



CATALYST FOR PAYMENT REFORM

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Purchaser-Led Group Finds Little Experience with Shared-Risk Payment Among Health Care Providers and Payers *Study Shows Need for Further Experimentation and Monitoring*

SAN FRANCISCO – July 22, 2011 – Today, Catalyst for Payment Reform (CPR) released a [Commonwealth Fund](#)-commissioned study, conducted in partnership with Booz Allen Hamilton, suggesting that while Medicare [proposes](#) that health care providers assume “shared-risk” in its Medicare Shared Savings Program, very few health care providers and private-sector payers have experience with such payment arrangements. The findings suggest that both the public and private sectors will need to implement shared-risk carefully and closely measure its impact to determine whether and how to employ it broadly.

Seeking private-sector programs operating in a manner similar to how an accountable care organization (ACO) would function, CPR worked with Booz Allen to identify agreements in which providers are responsible for the full range of care that patients need, operate under meaningful quality incentives, and assume some financial risk for not meeting certain financial or quality targets.

Interviews with 16 health care payers involved in private sector ACO-like programs revealed just eight meeting these criteria; only five had already implemented shared risk arrangements while several others were not yet operational. Some programs beginning with shared savings plan to move to shared risk, but others have no intention of evolving in this direction. Programs that incorporated shared risk from the start were the least common.

The research revealed:

- Few physicians and hospitals have experience with shared-risk arrangements; those that do are quite new to it.
- Models of shared risk vary; it is unlikely there will be a “one-size-fits-all” model.
- While shared risk implies potent incentives, many providers may not have the infrastructure to handle it. Taking on risk requires careful monitoring of spending and the quality of care—most providers will need support to track both.
- There is much room for experimentation with shared-risk arrangements and such experiments should be monitored carefully for impact on patient care and health care costs.

The study's findings are detailed in a new Commonwealth Fund publication *Promising Payment Reform: Risk Sharing with Accountable Care Organizations*, available online at www.catalyzepaymentreform.org and www.cmwf.org.

“Any new payment arrangement creates both incentives and disincentives as well as intended and unintended consequences,” commented Suzanne Delbanco, CPR’s executive director. “While shared-risk arrangements may have promise, with so few implemented to date, there has been little opportunity to evaluate how they work and align incentives. It will be critical for the private sector to continue to experiment with both shared-savings and shared-risk arrangements in the search for successful ways to align incentives for high-value care.”

In March, CMS’ proposed rules for the Medicare Shared Savings Program called for providers participating as ACOs to assume both a potential financial upside (shared savings) and downside (shared risk) over the course of the first three years of participation. CMS is expected to issue a final rule this fall when it could revise the rule or leave it as is.

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About Catalyst for Payment Reform (www.catalyzepaymentreform.org)

Catalyst for Payment Reform is an independent, non-profit corporation working on behalf of large employers to catalyze improvements to how we pay for health care in the U.S. to signal powerful expectations for better and higher-value care. The [Pacific Business Group on Health](#) is a founding partner of CPR and is working collaboratively to advance payment redesign.

About Booz Allen Hamilton (www.boozallen.com)

Booz Allen Hamilton is a leading provider of management and technology consulting services primarily to the U.S. government in the defense, intelligence, and civil markets. Booz Allen Hamilton is headquartered in McLean, Virginia, employs more than 25,000 people, and had revenue of \$5.59 billion for the 12 months ended March 31, 2011