Appendix C: Guide to Direct Contracting

During the first year of the bundled contract, providers will be expected to install methods to measure appropriateness, evidence-based surgery, return to function, and the patient care experience according to the standards noted below. Reporting of results will be expected to begin the second year of the contract. The only exception to this reporting requirement is that the measures of patient safety and affordability noted in section 5 of the quality metrics to begin the first year of the contract.

For the provider

1. Providers should align with employers in choosing a clinical "candidate product" that includes:
    a. Opportunity to improve value for employer.
    b. High utilization in employed population.
    c. Easily defined boundaries.
    d. Predictable clinical course.
    e. Availability of credible, publicly accessible evidence to define quality.

2. Assess organizational effort to operationalize "candidate product" in terms of:
    a. Commitment of clinicians and operational leaders to re-engineer processes, re-allocate resources and lead change, including identification of an accountable physician champion accountability.
    b. Standardization of care with a systems-based model.
    c. Commitment of stakeholders to the end-to-end patient pathway, including outpatient and inpatient providers, operating room, revenue cycle, patient relations, and subcontractors. Success relies less on a clinically integrated medical center than clinically and strategically aligned stakeholders, communication, a leader, and a project plan.
    d. Capacity to maintain access while increasing volume.
    e. Commitment to transition care back to patient's local community and primary care provider.
    f. Review design with self-funded employer.

3. Assess business case for the "candidate product:"
    a. Calculate margin on the "candidate product" in current fee-for-service format understanding the explicit clinical content of the bundle.
    b. Estimate incremental volume attracted by bundle including:
        i. Current volume coming to the provider through the self-funded group.
        ii. Total utilization of the self-funded group.
        iii. Number of likely providers of the bundle that will compete for patients.
        iv. Willingness of employer to create benefit design to steer employees to high-value provider.
    c. Estimate startup cost of implementing bundle including:
        i. Information technology to measure and report outcomes to employer, including additional investments to the electronic medical record, patient portals/patient interfaces, and billing systems.
        ii. Additional personnel including clinical, operational, analytical, financial staff to manage bundle.
        iii. Commitment of clinical and operational leaders to meet with purchaser at regular intervals.
    d. Assess ability to take risk associated with variability in care under a fixed payment model and potential warranty/accountability events.

e. Using incremental volume and estimated incremental margin, determine break-even price point of bundle.
f. Understand current cost of the employer in terms of removing variability of cost.
g. Create an outlier rate and default rate to cover provider cost but not to enhance margin, reflecting a commitment to the employer to provide needed while avoiding unnecessary and inappropriate care.
h. Estimate potential loss/opportunity cost not implementing bundle/direct contracting assuming employer/self-funder group will find a willing provider.

4. Encourage and respond to quality-driven Request for Proposals from employers.

For the employer

1. Assemble a work group that includes members with experience in provider strategies, benefit design, and contracts management.
2. Choose a priority clinical condition or procedure that includes:
    a. Prevalent condition among employees.
    b. High variation in direct cost, work loss, outcomes, patient experience, utilization or access.
    c. Easily definable boundaries that could align with bundled services.
    d. Define market-relevant quality and outcome measures.
    e. Determine if there is a product in the market that has evidence based quality standards that align with your outcome measures. If not, release an Request for Information to gain knowledge of existing standards in the market and consider releasing and request for proposals for a partner provider to co-develop product using evidence standards and quality.
3. Assess financial opportunity including the current direct and indirect cost of the clinical condition minus the cost of the program administration and benefit redesign.
4. Release a Request for Proposals for a program administrator if unable to provide this internally including:
    a. Claim adjudication.
    b. Determining member eligibility.
    c. Customer service including employee member education and referral.
    d. Determining member benefit, including travel, food, care companion, co-pay/deducible.
    e. Travel arrangements and logistics.
    f. Assessment of the patient care experience.
    g. Management of Employee Retirement Income Security Act (ERISA) plan.
    h. Ability to coordinate with vendors to maximize employer benefit.
    i. Ability to collect and report on cost and patient experience.
5. Develop a benefit option that creates incentive for patient to choose high-value providers.
    a. Engage in change management and a communication strategy with employees, unions and other stakeholders to encourage choice of providers based on quality.
    b. Develop a method of measuring outcome of employees choosing new model vs. control group of employees choosing usual care; choose quality indicators that are market relevant such as appropriateness and return to function.
6. Release a Request for Proposals to provider groups.
        a. Based on the new model co-designed with providers.
        b. Arrange site visits and select one or more providers for direct contracting.
7. Negotiate contracts with both providers and administrators that are based on the quality standards of the new product.

8. Meet regularly with providers and with administrators to ensure adherence to contract and to refine and improve delivery of the new product to employees.
9. Encourage incentivizing patient-oriented outcomes and performance against quality indicators (e.g., patient return to function).