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PAYMENT REFORM

HFS USER MEETING 2017  
8.17.17

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Road Map

- 1 Current landscape
- 2 Bundled payment strategies
- 3 Future landscape

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## Current Landscape

- Obama's ACA focused on two key items:
  - **Access** to care
  - **Delivery** of care
- Despite congressional uncertainty, CMS presses forward with transitioning from volume to **value** (code word for **RISK**)
  - ACOs, NextGen ACO (VT APM), CJR and cardiac bundles, CPC+, chronic care management, MACRA
- Impacting all payer sectors
  - Medicare
  - Medicaid
  - Commercial/MA plans



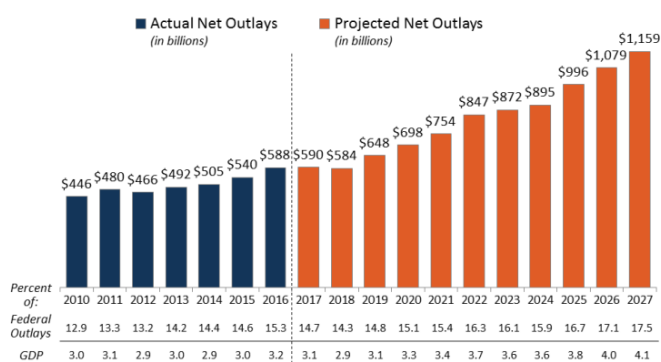
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## Current Landscape

Figure 4

### Actual and Projected Net Medicare Spending, 2010-2027

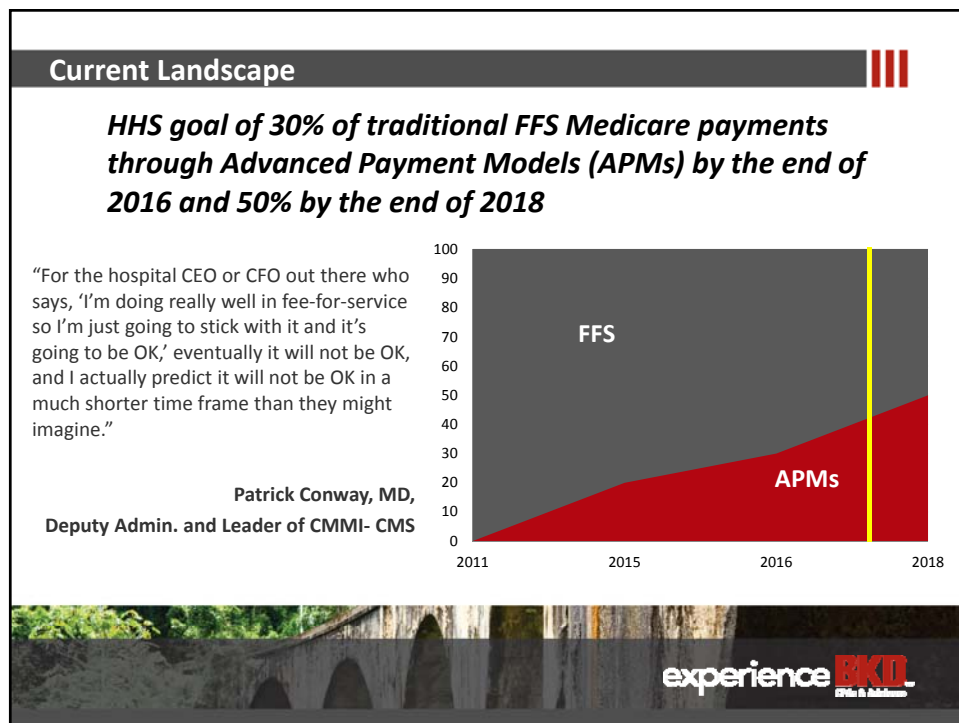
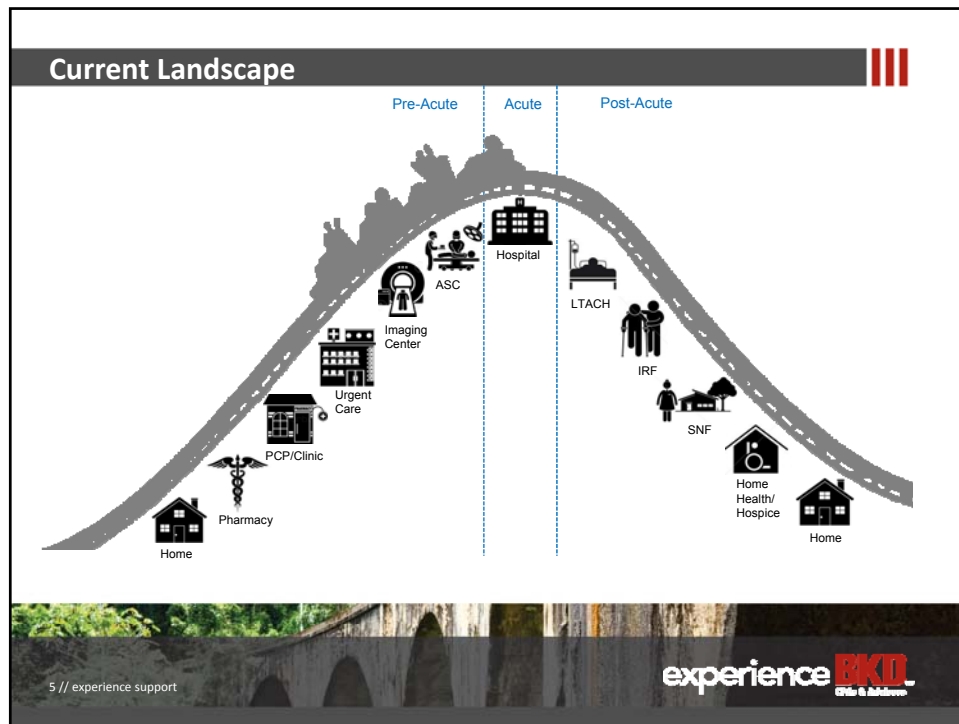


NOTE: All amounts are for federal fiscal years; amounts are in billions and consist of mandatory Medicare spending minus income from premiums and other offsetting receipts.  
SOURCE: Congressional Budget Office, An Update to the Budget and Economic Outlook, 2017 to 2027 (June 2017).



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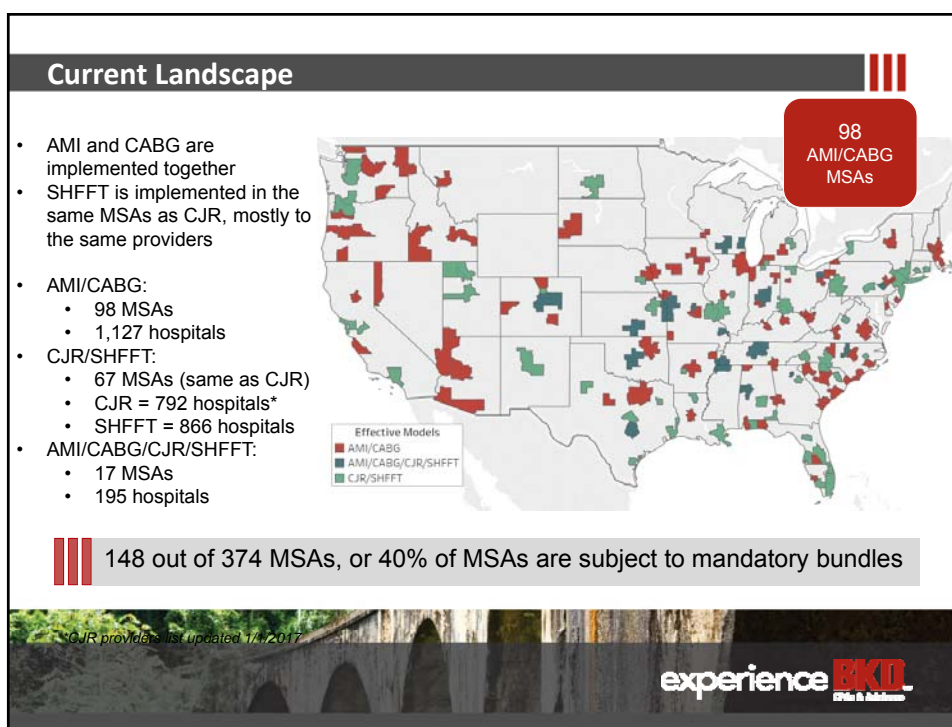
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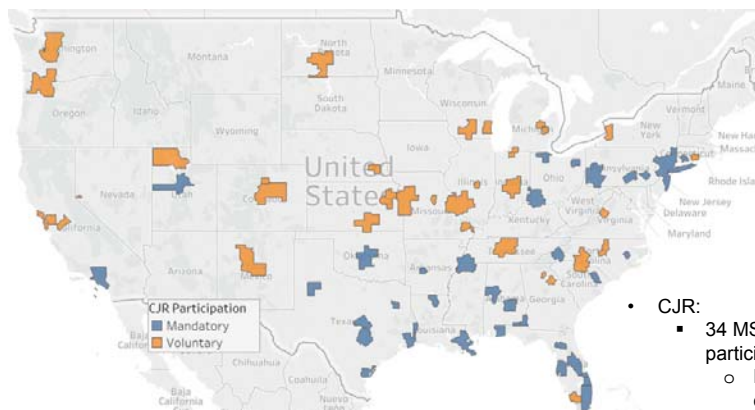
The Current Landscape is Always Changing						
Episode Payment Models (EPM)	Accountable Care	BPCI	Primary Care Transition	Medicaid and CHIP	Acceleration Models	Speed Adoption of Best Practices
CJR <b>MANDATORY</b>	ACOs	Model 1	Advanced Primary Care Initiative	Reduce Avoidable Hospitalizations	State Innovation Models	Beneficiary Engagement Model
Cardiac Models (AMI and CABG, Cardiac Rehab Incentive Model)	Advanced Payment ACOs	Model 2	Comprehensive Primary Care Initiative	Financial Alignment Incentive for Medicare and Medicaid	Frontier Community Health Integration	Community Based Care Transitions
	ACO Investment Model	Model 3	FQHC Advanced Primary Care Practice	Strong Start for Mothers and Newborns	Health Care Innovation Rounds	Health Care Action and Learning Network
	Next Generation ACO	Model 4	Graduate Nurse Education	Medicaid Prevention of Chronic Diseases	Health Plan Innovation Initiative	Innovative Advisors Program
	Pioneer ACO		Transforming Clinical Practice	Medicaid Emergency Psychiatric Demonstration		Million Hearts
			<b>CPC+</b>			

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## The “Currenttest” Landscape



- CJR:
  - 34 MSAs with mandatory participation
    - Higher historical episode costs
  - 33 MSAs with voluntary participation

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## Estimated Savings from Mandatory Programs

### ESTIMATES OF IMPACT ON THE MEDICARE PROGRAM BY THE FINAL EPM (in \$M)

ESTIMATES OF IMPACT ON THE MEDICARE PROGRAM BY THE FINAL EPM (in \$M)	Year(s)					Across all 5 Years of the Model
	PY1	PY2	PY3	PY4	PY5	
CJR net financial impact	11	(36)	(71)	(120)	(127)	(343)
AMI net financial impact	3	9	(8)	(10)	(27)	(34)
CABG net financial impact	3	6	(5)	(6)	(14)	(16)
SHFFT net financial impact	5	11	(21)	(32)	(71)	(109)
<b>Total: Net financial impact of all EPM proposals</b>	<b>10</b>	<b>25</b>	<b>(34)</b>	<b>(49)</b>	<b>(112)</b>	<b>(502)</b>

CJR      AMI/CABG      SHFFT

**\$343 + \$50M + \$109M =**

**\$502M total CMS savings in 5 years**

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## Current Landscape

**Question:** How will CMS reduce the growth of health care costs while promoting high-value, effective care?

**Answer:** Continue risk transfer from payer to provider via successful CMMI models (ACOs, Bundles, MACRA, star ratings for MA, etc.)

voluntary

### Evidence:

- “We note that, if the proposal to cancel the EPMs and CR incentive payment model is finalized, providers interested in participating in bundled payment models may still have an opportunity to do so during calendar year (CY) 2018 via new voluntary bundled payment models. Building on the BPCI initiative, the Innovation Center expects to develop new voluntary bundled payment model(s) during CY 2018 that would be designed to meet the criteria to be an Advanced APM.”

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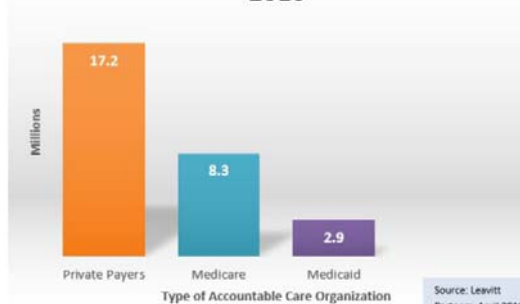
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## Current Landscape

### ACOs are being used widely by commercial payers

- Commercial ACOs cover some 17.2 million beneficiaries, more than twice as many as Medicare ACOs.<sup>1</sup>
- The total number of ACOs in the US is estimated at 200-300
- Seven of the ten largest ACOs in the US are commercial ACOs.<sup>2</sup>

Number of People Covered by ACOs, 2016



<sup>1</sup> Muhlstein D and McClellan M; "Accountable Care Organizations in 2016. Health Affairs blog April 21, 2016  
<sup>2</sup> SK&A "Top 30 ACOs" SK&A Market Insight Report 2014.

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## Current Landscape

- Commercial health plans and private payers are accelerating the path toward value-based reimbursement and have developed **hundreds** of accountable care organizations.



- In 2014, two dozen insurers and health care providers announced their commitment to move 75% of their business to value-based contracts by 2020.
- Private payers are actively implementing the medical home model

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## Current Landscape


Today's double standard for health care providers:

- Operating a FFS business model and financing it under an increasingly value-based reimbursement model**
- The delivery of care does not match the payment
- To bend the cost curve, payment must be tied to the WAY care is delivered in order to produce true value
  - PCPs
  - Specialists
  - Acute Care
  - Post-Acute Care (IRF, SNF, HHA, Hospice)

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Road Map 


**1** Current landscape

**2 Bundled payment strategies**

**3** Future landscape

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Strategies 

- Establish governance and oversight
- Engage physicians
- Develop a post-acute network
- Invest in data analytics

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## Establish Governance and Oversight

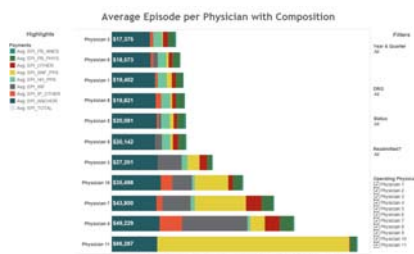
- Steering Committee
  - C-suite, physician champion, finance, IT, service line leader, project manager
  - Avoiding “Death by meeting”
- Work groups
  - Acute, transitions, post-acute, data/IT/finance
- Research local market trends
  - Meet with payers and employers
- Developing organizational competencies around value-based reimbursement has been challenging
  - No single repository for applicable regulations
  - Final regulations can only be found by reviewing thousands of pages of complex CMS rules and policy statements in the Federal Register. Rules sometimes change without explanation.
  - Workloads continue to increase with little time to research the new regulations
  - There are over 1,100 quality metrics that may determine reimbursement levels

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## Engage Physicians

- Clinical decision making becomes key financial driver- new business model
- Standardize care, lower unwarranted variations, focus on complications and readmissions, drive down cost (Medicare and internal)
- Must have management systems in place to gather, analyze and share data with physicians
- Physician salary constitutes 20% of health care spending but the decisions they make influence an additional 60% of spending<sup>1</sup>
- What about small, rural hospitals with only one specialist? Incenting n=1

<sup>1</sup> Kaiser 2012

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## Engage Physicians



### Developing a physician collaborator strategy

- Analyzing data for variation and impact
- Identify high-level systemic care redesign needs
- Identify collaborator quality guidelines
- Integrate leadership physicians in strategy process
- Gauge current level of interest
- Consider how their practice will be affected
- Evaluate potential internal cost savings
- Compliance (FMV, Stark, IRS excess benefit)

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## Engage Physicians



### Challenges you may face

- Development challenges (Multi-group, employed and independent)
- Consensus on protocols and standardization
- Skepticism in data and measurement
- Concern with clinical decision making
- Perception of profit-sharing
- Lack of trust



### Establishing trust with physicians

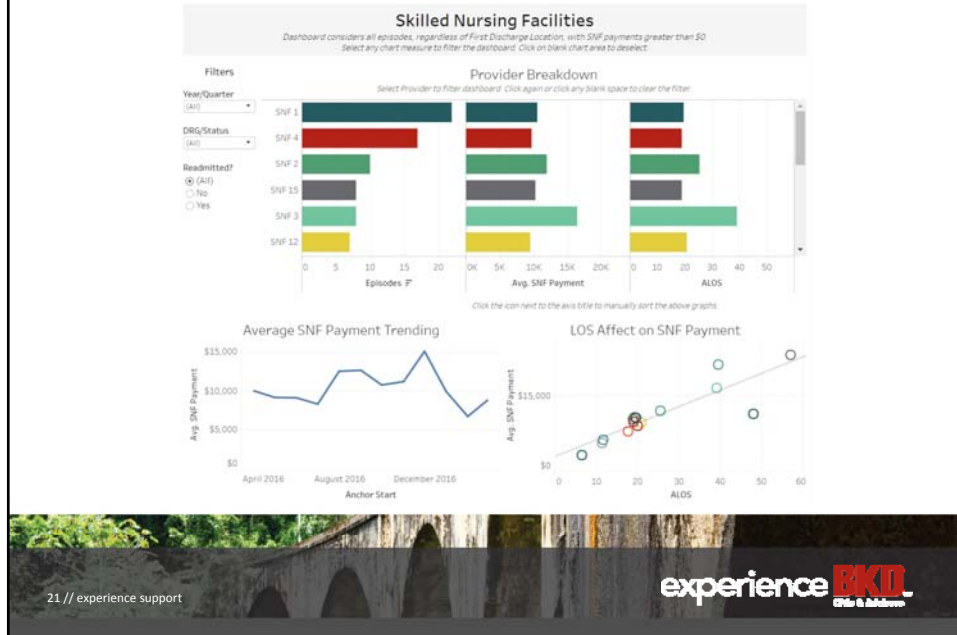
*"Above all, success in business requires two things: a winning competitive strategy, and superb organizational execution. Distrust is the enemy of both. I submit that while high trust won't necessarily rescue a poor strategy, low trust will almost always derail a good one."*

Stephen MR Covey, The Speed of Trust

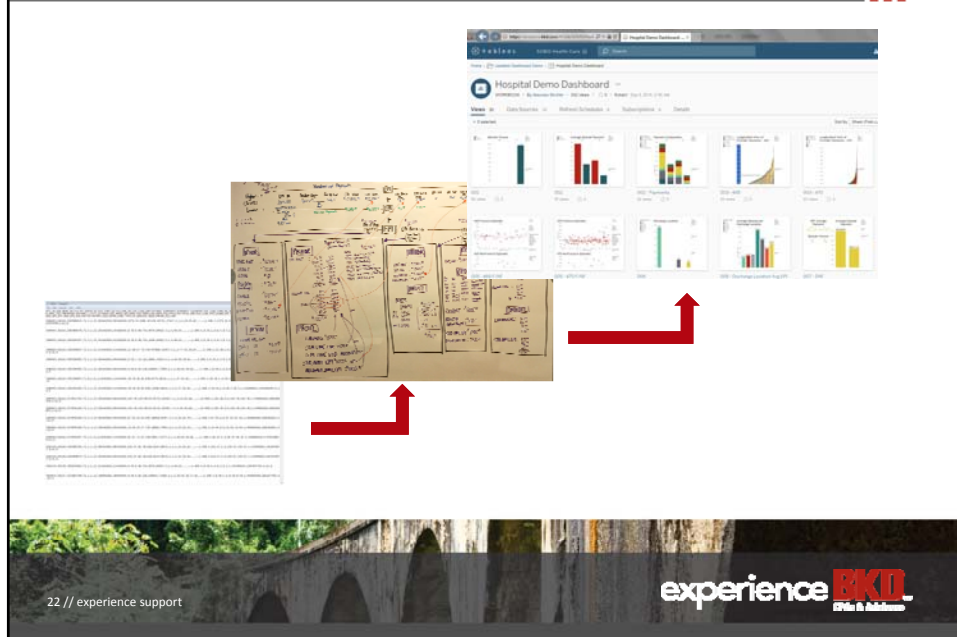
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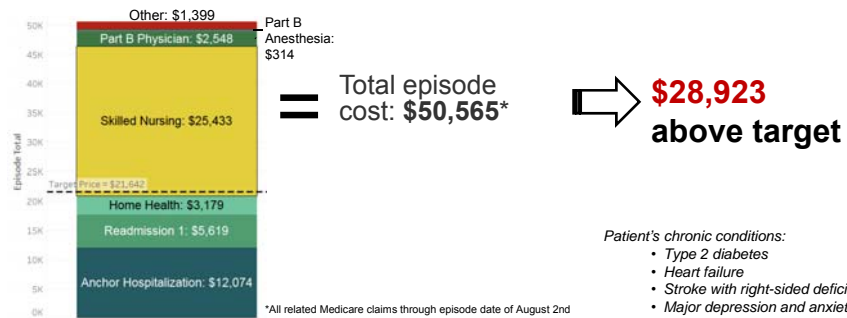
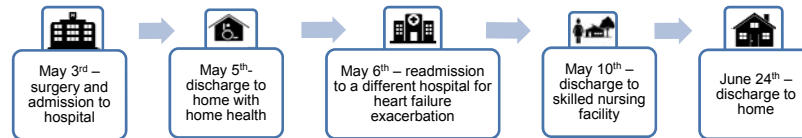
## Develop a post-acute strategy



## Invest in Data Analytics



## Case Review: Elective Knee Replacement for a 79 yr-old Female



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## Managing risk with data: Patients

### Patient Demographics

Select any chart measure to filter the dashboard. Click on blank chart area to deselect.

#### Filters

DRG Group

CMS

Year

(All)

Main Physician

(All)

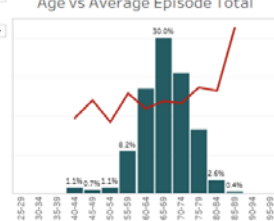
Readmitted?

(All)

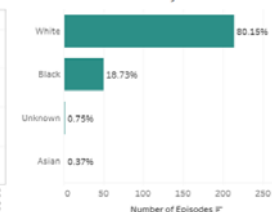
No

Yes

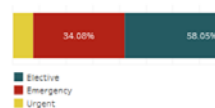
Age vs Average Episode Total



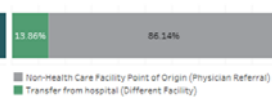
Ethnicity



Type of Admission



Source of Admission



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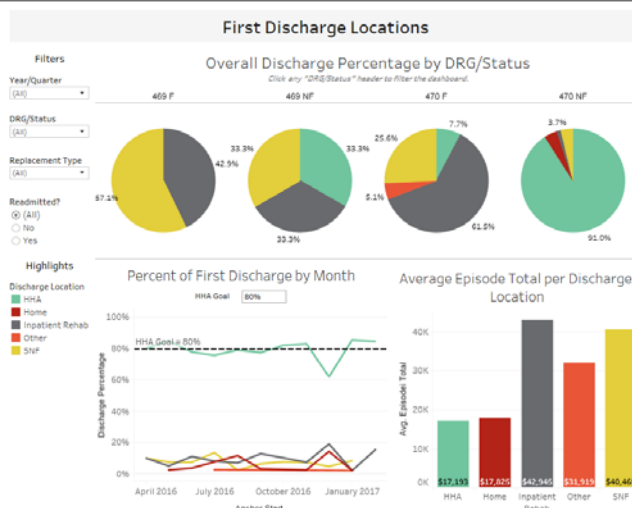
## Managing risk with data: Patients



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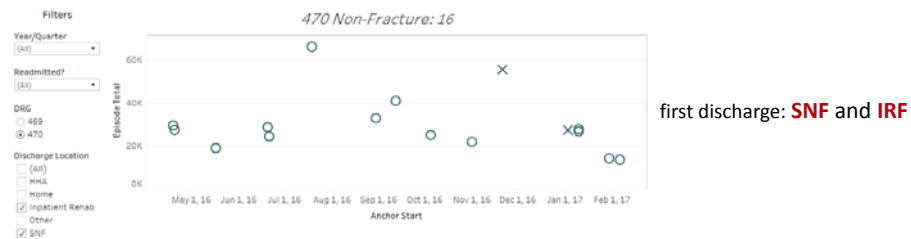
## Managing risk with data: Processes



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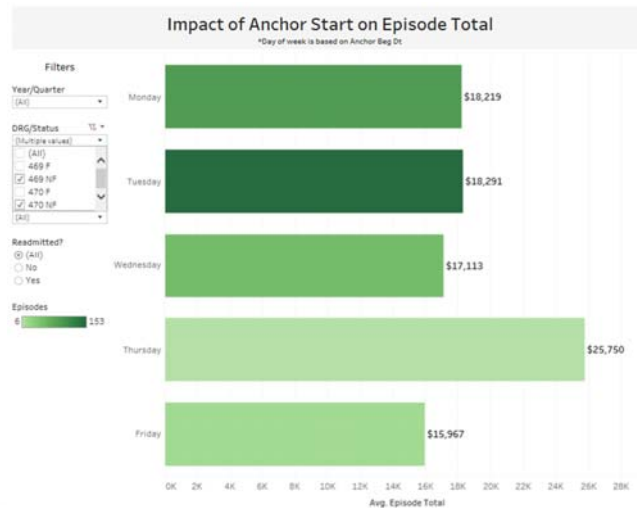
## Managing risk with data: Patients



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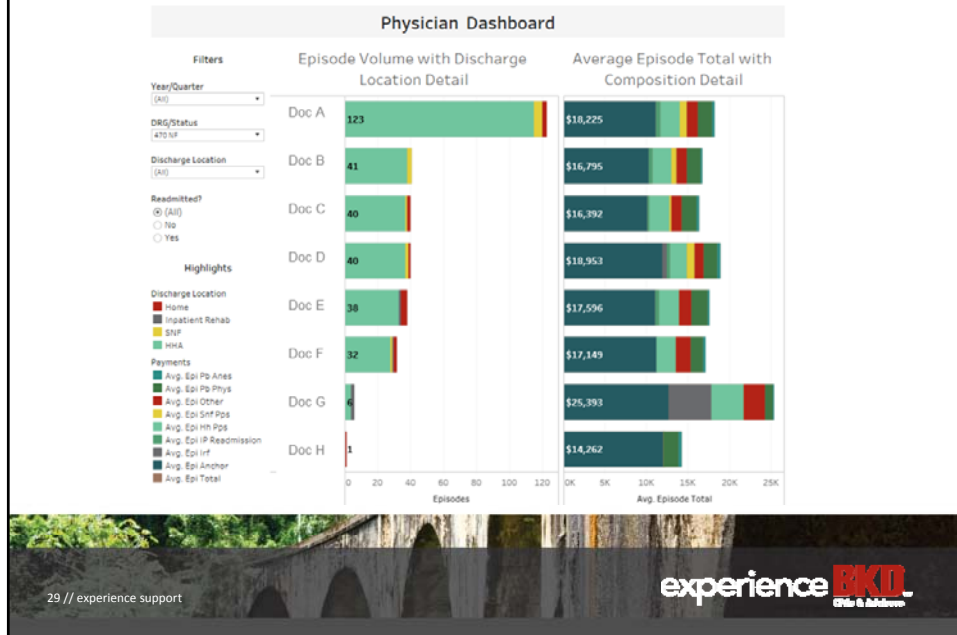
## Managing risk with data: Processes



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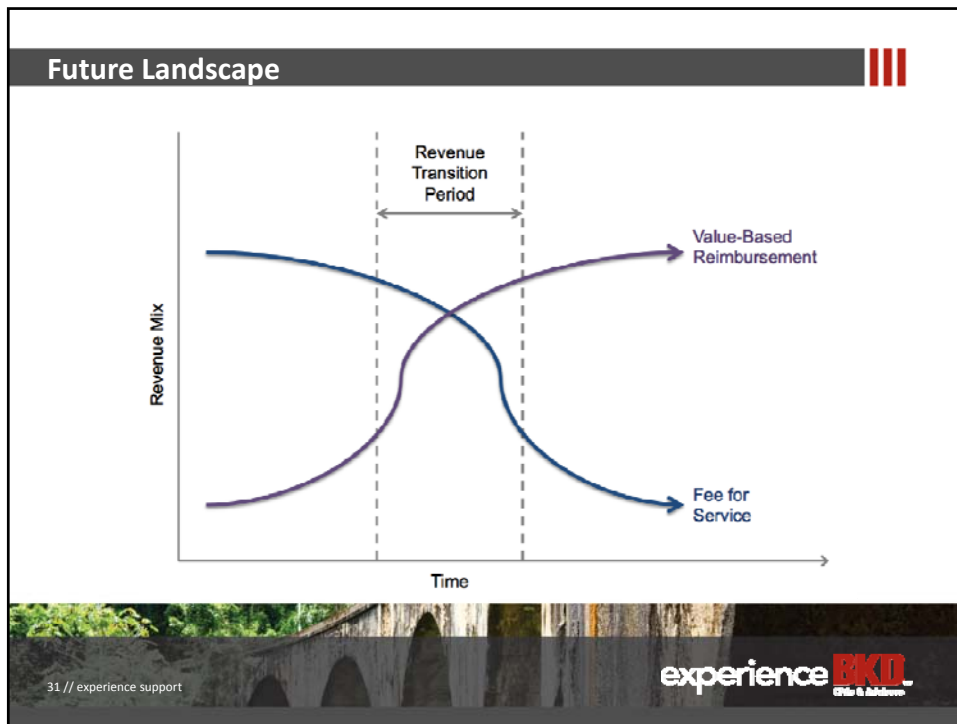
## Managing risk with data: Physicians



## Road Map

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### Future Landscape

**Commercial payers will be the movers and shakers**

Patrick Conway is leaving CMS to head Blue Cross Blue Shield North Carolina

As director of CMS' Innovation Center, Conway has helped lead the transition to value-based care.

 Susan Morse, Associate Editor



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