

COMPETENCY ORIENTATION GUIDE

Competency: Ensure the internal incentive system is aligned with the objectives and principles of value-based contracting

Competency: [The Committee on Incentive Alignment](#)

JULY 2020

BACKGROUND

The Accountable Care Learning Collaborative (ACLC) is a non-profit organization dedicated to accelerating the transition to accountable care by identifying the care delivery competencies needed for providers to succeed in risk-based payment models. The ACLC's Competency Orientation Guides (COGs) give an overview of a single competency and break down the competency into more digestible components. Each COG represents the distilled insights from the deliberations of a dedicated committee comprised primarily of leaders from provider organizations, but also industry partners, and ACLC research staff. In this case, this COG was developed by the Committee on Incentive Alignment (the "Committee") which convened between September and November of 2019.

Competency Framework

Competency: Ensure the internal incentive system is aligned with the objectives and principles of value-based contracting.

1. Leverage incentive mechanisms that promote team and individual accountability and improvement
2. Use methods and metrics that engender confidence in value-based performance measurement
3. Employ incentives that encourage higher quality, lower cost care, and improved patient experience**

**Aspect to be considered in future committees

COMPETENCY IMPORTANCE & CONTEXT

Organizations engaged in value-based contracting need to extend the new financial incentives beyond the institutional level to their provider and administrative employees. Aligning incentives throughout the organization includes reconfiguring compensation and bonus structures to align with the institutional objectives of value-based payment – which invariably include cost savings and quality improvement goals. Despite its clear importance, internally aligning incentives is a universal pain point for organizations across the health care industry due to a lack of definition, tangible examples, and uniform industry guidance. To make the concept more approachable and concrete for health system leaders, the Committee, through a combination of pre-session interviews and group discussions, broke the competency into three main concepts (listed below), and focused on aligning incentives between the provider organizations and the clinical providers within that organization. The committee included perspectives from a variety of provider organization types, including health systems and physician groups. In addition, several individuals from payer organizations contributed to the discussion.

SUB-COMPETENCIES

1: Leverage incentive mechanisms that promote individual accountability and improvement

Committee Insights:

- Demonstrate consideration for the particulars of a given employee or team's area of responsibility and seek early and frequent feedback on design. Feedback mechanisms for incentive structure design and operations should be permanent and visible.
- Generate team and individual performance data in actionable forms to facilitate improvement
- Create opportunities to openly recognize top performers and most improved periodically. Recognizing improvements relative to a cohort but also improvements relative to an individual's past performance will help keep a wider variety of stakeholders engaged and feeling motivated.
- Support shared learning opportunities such as group learning sessions to help encourage innovation and comradery
- Design incentive systems that account for end-user bandwidth, and that demonstrate how additional tasks will lead to a lighter workload long-term, or more appropriate compensation for the level of work expected.

Potential Qualitative Indicators:

- Leadership from the various departments are involved and committed to incentive design via committee participation
- Individuals and teams actually request and comment on performance reports
- Health system sponsored learning opportunities exist and are well attended

2: Use methods and metrics that engender confidence in value-based performance measurement

Committee Insights:

- Communicate the objectives and projected impact of the new incentive system early on and continuously
 - Demonstrate potential workload impact
 - Show potential benefit of supporting technologies
 - Highlight opportunities for EMR coding support for new activities
 - Demonstrate potential financial impact, both short and long term of the new incentive structure

- Explain the implications of prospective vs. retrospective attribution models and the timeline implications of each
- Demonstrate how incentives are aligned throughout the patient care pathway and that they attempt to account for externalities
 - Ensure adequate financial alignment exists between providers across the patient care pathway
 - Approaches geared toward specialist engagement will require more time and attention due to cultural and operational issues (e.g. medical and outcomes measurement complexity)
- Aim for real-time performance measurement to enable timely feedback and course correction opportunities
 - Leverage non-controversial data sets early on, incorporating new metrics slowly
- Incorporate employees into the feedback loop for the design and improvement of incentive mechanisms
 - Provide proper feedback channels for employees to provide input into incentive design
- Incentivize the behaviors you want to encourage
 - Tie incentives to areas of low performance to encourage improving these areas
 - Incentivize educational opportunities around principles of value-based care, accurate coding or other topics that will help give providers and staff important context for organizational change
 - Incentivize appropriate use of/referrals to community-based organizations including behavioral health, housing, food and transportation, etc.
 - Explicitly reward medication reconciliation, pharmacist engagement and patient engagement
 - Be aware of unintended consequences. Removing any metric will decrease performance in that area – some may encourage removing focus on measures with low performance to avoid accountability.

Potential Qualitative Indicators:

- Non-leader providers subject to incentive program are able to reasonably explain how their work is impacted by the new mechanisms
- Providers give at least a satisfactory rating to new compensation structures via surveys or end-of-year evaluation opportunities

GENERAL RESOURCES FOR FURTHER EXPLORATION:

- ["Aligning Patient and Physician Incentives"](#) *Journal of the American Medical Association*, 2018
- ["Effect of Financial Bonus Size, Loss Aversion, and Increased Social Pressure on Physician Pay-for-Performance"](#) *Journal of the American Medical Association*, 2019
- ["Incorporating Value Into Physician Payment and Patient Cost Sharing"](#) *American Journal of Managed Care*, 2018
- ["Using Behavioral Economics to Design Physician Incentives That Deliver High-Value Care"](#) *American College of Physicians*, 2016

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