

Clinical Co-Management Arrangements Between Physicians and Hospitals



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Clinical co-management arrangements (CCMAs) are formal relationships where hospitals and physicians collaboratively manage specific service lines (e.g., cardiology, orthopedics, or oncology) to help improve quality and/or lower costs. The shared responsibilities and joint accountability are memorialized in an agreement and are often governed by a management committee comprising representatives from both the hospital and physician group. This committee is ultimately responsible for items such as service line strategic planning, performance monitoring, and decision-making.

BENEFITS OF CCMAs TO PHYSICIANS AND HOSPITALS

For Physicians

1. Enhanced Autonomy: Under a CCMA, physicians may retain a significant degree of control over clinical decisions, allowing them to implement best practices and innovative care models usually without substantial capital investments.
2. Financial Incentives: Compensation is often tied to performance metrics, not just work effort (e.g., physician hours), providing financial rewards for achieving predetermined quality and efficiency targets.
3. Professional Development: Participation in co-management arrangements can enhance leadership skills and provide opportunities for physician career advancement. For example, CCMAs may assign operational duties to physicians besides clinical decision-making, such as managing the daily operations of a service line.

For Hospitals

1. Improved Quality of Care: Collaborative management between physicians and hospitals can lead to the implementation of standardized protocols and best practices, resulting in better patient outcomes.

Additionally, CCMAAs may be a platform for value-based care or a vehicle for the Transforming Episodic Accountability Model (TEAM), the new Medicare payment model for specified episodes of care that will be effective Jan. 1, 2026.

2. **Cost Efficiency:** Shared accountability for financial performance encourages cost-saving measures and efficient resource use when appropriately balanced with quality improvement.
3. **Stronger Physician Alignment:** Co-management arrangements foster a collaborative culture, aligning the goals of physicians and hospitals toward common objectives.

THE PAYMENT STRUCTURE FOR PHYSICIANS UNDER A CCMA

While both physicians and hospitals co-manage a service line under a CCMA, the payment for the physician services typically consists of a base/fixed payment as well as the opportunity for a performance-based incentive.

Base/Fixed Payment

A base/fixed payment is often made for an identified suite of administrative or management services. Such services are generally service line specific but can include items such as:

- Strategic planning
- Programmatic development
- Operating/capital budget development
- Physician education
- Protocol development
- Non-physician staff education
- Policy or procedure development or refinement
- Human resources management

Performance-based Incentives

In PYA's experience, typically 60-70% of the payment for CCMA services is base/fixed, and the remaining 30-40% is generally available for physicians helping the service line meet performance-based incentives. Performance-based incentives

are normally tied to predefined quality and efficiency key performance indicators (KPIs). KPIs should be meaningful, measurable (by both physicians and hospitals), and reportable and have appropriate comparisons to industry thresholds. A few examples of KPIs might include:

- Inpatient mortality
- Readmissions rates
- Complications of care
- On-time case starts
- Patient satisfaction
- Room turnover

Ultimately, any compensation paid to the physicians should be fair market value, commercially reasonable, and not determined in a manner that considers the volume or value of referrals. Often, an experienced healthcare valuation firm is engaged to help with this subject.

OTHER CONSIDERATIONS FOR SUCCESSFUL CCMAAs

Additional factors need to be accounted for under a CCMA. Some of these factors include:

- **The scope of management services provided by the physicians and hospital:** Within a CCMA, the physicians, hospital, or both parties can be responsible for a management service item. The parties, therefore, should clarify who is responsible for each management activity and how they might coordinate collaboratively (if applicable). For example, common within a CCMA, a hospital is responsible for all general day-to-day management duties and non-physician management operations (e.g., billing and collecting). The physician practice, however, may provide resources to help with these management services via time spent within specific medical directorships or participation in related meetings.
- **The length of the CCMA:** CCMAAs usually include a term of approximately 3-5 years. The term will depend on many different variables such as the size of the

service line, the goals of the CCMA, and other important factors.

■ **The development of KPIs under a CCMA:**

Improvements in areas such as readmission rates, patient satisfaction, and supply chain management may greatly enhance the financial performance of a service line, so the careful consideration of which areas to measure is critical to the overall success of the CCMA. And while some KPIs may be universal (e.g., patient satisfaction), the identification of specialty-specific metrics is also a best practice.

■ **CCMAs and their relationship to other physician-hospital arrangements:** Many of the services that might be part of a CCMA could be provided under other

types of physician-hospital arrangements (e.g., professional services arrangements, management services arrangements, medical directorships, etc.). Because of this potential overlap, when creating a CCMA, the parties should ensure no duties are duplicative of or otherwise conflict with other types of arrangements.

Clinical co-management arrangements represent a promising model for enhancing hospital-physician alignment, improving quality of care, and achieving cost efficiencies. By fostering collaboration and shared accountability, CCMAs can drive significant improvements in health-care delivery.

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