Value Based Purchasing and Payment Reform

17th Annual Summer Institute
July 22, 2016
Drivers of VBP

National Health Care Costs
• Impact on other government priorities
• Impact on the private sector economy

Outcomes
• Compared to other countries
• Accountability
The U.S. Compared to Others

Health expenditure trends as a % of GDP

- United States
- Australia
- Austria
- Canada
- France
- Germany
- Japan
- Spain
- Sweden
- Switzerland
- United Kingdom
Reaching across Arizona to provide comprehensive quality health care for those in need
Outcomes & Cost

Life expectancy in years


StatLink http://dx.doi.org/10.1787/888932916040
Health Care Value

• “Value in health care is measured by the outcomes achieved, not the volume of services delivered, and shifting focus from volume to value is a central challenge.”- Michael Porter

• “Value can be defined as patient outcomes divided by total cost per patient over time.”- Institute of Medicine
Value

The Healthcare Value Equation

\[ \text{Value} = \frac{\text{Quality}}{\text{Cost}} \]
Payment Reform

Transition from paying for care based on volume to paying for value
Medicare & Medicaid Clout

- Medicare: 54 million individuals
- Medicaid: 72.5 million individuals
- 39.6% of the U.S. Population

CMS is a major driver of payment reform
Medicare-ACA VBP Initiatives

- Hospital Readmission Penalties
- Bundled Payment: BPCI/ Comprehensive Care for Joint Replacement Model
- ACOs: Pioneer, Shared Savings, Next Generation
- MIPS & MACRA
- New SNF Rule VBP Components
- 50% VBP Provider Payment by FY 2018!
Common Themes

- Improve the experience of care, improve the health of populations, and reduce per capita costs of health
- Decrease fragmentation, improve coordination of care, and provide care which is appropriate
- The *Triple Aim*
Medicaid

- Half of All Births
- 1/3 of All Children
- Largest Long Term Care Services Payer
- Largest Behavioral Health Payer
- Dual Eligibles: 40% of Medicaid’s Budget
Medicaid Evolution

• **OLD:** Medicaid programs were passive bill payers

• **NEW:** Most Medicaid programs are active purchasers, with increased focus on outcomes and value

• **INNOVATIVE:** Varied VBP Models
Payment Models

- Pay for Performance
- Shared Savings
- Shared Savings with Provider Risk
- Bundles—Prospective/Retrospective
- Capitation
Delivery Models

• Medicaid ACOs
• Patient Centered Medical Homes
• Behavioral Health Homes
• Episodes of Care
• Integrated Primary & Behavioral Care
Common Elements of Reform

- Care Coordination-Primary Care
- Focus on High Need/High Cost Populations
- Transition to Care Delivery and Payment Arrangements that align quality and cost incentives
Payment Reform Building Blocks

• The Health Care Payment Learning & Action Network - The LAN:

• Person Centered Care: high quality care that is both evidence based and delivered in an efficient manner, and where patients’ and caregivers’ individual preferences, needs, and values are paramount.
Payment Reform-Building Blocks

Population Based Payment: population based payments (including bundled payments for clinical episodes of care) offer providers the flexibility to strategically invest delivery system resources in areas with the greatest return, enable providers to treat patients holistically, and encourage care coordination.
Volume to Value Destination

Fee for Service ➔
Shared Risk &
Population Based Payment
**Alternative Payment Model Framework**

**Figure 1. APM Framework (At-A-Glance)**

<table>
<thead>
<tr>
<th>Category 1</th>
<th>Category 2</th>
<th>Category 3</th>
<th>Category 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee for Service – No Link to Quality &amp; Value</td>
<td>Fee for Service – Link to Quality &amp; Value</td>
<td>APMs Built on Fee-for-Service Architecture</td>
<td>Population-Based Payment</td>
</tr>
<tr>
<td>A</td>
<td>B</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Foundational Payments for Infrastructure &amp; Operations</td>
<td>Pay for Reporting</td>
<td>APMs with Upside Gainsharing</td>
<td>Condition-Specific Population-Based Payment</td>
</tr>
<tr>
<td>C</td>
<td>D</td>
<td>APMs with Upside Gainsharing/Downside Risk</td>
<td>Comprehensive Population-Based Payment</td>
</tr>
<tr>
<td>Rewards for Performance</td>
<td>Rewards and Penalties for Performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reaching across Arizona to provide comprehensive quality health care for those in need
Providers’ Transition to VBP

- Alternative Payment Models (APM’s) built on a Fee for Service Chassis (LAN)
- FFS with Quality/Outcome Component
- Preparation for Assuming Risk
- Increased Degree of Integration, Risk & Accountability
- Actionable DATA
VBP Continuum

Level of Financial Risk

- Fee-for-Service
- Performance-based Programs
- Primary Care Incentives
- Performance-Based Contracts (PBC)
- Bundled/Episode Payments
- Centers of Excellence
- Shared Savings
- Shared Risk
- Capitation + PBC

Accountable Care Programs

Degree of Care Provider Integration and Accountability

Reaching across Arizona to provide comprehensive quality health care for those in need
Provider Challenges

- Data exchange and analytics capability
- Alignment with other providers, payers, and patients
- Payment for valued activities such as care coordination
- Behavioral-Physical Health Integration
- Outcome Measurement that is manageable
AHCCCS & Payment Reform

Innovation through Competition:

• VBP Requirement for all Plan types including ALTCS, Acute, CRS, and RBHA

• AHCCCS Plans must have a percentage of provider payments in VBP arrangements to qualify for quality payment incentives

• Plans have 1% of their capitation at risk

Reaching across Arizona to provide comprehensive quality health care for those in need
AHCCCS Transition to Value

- Value Based Differential Payments
  - Hospital
  - Nursing Facilities
  - Integrated Clinics
- Acute Plans’ Dual Eligible Responsibility: General Mental Health /Substance Abuse
- Behavioral Health-Physical Health Integration
AHCCCS Transition to Value

- Evolutionary Process-Learning Culture
- 50% of acute provider payments in VBP by October 2017; others to follow
- Continual Learning Process
- Collaborative/Innovative
- Align with Medicare as applicable
SIM- State Innovation Model Design

- State-led healthcare **innovation plan** that improves system performance, enhances quality of care, and reduces costs
- Focus on enhanced coordination for vulnerable populations
- Accelerates the evolution towards a value based, integrated model that focuses on whole person health in all settings
DSRIP- Delivery System Reform Incentive Payment

• Fund projects to improve multi-agency/provider care delivery for the following populations:
  o Individuals transitioning from incarceration
  o Children with behavioral health needs
  o Adults with behavioral health needs
  o American Indians (adults and children)
Key VBP Issues Going Forward

• Data exchange and utilization capabilities for care coordination and cost analysis
• Attribution and risk adjustment
• Provider infrastructure & economies of scale
• Payment for social determinants of health
• Evidence of effectiveness of APMs
Questions?

Reaching across Arizona to provide comprehensive quality health care for those in need
Thank You.