



# Primary Care Physician Perspectives on Innovative Compensation Models

COVER MICHIGAN SURVEY



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# Introduction

One goal of the Affordable Care Act (ACA) is to “reduce the growth of health care costs while promoting high-value, effective care.”<sup>1</sup> Provisions of the ACA encourage providers to engage in alternatives to traditional fee-for-service compensation models with a focus on value-based purchasing through a variety of mechanisms.<sup>2</sup> The U.S. Department of Health and Human Services also recently announced the goal of directing 30 percent of fee-for-service Medicare payments to these kinds of models by 2016 and 50 percent by 2018, up from 20 percent in 2015.<sup>3</sup> In order to understand how physicians in Michigan see the trajectory for change in compensation, the Center for Healthcare Research & Transformation (CHRT) collaborated with University of Michigan faculty to survey primary care physicians statewide about their practices and compensation models. The survey findings show that physicians across the state are actively anticipating significant changes in approaches to compensation and are already participating in many initiatives that begin the shift from straight fee-for-service payment to other models.

<sup>1</sup> U.S. Department of Health & Human Services. *Strategic Goal 1: Strengthen Health Care*. <http://www.hhs.gov/strategic-plan/goal1.html> (accessed 2/16/15).

<sup>2</sup> U.S. Department of Health & Human Services. *Key Features of the Affordable Care Act By Year*. <http://www.hhs.gov/healthcare/facts/timeline/timeline-text.html> (accessed 1/21/15).

<sup>3</sup> U.S. Department of Health & Human Services. *Better, Smarter, Healthier: In historic announcement, HHS sets clear goals and timeline for shifting Medicare reimbursements from volume to value*. Jan. 26, 2015. <http://www.hhs.gov/news/press/2015pres/01/20150126a.html> (accessed 1/28/15).

The Center for Healthcare Research & Transformation (CHRT) illuminates best practices and opportunities for improving health policy and practice. Based at the University of Michigan, CHRT is a non-profit partnership between U-M and Blue Cross Blue Shield of Michigan to promote evidence-based care delivery, improve population health, and expand access to care.

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# Key Findings

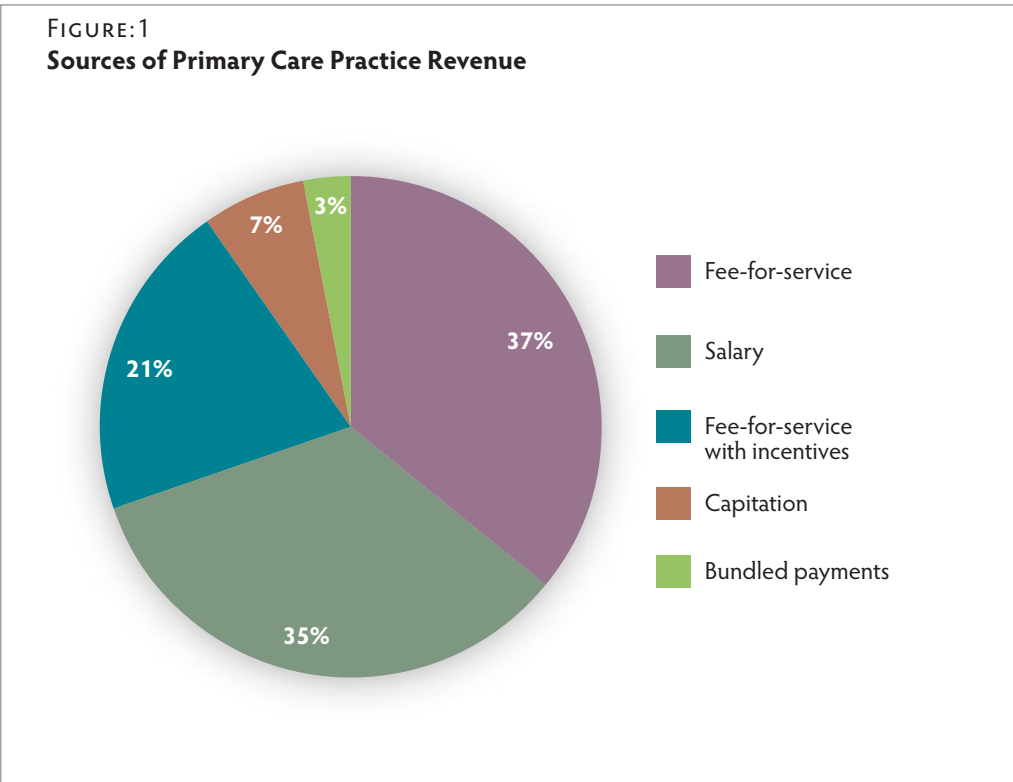
- 28 percent of Michigan primary care physicians reported participation in at least one innovative compensation model.
- 41 percent of physicians reported expecting fee-for-service payments to decline, while 44 percent and 42 percent reported expecting fee-for-service with incentives and bundled payments (respectively) to increase as a percentage of their practice revenue over the next 1–3 years.
- The Michigan Primary Care Transformation Project (MiPCT) was the value-based payment initiative that physicians in Michigan reported participating in most frequently in 2014.
- Bundled payments were uncommon at the time of the survey: on average, physicians reported that only 3 percent of their practice revenue came from bundled payments, and only 5 percent of physicians reported participation in the Bundled Payments for Care Improvement initiative.

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# Current Revenue Structures

Physicians reported that the majority of their practice revenue came from fee-for-service payments and salary (37 and 35 percent of practice revenue, respectively). While physicians reported that 21 percent of their practice revenue came from fee-for-service with incentive payments for meeting quality goals and 7 percent came from capitation (an arrangement in which physicians are pre-paid per enrolled member per month regardless of the number of services used), bundled payments for episodes of care made up only 3 percent of practice compensation, on average. **FIGURE 1**



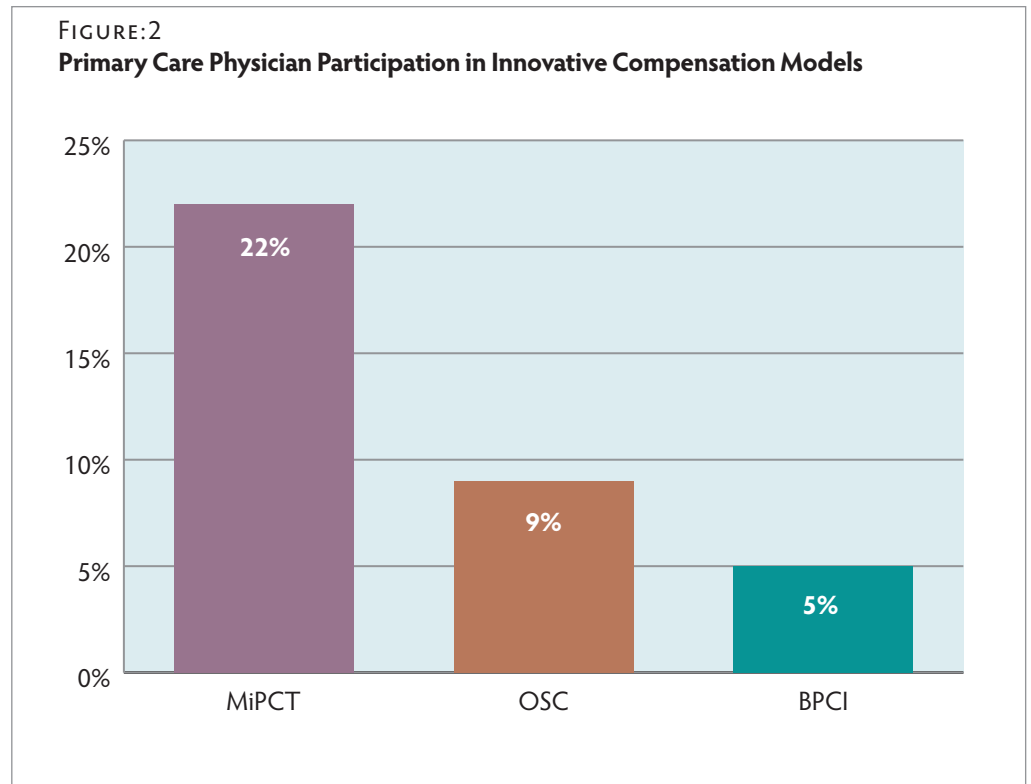
**Source:** 2014 Michigan Physician Survey

**Note:** Percentages were based on physician estimates and do not sum to 100 percent.



# Participation in Innovative Compensation Models

Twenty-eight percent of Michigan primary care physicians reported participation in at least one initiative that includes a compensation model that differs from straight fee-for-service. These models included the Michigan Primary Care Transformation Project (MiPCT)<sup>4</sup>, Organized Systems of Care (OSCs)<sup>5</sup>, and the Bundled Payments for Care Improvement initiative (BPCI).<sup>6</sup> Almost one-quarter of physicians reported participation in MiPCT, 9 percent reported participation in an OSC, and 5 percent reported participation in BPCI. **FIGURE 2**



Source: 2014 Michigan Physician Survey



<sup>4</sup> Michigan Primary Care Transformation Project (MiPCT) Demonstration Project. <http://www.mipct.org> (accessed 5/27/15).

<sup>5</sup> Blue Cross Blue Shield of Michigan Value Partnerships. Organized Systems of Care. <http://www.valuepartnerships.com/vp-program/organized-systems-of-care/> (accessed 5/27/15).

<sup>6</sup> Centers for Medicare & Medicaid Services. Bundled Payments for Care Improvement (BPCI) Initiative: General Information. <http://www.innovation.cms.gov/initiatives/bundled-payments/> (accessed 5/27/15).

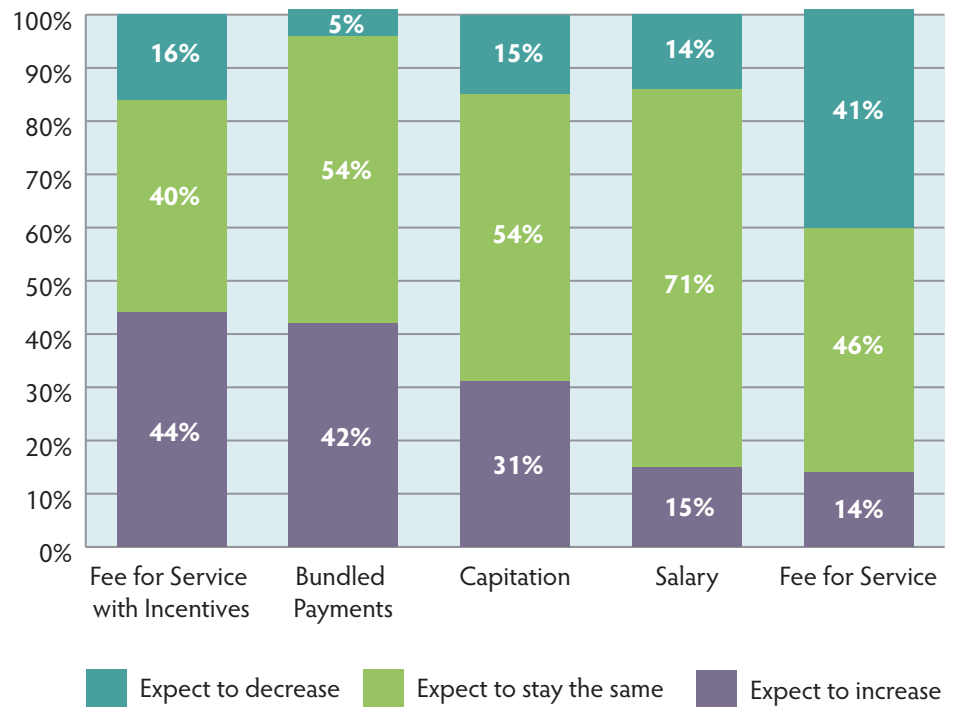
# Anticipated Changes in Physician Compensation

A substantial share of Michigan primary care physicians reported anticipating a shift from fee-for-service to other forms of payment in the near future. When asked about expectations for changes in sources of practice revenue over the next 1–3 years, 54 percent of physicians expected at least one alternative to fee-for-service to increase. Thirty-seven percent of respondents reported receiving at least half their practice revenue from fee-for-service payments at the time of the survey and expected fee-for-service to comprise a similar or greater share of their practice revenue in the future.

Forty-four percent of respondents expected fee-for-service with incentives to increase, 31 percent of respondents expected capitation to increase, 42 percent of respondents expected bundled payments to increase, and 41 percent of respondents expected fee-for-service to decline. **FIGURE 3**

Physicians who reported participating in MiPCT were 51 percent more likely to expect a decline in fee-for-service payments than those not participating in MiPCT.

**FIGURE 3**  
**Anticipated Changes in Practice Revenue over the Next 1–3 Years\***



Source: 2014 Michigan Physician Survey

\*Percentages may not add to 100 due to rounding

## Conclusion

Most Michigan primary care physicians reported fee-for-service as their primary form of reimbursement in 2014 and nearly 40 percent expected the majority of their practice revenue to continue to come from fee-for-service payments over the next 1–3 years. Nevertheless, more than half of physicians surveyed reported expecting alternatives to fee-for-service to grow as a share of practice revenue in the near future.



## Methodology

The survey data presented in this brief were produced from a mail survey of 1,000 primary care physicians practicing in Michigan, conducted between December 2013 and April 2014. Potential respondents received up to three mailings, with \$5 included in the first mailing to encourage response.

The physician sample was randomly generated from the American Medical Association (AMA) Physician Masterfile, a comprehensive list that includes both AMA members and non-members. The final sample included physicians from two primary care specialties: family medicine and internal medicine. The survey had a response rate of 36 percent (317 physicians) and has a margin of error of  $\pm 5.5$

percent. Physicians who responded but reported they were no longer practicing primary care were removed from the analysis. Physicians who reported that they were unsure whether they participated in an innovative compensation model or that they were not participating at the time of the survey but planned to do so in the future were considered as non-participants for the purpose of this analysis. Results were analyzed using SAS 9.3 software.

Statistical significance of bivariate relationships was tested using z tests or chi-square tests for independence. All reported differences are statistically significant at  $p \leq 0.05$  unless otherwise noted.



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