

Shared Savings

Variations on the current fee-for-service reimbursement system of payment have been gaining momentum. The concept is to give providers and plans an incentive to reduce costs with flexibility to achieve those savings. Shared savings or gain sharing, the least constrictive of the new options, allows physicians and provider networks to share in the savings they help generate by reducing ineffective care, enhancing high value care, and coordinating care particularly for medically complex cases. A drawback to this concept is that incentives are paid well after the initial provider investment in reducing costs and improving performance; providers will not know what their level of payment is until long after the patient receives treatment.

Alabama's Medicaid primary care case management program, Patient 1st, began sharing savings with providers in 2007. The program targets use of generic medications, emergency room use, and office visits. Savings are shared equally with practices through a point system that recognizes costs and performance for each provider's panel compared to expected costs and quality measures. The shared savings payments are in addition to monthly care management fees.ⁱ

ⁱ Hasselman, *ibid*, K. Kuhmerker and T. Hatman, Pay-for-Performance in State Medicaid Programs: A Survey of State Medicaid Directors and Programs, Commonwealth Fund, April 12, 2007, K Davis-Allen & P Clark, AL Medicaid, interview, July 2009.