Short Version of the Shared Savings Manual

Maryland Multi-Payer PCMH Program (MMPP)

Shared Savings Payments Overview

Primary care practice sites participating in the MMPP can earn a percentage of the savings they generate through improved care and better patient outcomes. The first of these "shared savings" payments is scheduled for Fall 2012, based on performance during 2010 and 2011. The shared savings calculations include *all* patient costs, including the approximately 94% of costs that occur outside the primary care practice (e.g., in hospitals, specialist physicians, etc.). This recognizes the comprehensive impact of the patient-centered medical home (PCMH).

This document explains the basic concept of shared savings and how the calculations will work in the MMPP. The example on the right hand side of the document illustrates how the concepts apply to an individual practice.

Patient Attribution. The shared savings calculations apply to patients that are attributed to the primary care practice in both 2010 and 2011. The calculations do not include patients not attributed in both years. Therefore, the MMPP compares the cost trends of the same population year over year. This method also eliminates the incentive a practice might have to avoid new patients that are sicker and have higher costs, since new patients are not included in the calculations.

Savings Calculation. To generate savings, practices must limit the *growth* in their patients' overall cost growth so that it is lower than the statewide average for non-MMPP practices. Using the state's all-payer claims database, the MMPP will calculate each practice's total cost of care in 2010. These are the practice's baseline costs. To set the expected medical inflation rate, the MHCC will calculate the total cost of care for 2010 and 2011 for all practices in the state *not*

Example
STEP 1
Patient Attribution

Evergreen Primary Care is participating in the program. It has 2,000 patients attributed to the practice in 2010 and 2,000 patients in 2011. However, only 1,800 patients were attributed to Evergreen in both years, because some patients left the practice and some new patients came in. The 2012 shared savings calculation will apply only to these 1,800 patients.

Example
STEP 2
Baseline Costs

For the 1,800 patients attributed to Evergreen in both 2010 and 2011, total medical costs were $8.1 million (or $4,500 per capita). These costs include all medical services received by attributed patients (not just costs for services provided by Evergreen), excluding certain events such as accidents and patient costs above $75,000.

Example
STEP 3
Expected Costs

The average annual cost inflation for Maryland non-MMPP practices is 5%. Evergreen's 2010 total cost of care of $8.1 million is inflated by 5%, to get a total cost of $8.5 million. This is Evergreen's expected cost for 2011 (for the 1,800 patients attributed to Evergreen in both 2010 and 2011), if Evergreen were not a patient-centered medical home (PCMH).

participating in the MMPP. The percentage change in these costs is the medical inflation rate. The MHCC will increase each participating practice's baseline costs by the medical inflation rate to establish the expected costs. Then the MHCC will compare the expected costs to the practice's actual costs for 2011. If the actual 2011 costs are less than the expected costs (the 2010 baseline costs plus inflation), the practice has achieved savings.

Adjustments. There are several adjustments included in the shared savings calculations.

1. Fixed PCMH transformation payments already paid to the practices are added to the total medical costs. This means that the practice must generate savings in excess of the fixed payments before it can receive shared savings rewards.
2. Several types of health costs are excluded from the total cost of care calculations. These are:
    a. Any costs for a single patient in excess of $75,000 per year
    b. Costs for patients who are born or die in either year
    c. Costs for claims associated with accidents or poisonings
    d. Pharmacy costs

After these adjustments, the savings amount is the difference (if any) between the practice's 2010 costs adjusted for inflation and actual 2011 costs.

Example **STEP 4**	**Actual Costs and Savings Calculation**
The actual total cost of care in 2011 for Evergreen's attributed population, including the fixed PCMH payments, is $8.3 million. While this is an increase from 2010, it is less than the expected cost of $8.5 million. The $200,000 difference between the actual and the expected cost is the savings amount.	

Example **STEP 5**	**Shared Savings Payment**
Evergreen has generated $200,000 in savings. Evergreen has also reported on 16 of the 18 applicable quality measures. As a result, the practice qualifies for 40% of shared savings, and receives a shared savings payment of $80,000 (paid in part by each carrier in proportion to the carrier's number of covered lives). In years 2 and 3, Evergreen would also need to meet utilization targets in order to receive a portion of its savings.	

Shared Savings Percentage. The practice can earn between 30% and 50% of the savings amount by complying with the quality requirements of the MMPP. In 2012, the quality requirements relate to reporting clinical quality measures to the MHCC. Practices that report more measures will earn a larger share of the savings they generate. In future years, practices will also need to meet utilization and performance targets to earn the maximum share of savings. Appendix B of the MMPP Participation Agreement contains details on the shared savings percentage determination.