ALBERTA MEDICAL ASSOCIATION

A Short Summary

Tentative AMA Amending Agreement Package

Patients First®

BACKGROUND

- The AMA has an existing agreement with government 2011-18.
- The provincial fiscal situation has deteriorated significantly.
- The parties created a Memorandum of Agreement setting terms to reopen discussions.
- The tentative Amending Agreement includes financial and non-financial amendments to existing agreement.
- A new "AMA Strategic Agreement" was also developed.

GROWTH IN EXPENDITURES

- PSB growth 5%-8%, on average since 2010
- 2015-16 grew by over 9%
- Growth: population, fee increases AND utilization increases
- 5% growth in physician numbers linked to increased utilization

NOTES:

Growth in the Physician Services Budget (PSB) has been increasing from 5% to 8% a year on average since 2010. In 2015-16, expenditures grew more then 9%.

This growth was not only due to population growth or fee increases, but also to utilization increases per Albertan.

Physician numbers have been growing to support existing and increasing demand for services.

COMPONENTS OF GROWTH

Physician supply

- 787 New Physician workforce in 2015:
  - AB grads: 194
  - Out of province: 208
  - Out of country: 308 (~250 of which are IMGs)
  - Restored / returned: 89
- 333 physician attrition
- 454 net new, or about 5% growth

*Data from College of Physicians & Surgeons of Alberta "Physicians Resources in Alberta"

NOTES:

Here is a look at the way we have grown. With 787 new physicians in 2015 alone, and a loss of 333 through usual attrition, that still leaves 454 net new: about 5% above the previous year.

APPROACH

- In existing agreement, government currently holds all risk
- Gov't wanted to shift all risk to physicians
- Amending agreement introduces a **risk sharing** model
- Risks are allocated based on who controls

NOTES:

In our existing agreement, government holds all the risk for expenditures regardless of the source or reason. Given the fiscal realities in Alberta, government would like to have budget certainty and one way to do this is by shifting all the risk and responsibilities to physicians via a hard-capped budget.

After some tough discussions, Alberta Health and the AMA agreed that the resolution to the problem was to introduce a risk-sharing model rather than either party holding 100% of the risk. An important point is that risks are linked to those things each party can control. That is, neither party can be responsible for things over which they have no control. The risk sharing or budget sharing model that you are about to see takes this approach.

BUDGET SHARING MODEL

Component	Overview
Withholds	What we're putting at risk and what's being held back
Available Amount	What gov't will make available. Subject to the following adjustments: • General inflator • Net new physicians • Contingencies
Actual Expenditures	• What is actually spent. • The profession has agreed to take on some initiatives to manage expenditures.
Reconciliation	• A comparison between actual expenditures and the available amount. • This difference determines the payment of the withhold.

NOTES:

There are four components to the way risk is shared:

- The **Withholds** are the future payments that are being put at risk. These are the two Retention Benefit payments and the April 1, 2017 Schedule of Medical Benefits (SOMB) adjustment (cost of living adjustment or COLA).
- The **Available Amount** is what government is making available for the year. It begins with a base amount which is then adjusted by several factors.
- The **Actual Expenditure** is what is spent in a year. The amendments include two savings initiatives which are attempts to manage what is spent toward the amount that is available.
- The **Reconciliation** process compares the Available Amount and the Actual Expenditures. The gap between these two will determine how much of the Withholds will be paid out.

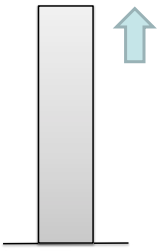
AVAILABLE AMOUNT

Base Amount:

- 2015-16 actual expenditures

Grows based on the following:

- General inflator
- Net new physicians
- Contingencies
  - SARS
  - AHS offloading
  - Waitlist reduction efforts
  - Etc.



NOTES:

This section provides more detail on the calculation of the Available Amount.

The starting point, or base, for 2016-17 is what was actually spent in the previous year (2015-16), i.e., Actual Expenditure. There will be several adjustments:

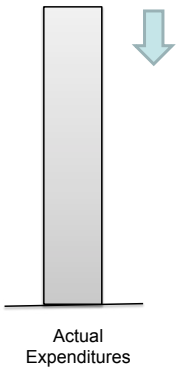
- A general inflator set amount
- Estimated cost of any net new physicians
- Several agreed-to contingencies, e.g., the impact of an epidemic like SARS.

The calculation of the 2017-18 Available Amount is similar, except that the starting point, or base, is the 2016-17 Available Amount. The base is then adjusted for the same factors: general inflator; net new physicians; contingencies.

ACTUAL EXPENDITURES

Initiatives put in place to try to reduce Actual Expenditures

- SOMB Rule-Based Savings Initiative
- Audit/Peer Review



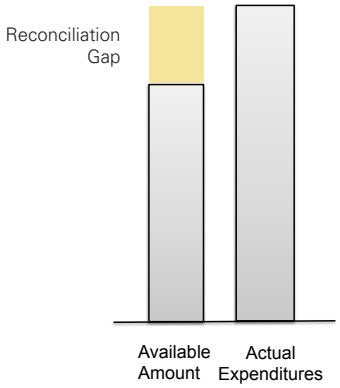
NOTES:

Actual Expenditures mean the amount actually spent in 2016-17 and 2017-18.

The amendments include two savings initiatives, which are best-effort attempts to manage Actual Expenditures toward the Available Amount, while incenting as much value as possible for patients.

The savings initiatives are described in more detail later in this presentation.

RECONCILIATION PROCESS



NOTES:

The **Reconciliation** compares the **Available Amount** with **Actual Expenditures** and, based on that determination, what (if any) of the Withhold will be paid out.

For 2016-17, if Actual Expenditures are:

- Less than or equal to the Available Amount, then the Retention Benefit for 2016 is paid in full.
- Greater than the Available Amount, then the 2016 Retention Benefit is reduced by up to the full value. Government covers any remaining overage above the value of the 2016 Retention Benefit.

The Reconciliation process for 2017-18 is similar, except that there are two Withholds: the April 1, 2017 SOMB adjustment and the 2017 Retention Benefit. Where the Actual Expenditure exceeds the Available Amount, the Retention Benefit is first reduced up to its full amount and then the SOMB adjustment up to its full amount. Government is responsible for any overage above the value of the two Withholds.

RECONCILIATION COMMITTEE

- Reconciliation Committee to meet every two months to monitor Actual Expenditures
- Reconciliation to be calculated no later than June 30 of the 2016-17 and 2017-18 fiscal years
- Reconciliation Committee is supported by a third-party accounting firm
- The Reconciliation Committee will determine the Reconciliation Gap and depending on the outcome funds may be distributed to physicians

NOTES:

A joint Reconciliation Committee will oversee this whole process carefully through the term of the tentative Amending Agreement (if ratified). Professional accounting support will be provided ongoing and the committee will reach a decision together. If they cannot agree, dispute resolution provisions apply.

IMPACT ON PHYSICIANS

- The Withhold amount represents physician's **maximum risk**
  - Year 1: Retention Benefit Payment*
  - Year 2: Retention Benefit Payment* & COLA
- Price floor
  - SOMB cannot go lower then existing rates

*These will be held in abeyance until June 30 pending the reconciliation process

NOTES:

This is the bottom line. The maximum risk to physicians under the tentative Amending Agreement is the value of the two Retention Benefit Payments and the April 1, 2017 SOMB adjustment. Fees cannot go lower than existing rates. There is no claw back if savings initiatives fail to deliver as much as expected.

FINANCIAL SCENARIOS

Depending on savings and other utilization initiatives the probabilities are approximated to be:

Year	Item at Risk	Probability of Payout
YR1	Retention Benefit	Highly unlikely
YR2	COLA	Dependent on success of savings initiatives
YR2	Retention Benefit	Low

NOTES:

We have run various scenarios to give you a sense of the what we think will happen.

Given the lateness in the fiscal year by the time we are able to start on the savings initiatives, it's very unlikely that the 2016-17 Retention Benefit will be paid.

In 2017-18 we will have time to work on the savings initiatives. As such, some or all of the payments may be made.

WHY PUT RB AT RISK?

- Retention Benefit ends 2018 (existing agreement):
  - "the extension or extensions of the initial term described in subsection 6(b) [retention benefit] of this AMA Agreement which initial term is to expire as of the end of business on March 31, 2018 (the "Expiry Date")"
- Gov't stated they have no intention of continuing RB past 2018
  - RB very successful and now hard to convince government to continue RB given significant growth in physician numbers
- RB one time payment (no impact on base) vs. across-the-board fee decrease (permanent reduction on base)
- Retaining physicians addressed in physician resource plan

NOTES:

An issue that has been raised by some members is that putting the Retention Benefit at risk may cause some service access issues and may also be viewed as a retrogressive step in terms of physician payment relativity.

While not to diminish these concerns, there were reasons we choose to put the Retention Benefit at risk including:

- The program ends in 2018 per our 2011-18 AMA Agreement.
- Government has been very clear they have no intention of continuing the program after 2018.
- Given the 5% average annual growth in physician numbers in recent years, it's hard to continue to argue that we need a Retention Benefit, particularly when retention strategies can better be addressed by the physician resource plan (another component of the tentative Amending Agreement).
- In terms of what to put at risk, either the Retention Benefit or a comparable fee decrease, the AMA would rather risk a one-time payment rather than decrease fees and reduce the base budget by this amount forever.

Finally, physician payment relativity is a worthy goal to pursue, but relativity needs to be addressed in a more deliberate manner and most appropriately through the Physician Compensation Committee.

SOMB SAVINGS

- SOMB Working Group to create an issues list of SOMB rule change savings initiatives
  - Savings based on rule changes NOT fee changes
- Annualized $100M in savings
  - Focus on a set of principles
- Short timelines to meet targeted dates (2016-17)
  - Nov 15, 2016 for first batch
  - Feb 3, 2017 for second batch
- Savings from individual fee review conducted by PCC in 2015-16 constitutes part of the $100M (approx $15M)
- Dispute resolution mechanism in place

NOTES:

What is the SOMB Savings Initiative?

An SOMB Working Group will be formed to create a list of SOMB rule change savings initiatives. This work will be based on set of principles agreed to by the parties and established in the Amending Agreement. It focuses on rule changes, NOT fee changes.

The goal is to achieve annualized savings of $100 million. The timelines are short:

- November 15, 2016 for implementation on January 1, 2017 and/or April 1, 2017.
- February 3, 2017 for implementation on April 1, 2017.

Note that $15 million found in the Physician Compensation Committee fee review in 2015-16 will be applied to the $100 million so physicians will only have to find annualized savings of $85 million in rule-based changes rather than $100 million.

The AMA will develop its own list of rule-based changes in consultation with sections and with opportunity for individual physicians to participate. The idea is to identify things that we know are of low value for patients. These are the principles that will apply.

There is a dispute resolution process if the parties cannot reach a majority vote on the composition of the final list or cannot agree to the amount on what a rule change may save.

PEER REVIEW/AUDIT PROCESS

- Goal of achieving cost savings of $20M for 2016-17; and $35M for 2017-18
- Opportunity to educate physicians on best billing practices:
  - AMA Fee Navigator Billing App
- Gov't will continue to undertake audits and any recoveries will be counted toward the savings
  - AMA not involved in audit process
- As of April 1, 2017, AH will be sending out individual billing profiles

NOTES:

The second and final cost-saving initiative is a Peer Review/Audit process, seeking to achieve $20 million for 2016-17 and $35 million for 2017-18.

The AMA will contribute to this initiative by taking opportunities to educate physicians on best billing practices. We have our existing billing support services and we will make new use of the AMA Fee Navigator billing app. The AMA will also work with AH and AHS to develop other ways to educate physicians in terms of appropriate billing, etc.

Government will continue to undertake audits; any recoveries will go toward savings. The AMA will not be involved in the audit process.

Beginning April 2017, government will be providing physicians with individual billing profiles as an educational/awareness tool.

NON-FINANCIAL: WHAT REMAINS

The AMA Agreement remains in place:

Continuance Provisions

- Recognition
- Dispute resolution (mediation and binding arbitration on fees)
- Physician Compensation Committee
- Consultation Agreements

NOTES:

Though amended, the 2011-18 AMA Agreement would remain in place. This includes important provisions around recognition and dispute resolution such as binding arbitration on overall rate adjustments. These provisions continue past the financial term, i.e., past March 31, 2018.

Another important element that continues is the Physician Compensation Committee which is the process around the management of relative fees.

Some of the Consultation Agreements attached to the AMA Agreement have been adjusted in important ways.

NON-FINANCIAL: NEW PROVISIONS

- Primary care and integrated delivery
- Physician supply
- AMA access to information
- Governance

NOTES:

There are other amendments that will be of interest to physicians and will help to move forward toward system improvement for patients:

- Primary care and integrated delivery includes
  - A provincial primary care network (PCN) framework (that requires physician ratification).
  - Development of a patient and provider registry.
  - AMA Representation on senior Academic Alternative Relationship Plan committees.
- Physician supply
  - Commitment to develop a needs-based plan.
  - Representation from physicians, AMA, College of Physicians & Surgeons of Alberta, medical students, resident physicians and others.
- Improved AMA access to information needed for the savings initiatives, physician resource planning and other purposes.
- Governance with broader engagement of AHS and other partners.

STRATEGIC AGREEMENT

- A framework arrangement for independent contractor physicians working for AHS that provides:
  - Freedom of association and right to representation by the AMA
  - Clearly defined and transparent negotiating processes
  - Dispute resolution mechanism (binding arbitration)

NOTES:

The Strategic Agreement is separate and among the three parties: AMA, AHS and AHS. It is a framework to cover negotiations for independent contractor physicians working in AHS facilities. In the past, AHS has not formally recognized the AMA and for every set of negotiations we had to work out representation rights. The Strategic Agreement provides for the provisions listed here.

We believe that these provisions will substantially speed the course of negotiations with AHS – which in the past have sometimes dragged on for years. It will mean more efficient discussions. Dispute resolution processes have not been available in the past; this is a significant improvement.

The Strategic Agreement is in effect until March 31, 2018 and covers any eligible negotiations commenced by that date. The desirability of extending the Strategic Agreement past that point will be assessed by the parties.

These provisions are being tested for a few physician groups in Edmonton.

WEBSITE

For more detailed information please see additional documents on the page where you found this document

https://www.albertadoctors.org/services/physicians/our-agreements/ratification2016

They are:

- Backgrounder
- Overview
- FAQ
- Legal documents

(Member sign-in required to view or to vote)

QUESTIONS OR COMMENTS?

Please email president@albertadoctors.org

PLEASE VOTE BY THURSDAY OCTOBER 13, 4:30 PM.