difference between surviving and thriving under value-based models.

Here are five strategies healthcare leaders should consider in tying physician compensation to value-based payment contracts.

STRATEGY NO. 1: START WITH A HEAVY EMPHASIS ON PROCESS METRICS.

Process measures are tangible and easy to understand, and they give physicians specific actions to focus on as they become used to participating in value-based contracts. Incorporating a greater percentage of process or structure measures (i.e., the specific steps that drive improvement in outcomes) rather than outcome measures encourages physicians to adopt systematic approaches to care. This helps eliminate variation in care processes—critical to improving quality and cost in the long run. Examples of great process metrics include:

- Completion of annual wellness visits
- Documentation of current medications in the medical record

- Chart closure
- Screening/Vaccinations
- Development and documentation of advance care plan
- Medication reconciliation post-discharge

Once physicians gain greater experience under value-based contracts, begin to tie more advanced metrics to compensation, such as reductions in inpatient admissions or emergency department visits.

STRATEGY NO. 2: FOCUS ON THE METRICS THAT ARE MOST RELEVANT FOR YOUR ORGANIZATION. Engage physicians in choosing metrics that are both meaningful and achievable, with an eye toward metrics that could make a significant impact on quality, cost, and the patient experience for the populations you serve. Make sure to select metrics that apply to populations under commercial contracts as well as government contracts, and consider what metrics payers are using in determining where to focus. Limit the number of performance measures to a handful of metrics to avoid diluting team members' focus.

It's important to ensure enough compensation is at risk to move the needle on value. If high performance for a particular metric results in an incentive of just a few hundred dollars, the likelihood that physicians will be fully engaged is small. Instead, think of performance-based compensation as "The \$10,000 Question": How much is enough to generate a high level of sustained commitment?

Selecting metrics that will be relevant for a reasonable length of time also is critical. Commercial payers tend to change metrics in value-based payment contracts frequently—sometimes even quarterly. However, hospitals that adjust physician compensation metrics often risk redirecting physicians' attention too soon, without sufficient time for meaningful improvement.

STRATEGY NO. 3: BE SPECIFIC IN DEFINING METRICS FOR PERFORMANCE. When presenting performance metrics to physicians, make sure the descriptions of each metric are as detailed as possible. For example, language such as "breast cancer screening rates" is too vague for physicians to know which patients will count toward this metric. "Percentage of women 50-74 years of age who had a mammogram to screen for breast cancer" is a much more detailed descriptor that directs physicians' focus toward a specific demographic.

STRATEGY NO. 4: RECOGNIZE IMPROVEMENT, NOT JUST FULL ACHIEVEMENT OF THE MEASURE. Avoid "all or nothing" performance incentives. Instead, seek ways to recognize positive change and reinforce the behaviors that will strengthen your

organization's performance under value-based payment contracts. This will help keep physicians engaged as they put in the hard work to meet quality goals.

STRATEGY NO. 5: APPOINT A PHYSICIAN CHAMPION TO HAVE ONE-ON-ONE CONVERSATIONS AROUND PERFORMANCE. Sharing a monthly dashboard with physicians is helpful, but not as effective as pairing it with a direct conversation with a physician lead to share what their performance looks like and how their performance compares with that of their peers (both within the practice as well as regionally and nationally). Such conversations also provide an opportunity to discuss the steps or supports needed to boost performance.

Carefully crafting your approach to value-based compensation will strengthen collaboration with physicians around value and give you an edge over your competition. ●