

# CJR COLLABORATOR AGREEMENTS FOR GAINSHARING & RISK-SHARING

experience **direction** // The Comprehensive Care for Joint Replacement (CJR) Model allows hospitals to contract with collaborators to share in the financial gains and risks of participating. Provider and supplier collaborating agreements can be constructed to allow hospitals to share Medicare payments resulting from reduced episodic spending, internal cost savings or both—subject to the rule’s parameters and quality provisions. Participant hospitals also may share financial accountability for increased episode spending. **BKD can help hospitals and collaborators develop effective collaborator agreements to share gains and risks under the CJR model.**



These financial arrangements must meet various requirements; here are the basic parameters:

- The arrangement must be documented in a “Collaborator Agreement.”
- Participant hospitals can share:
  - o Reconciliation payments in the form of performance-based payments received by the hospital under the CJR model
  - o Internal cost savings realized through care redesign activities associated with CJR services (the model stipulates certain accounting requirements—GAAP and Yellow Book—regarding how cost savings are determined)
- Collaborators must engage with the hospital in its care redesign strategies, meet quality requirements and furnish services during a CJR episode to be eligible for such payments.
- Distributions to collaborators must meet certain requirements that may necessitate adjustments to the underlying compensation arrangements of employed or independent physicians.

**COLLABORATORS MAY INCLUDE**

- Physician & nonphysician practitioners
- Home health agencies
- Skilled nursing facilities
- Long-term care hospitals
- Physician group practices
- Inpatient rehabilitation facility
- Inpatient & outpatient physical therapy & outpatient therapy clinics

3200 CLIENTS 

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BKD has developed the following phased process to help clients establish effective Collaborator Agreements under the CJR Model:

## PHASE 1: STRATEGY

The goal of this phase is to help management determine which entities to approach (if any) and a basic methodology to present to potential collaborators. Steps include:

- Meet with client management to educate team about CJR Collaborator Agreement requirements
- Help management identify specific collaboration goals for the CJR-related service line
- Help management (potentially in combination with BKD Outcomes Compass analyses) analyze available information to identify and select potential collaborators either under the CJR model or through other arrangements to address identified collaboration goals
- Help management satisfy written selection criteria requirements
- Consider and provide management with options for non-CJR specific alignment methods related to accomplishing CJR objectives
- Help management—in concert with client legal representatives—identify and select basic financial sharing methodologies to offer targeted collaborators

## PHASE 2: DETAILED INTERNAL COST SAVINGS METHODOLOGY DEVELOPMENT (IF NECESSARY)

The goal of this phase is to help management develop specific parameters for internal cost savings methodologies involving potential collaborators identified in Phase 1, with guidance from legal counsel. Steps include:

- Discuss with management specific incentivizing goals for potential collaborators
- Help management analyze available data regarding internal costs associated with each cost savings initiative through cost-accounting tools and other tracking mechanisms, such as decision support and EHR
- Help management—in concert with client legal representatives—identify a specific internal cost savings calculation methodology designed to achieve incentivizing goals that can be calculated from available accounting data and complies with CJR Model requirements

## PHASE 4: VERIFICATION PROCEDURES FOR ADMINISTRATION OF COLLABORATOR AGREEMENTS (IF DESIRED)

The goal of this phase is to perform procedures in concert with management to verify the calculation of financial arrangements under CJR Collaborator Agreements in the first year or on an ongoing basis. These procedures would be designed to support CJR compliance requirements specific to the financial elements of arrangements. Actual steps will relate to each particular arrangement but would generally include:

- Discuss with management and identify specific procedures to perform in conjunction with calculated payments generated from each CJR Collaborator Agreement
- Perform specific agreed-upon procedures
- Issue a report to management documenting procedures performed and related outcomes
- Review of collaborator relationships for fair market value compliance

## PHASE 3: ASSISTANCE WITH APPROACH TO POTENTIAL COLLABORATORS (IF NECESSARY)

The goal of this phase is to help management approach potential collaborators and finalize arrangement parameters. Steps include:

- Meet with potential collaborators to explain CJR Collaborator Agreement requirements (including requirements regarding how payments are distributed through a physician group compensation plan) and specific parameters of the agreement offer
- Prepare hypothetical scenario analyses as requested by the parties to illustrate the potential impact on potential collaborators based on various levels of success in meeting CJR collaboration objectives
- Facilitate communication between client and potential collaborator regarding the proposed arrangement, including assistance with analyzing any identified changes to the proposal