

Morning Session 2, Day 1:

Financial capacities for performance contracting and fiscal health

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Overview of second session

- ▶ Financial capacities needed for P4P, bundled/case rate, and capitation/population based
- ▶ As fiscal health is a prerequisite, use of tool to assess long term health

P4P capacities needed that require financial outlays

- ▶ EHR/IT systems for billing and performance management.
- ▶ Provide clinical staff with regular reports about performance of programs in meeting goals.
- ▶ Staff trained and services developed and modified as needed

More P4P capacities

- ▶ Cash flow: source of payouts is often a withhold of 5% to 10%:
 - ▶ Payment from withhold may be annual.
 - ▶ Cash flow diminished in proportion.

Bundled/case rates

- ▶ Payment may be made near the front end of episode helping cash flow.
- ▶ Payment near back end slows cash flow.
- ▶ Form of shared risk, working capital reserves needed to protect against risk as individual BH needs difficult to predict.
- ▶ Payment timing more significant if some services are subcontracted to other providers.

Capitation/population based

- ▶ Rarely used to fund BH providers, seems unlikely in Alaska in foreseeable future
- ▶ Assume much greater risk, often within contractually defined risk corridors.
 - ▶ Often 10% to 15% if over-utilization occurs, a protection for providers.
 - ▶ Similar with paybacks if under-utilization occurs, a protection for purchasers.

Capitation, solvency, and working capital

- ▶ Pre-payment may help cash flow but much more working capital is needed given risk.
 - ▶ Consider that insurance plans must meet solvency standards for the same reason.

Both bundled/case rates and capitation, especially capitation, need:

- ▶ Financial and clinical sophistication to project utilization in relation to risk/profit corridors.
- ▶ Extensive, reliable utilization data needed, avoid with a new population or service.
- ▶ EHR/IT and performance management systems, staff training and costs of clinical redesign.
- ▶ Effective shadow billing with encounters, reported to staff regularly to monitor profit.