

Value-based Contracting for Hospitals

Frequently asked questions

Hospital infrastructure component



What is the infrastructure funding component of Value-based Contracting?

The infrastructure funding ties a portion of a hospital's reimbursements to implementing population management capabilities and spans the three-year period of the value-based contract.

Why is Blue Cross Blue Shield of Michigan giving hospitals funding to implement population management capabilities?

BCBSM wants to improve the quality and delivery of health care. Ultimately, hospitals will be reimbursed based on how well they:

- Implement our program's integrated capabilities
- Work with their physician partners to improve their performances on population-based cost and quality measures

How is infrastructure funding related to contracts for our Physician Group Incentive Program's Organized Systems of Care?

Infrastructure funding is executed and funded separately from PGIP's Organized Systems of Care contracts. Both efforts are focused on developing the capabilities to improve care for an attributed population. But there are notable differences in how the contracts are designed and executed.

For example, the PGIP Organized Systems of Care contracts are universal to all OSCs with payments funded through the PGIP reward pool. Hospital infrastructure funding is negotiated individually for each hospital or hospital system with funding tied to a percentage of the hospital's reimbursement rate.



Infrastructure agreement

Why is hospital funding tied to collaboration with PGIP physician organizations rather than PGIP Organized Systems of Care?

PGIP Organized Systems of Care is in the early stages of development. As a result, many of these OSCs are still determining how they will be organized and what capabilities they need to develop. As the PGIP OSCs become more fully established, Blue Cross' Value-based Contracting model will shift its focus from the physician organization to the organized system of care. In many cases, there will be little or no difference between these two models.

As it stands now, both programs require participating hospitals and their associated physician organizations to develop project plans together.

What type of capabilities must the project plans address?

The project plan must focus on implementing:

- An all-patient integrated registry system
- An integrated performance management system
- Integrated processes of care

Project expectations also include any other capabilities identified as necessary to effectively manage and measure patient care on a population basis.

Which hospitals are eligible for infrastructure funding?

BCBSM encourages all hospitals to participate in the infrastructure funding opportunity. As existing hospital contracts expire, BCBSM will initiate infrastructure discussions as part of its overall Value-based Contracting initiative.

Can a hospital receive infrastructure funding if physician organizations are not involved?

No. Hospitals cannot receive infrastructure support unless their partnering PGIP physician organizations commit to implementing these capabilities. To be successful in population-health management, all providers must participate in delivering fully coordinated care.

Is the hospital expected to share the infrastructure funding it receives with physician organizations?

BCBSM expects the hospital to use the infrastructure funding to implement the capabilities outlined in the jointly developed project plan. This may include distributions to its provider partners for implementing capabilities such as patient registry functions and care management processes.

Does BCBSM fully fund a hospital's infrastructure needs?

No. The hospital funding is not intended to fully cover the costs of a hospital's infrastructure development needs. The amount of infrastructure funding a hospital receives is based on its overall BCBSM revenues. Smaller hospitals with substantial infrastructure needs may not be able to fully fund their work with the BCBSM funding amount.