Setting Up a Gainsharing Agreement in CJR

Summary

In order to better coordinate care across the care continuum, CMS is allowing hospitals to establish “CJR Collaborators” or other providers that share risk with the participating hospital. Listen as Fred Bentley and Erica Breese discuss the details.

CMS recently announced the Comprehensive Care for Joint Replacement (CJR) demonstration, which requires all hospitals in 67 MSAs to accept bundled payments for lower extremity joint replacement patients. Hospitals began accepting risk for these patients on April 1, 2016, and will be responsible for repaying losses beginning in January 2017.

Transcript

**Fred:** CMS recently announced the Comprehensive Care for Joint Replacement (CJR) demonstration, which requires all hospitals in 67 MSAs to accept bundled payments for lower extremity joint replacement patients. Hospitals began accepting risk for these patients on April 1, 2016, and will be responsible for repaying losses beginning in January 2017. In order to better coordinate care across the care continuum, CMS is allowing hospitals to establish “CJR Collaborators” or other providers that share risk with the participating hospital.

CMS allows hospitals flexibility in how they structure their collaborator agreements but stipulates that collaborators must be other providers and suppliers that provide care directly to CJR
patients. These relationships can include upside potential (based on achieving savings against the bundle) and downside potential if spending exceeds the bundle.

- Upside payments or gainsharing payments involve the CJR participant hospital making payments to the collaborator for reducing Medicare spending as well as any internal savings achieved.
- Downside payments or alignment payments involve the collaborator making a payment to the CJR participant hospital to offset losses due to excess spending under the bundle.

For example, reconciliation payments can be distributed across multiple providers. CMS allows flexibility in developing these agreements, but sets caps in the amount of payments that a collaborator can receive or make. You cannot receive a total gainsharing amount greater than 50% of the total Medicare approved amounts for services provided under the bundle. Basically you can’t pay collaborators more than 50% of what they are paid by Medicare.

Total alignment payments received by the hospital cannot exceed 50% of the participant hospital’s repayment amount to CMS, and alignment payment made by a single collaborator cannot exceed 25% of the total repayment amount to CMS.

**Erica:** Step 1: Develop an internal strategy. Prior to entering into an agreement, it is important to consider potential partners (e.g., current and potential volume, existing relationship, market position) as well as internal capabilities (facility strengths, quality and efficiency performance, and threats/weaknesses).

Step 2: Identify the scope. Determine the overarching parameters of the agreement, such as:

- Clinical conditions: Decide whether to develop preferred partnership for other conditions besides LEJR.
- Upside/downside risk: Decide whether to enter into one- or two-sided risk arrangements.
- Span of episode: Decide whether the episode includes only the SNF stay or the care after SNF discharge.
- Carve outs and acuity: Decide whether certain patient populations (such as high-cost outliers, partial replacements, or fractures) are carved out.

Step 3: Select metrics. Agreements can be based on a single measure or a combination of multiple measures.

- Quality metrics include readmission rates and CJR quality metrics (Complications Measure, Patient Experience Measure derived from HCAHPS survey, Patient-Reported Outcomes, and
Limited Risk Variable Data)
- Spending or resource use metrics include LOS, SNF spending per case, and spending during post-acute period
- Spending metrics will be combined with quality measures to protect patient care
- Quality metrics may often work as a gateway, with no reconciliation payments allowed unless quality metrics are achieved

Step 4: Assign targets. These are based on risk tolerance and expected performance and can be customized by agreement.

- First, you need to select the performance benchmark (e.g., historical performance or regional average) and then the discount rate. What amount will the collaborator need to save before receiving gainsharing payments?
- Second, you’ll need to decide the level of risk. How much upside can the collaborator receive as well as how much downside will it be responsible for?

Step 5: Finalize the contract. Once you have the basic parameters and outline of the agreement, you need to consider details such as:

- Data and information sharing
- Financial and payment parameters
- Clinical coordination
- Legal arrangements. How will the contract actually work?