

Arizona Health Care Cost Containment System

Manual: Office of Managed Care
Policy and Procedures

Effective Date:10/1/98
Revision Date:

Subject: Physician Incentive Plan Disclosure by
Contractors

Authorized Signature:

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I. Purpose

It is the intent of the Office of Managed Care (OMC) management to develop procedures for all health plans and program contractors to comply with Acute Care Contract, Section D, Paragraph 18, *Physician Incentives*, the ALTCS Contract, Section D, Paragraph 39, *Physician Incentives*, and the DES/DDD Contract, Section D, Paragraph 39, *Physician Incentives*, as required by 42 CFR 417.479(h)(1).

The above referenced Acute Care, ALTCS and DDD/DES contract sections state, “The Contractor shall disclose to AHCCCSA the information on physician incentive plans listed in 42 CFR 417.479(h)(1) upon contract renewal, prior to initiation of a new contract, or upon request from AHCCCSA or CMS.” All health plans and program contractors are subject to submitting disclosure information for risk-based subcontracts. If a program contractor or health plan does not have risk-based contracts, then the contractor must submit an attestation stating that they do not have such contracts.

In April 2002, the Department of Health and Human Services’ Office of the Inspector General (OIG) published a report on physician incentive plan (PIP) reporting. OIG found that PIP reporting is “incomplete, unreliable, and inconsistent.” Additionally, the “reporting process is burdensome and costly.”

CMS responded to the finding by delaying annual PIP reporting until further notice while they work to modify the regulations. However, the requirements to submit contracts that place providers at substantial financial risk to AHCCCSA in advance for approval, obtain appropriate stop-loss insurance, and provide disclosure to beneficiaries who request PIP information have not changed.

II. Definitions

1. **Physician Incentive Plan (PIP):** Per 42 CFR 417.479(c), “Physician Incentive Plan means any compensation arrangement between an HMO or CMP and a physician or physician group that may directly or indirectly have the effect of reducing or limiting services furnished to Medicare beneficiaries or Medicaid recipients enrolled in the organization.”

2. **Risk-based Contract:** Contracts between a contractor and subcontractor that transfer financial risk from the contractor to the subcontractor for medical services.
3. **Substantial Financial Risk (SFR):** Per 42 CFR 417.479(e), “Substantial financial risk occurs when the incentive arrangements place the physician or physician group at risk for amounts beyond the risk threshold, if the risk is based on the use or costs of referral services. Amounts at risk based solely on factors other than a physician’s or physician group’s referral levels do not contribute to the determination of substantial financial risk. The risk threshold is 25 percent.”
4. **Risk Threshold:** Per 42 CFR 417.479(c), “Risk threshold means the maximum risk, if the risk is based on referral services, to which a physician or physician group may be exposed under a physician incentive plan without being at substantial financial risk.”
5. **Referral Service:** Per 42 CFR 417.479(c), “Referral services means any specialty, inpatient, outpatient, or laboratory services that a physician or physician group orders or arranges, but does not furnish directly.”
6. **Intermediate Entity:** a physician-hospital organization (PHO) integrated delivery system, or individual practice association (IPA) that subcontracts with at least one physician group or with another IPA.
7. **Physician Group:** Per 42 CFR 417.479(c), “Physician Group means a partnership, association, corporation, individual practice association, or other group that distributes income from the practice among members. An individual practice association is a physician group only if it is composed of individual physicians and has no subcontracts with physician groups.”

III. Policy

Health Plan and Program Contractor Responsibilities

The following PIP disclosure items must be submitted to OMC on an annual basis, or upon an amendment to an existing contract that places physicians or physician groups at substantial financial risk:

1. For all risk based contracts

- Cover Sheet (example attached), due 10/1
 - Only one needs to be submitted with the entire reporting package
- Physician Incentive Plan Disclosure Form (example attached), due 10/1
 - Submit one for each type of contracting relationship

2. For contracts that place physicians and physician groups at SFR

- Physician Incentive Plan Disclosure Form (example attached), due 10/1
 - Submit one for each type of contracting relationship
- Copy of the stop-loss insurance binder, due 10/1
- Customer satisfaction surveys (for both enrolled and disenrolled members), due 10/1 for the prior year

3. For contracts that are not risk-based

- An attestation stating that the contracts do not fall under PIP regulations, due 10/1
 - Only one attestation needs to be submitted with the reporting package

Please note: refer to Acute Care Contract, Section D, Paragraph 18 for approval requirements for contracts that place physicians and physicians groups at substantial financial risk.

Office of Managed Care Responsibilities

1. Maintain log of when disclosure information is received from the health plans and program contractors.
2. Review disclosure information for accuracy and completeness.
3. Send letter to health plans and program contractors acknowledging receipt and completeness of submissions.
4. Send letter, if necessary, requesting additional information.
5. Prepare annual report summarizing health plan and program contractors for CMS, (example attached) due 12/31

Sanctions

Per 42 CFR 434.67(a)(5), AHCCCSA may recommend that intermediate sanctions be imposed if the health plan or program contractor fails to comply with the requirements of 42 CFR 417.479(d) through (g) relating to physician incentive plans, or fails to submit to AHCCCS its physician incentive plans as required or requested in 42 CFR 434.70.

IV. Reference

- Acute Care Request for Proposal issued February 3, 2003, Section D, Paragraph 42, *Physician Incentives*.
- ALTCS Contract, Section D, Paragraph 39, *Physician Incentives*
- DES/DDD Contract, Section D, Paragraph 39, *Physician Incentives*.
- 42 CFR 417.479, *Requirements for physician incentive plans*.