CHCS Center for Health Care Strategies, Inc.

Improving the quality and cost-effectiveness of publicly financed health care

Program Sustainability: Opportunities and Approaches

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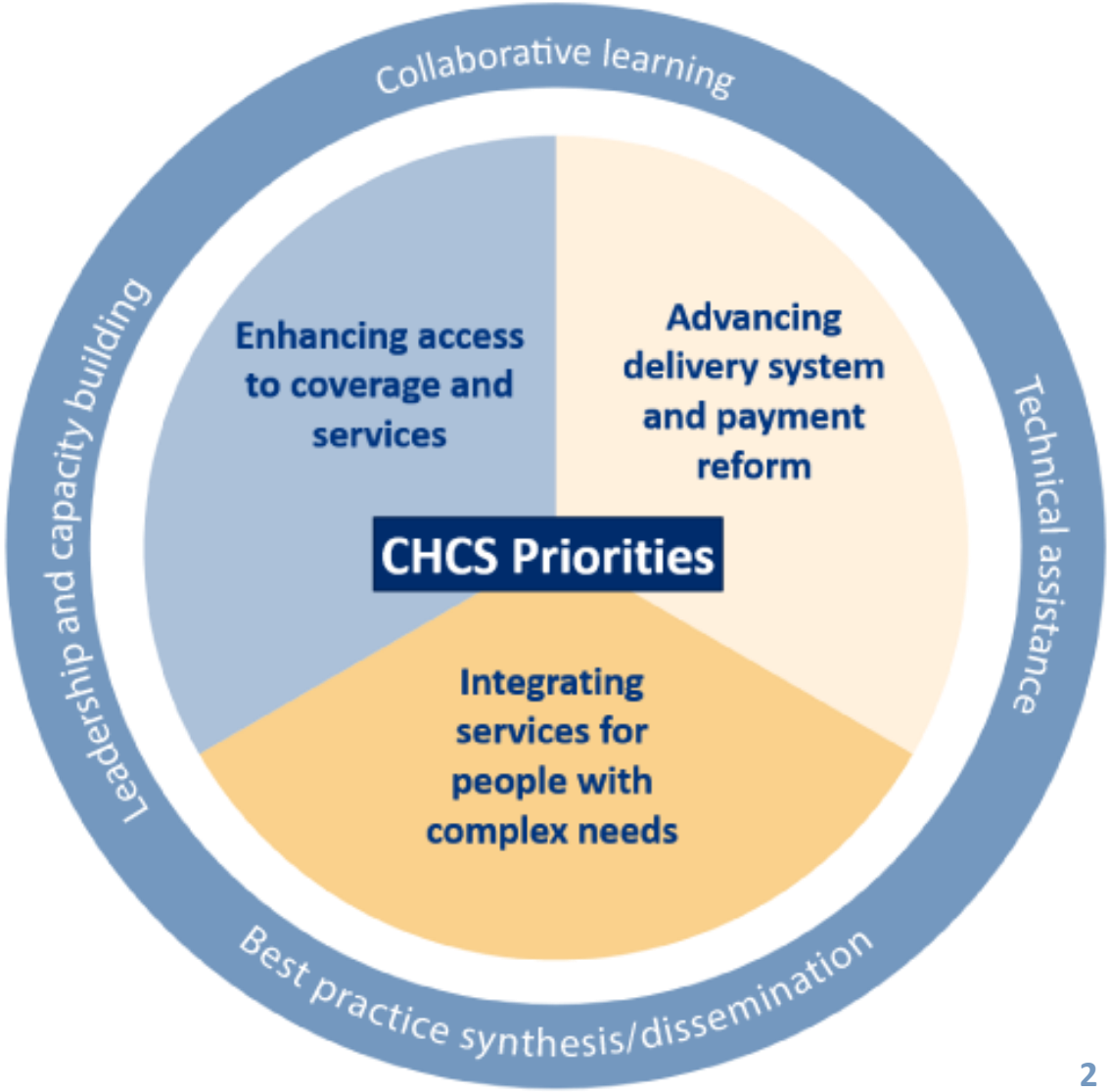
Rob Houston
Senior Program Officer
Center for Health Care Strategies

About the Center for Health Care Strategies

A non-profit health policy center dedicated to improving the health of low-income Americans



Relevant CHCS Initiatives

- **Medicaid ACO Learning Collaborative**
  Currently working with six states (CO, IA, MA, NC, RI, WA) to share ideas and best practices and help design/implement Medicaid ACO programs
- **State Innovation Models (SIM) Initiative**
  Provide technical assistance for CMMI project to design and test state-based models for multi-payer payment and delivery system reform
- **Health Care Innovation Awards Grant**
  Worked with Rutgers University and Camden Coalition of Healthcare Providers (CCHP) to spread CCHP's model to four additional cities

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Agenda

- Introduction to sustainability and value based payment
- Existing VBP approaches and state examples
- Strategies and opportunities to promote sustainability

What Does Sustainability Mean?

- May be dependent upon:
  - Patient outcomes / clinical success
  - Profits
  - Program costs
  - Value added
  - Stakeholder support
  - Marketability / public relations
  - A combination of these factors

- Defining clear goals for the program is the best way to construct a sustainability plan

There is No Panacea to Sustainability

- Different programs and initiatives require different solutions and approaches to sustainability
- Approach may vary based on:
  - Program attributes
  - Stage of program development
  - Results to date
  - Potential funder
- However, Value Based Payment (VBP) is an opportunity to fund programs that prioritize improving outcomes and lowering costs

What is Value Based Payment?

- ***Value Based Payment (VBP)*** - Broad set of performance-based payment strategies that link financial incentives to providers' performance on a set of defined measures of quality and/or cost or resource use

- **VBP Goals**
  - Improve quality/outcomes
  - Lower costs
  - Improve patient experience

- Impetus for VBP can come from the federal government, state governments, health plans, or providers

The Five Most Common VBP Approaches

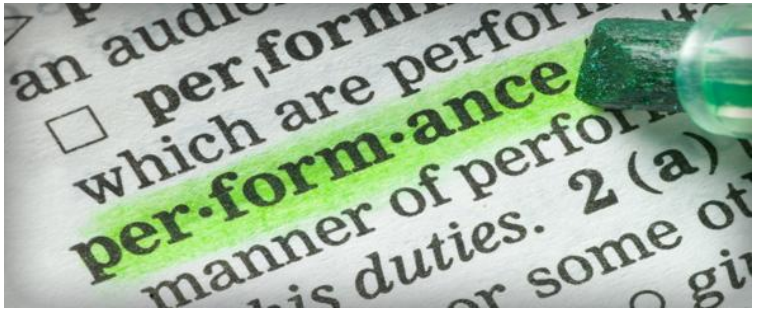
- Care coordination fees
- Pay-for-performance (P4P)
- Bundled payments
- Shared savings/risk
- Capitation/global payments

Care Coordination Fees

- Providing upfront payment, usually on a per member per month (PMPM) basis, to perform care coordination activities
- Payments are typically used to pay for technological elements and personnel
- No real accountability beyond receiving payment

Pay-for-Performance (P4P)

- Rewards
  - Providers receive a bonus payment for measurable performance in quality, patient satisfaction, resource use, and/or cost (e.g., hospital readmissions from nursing homes)
- Penalties
  - Providers receive a withhold/ clawback of payment based on performance
  - Providers receive lower or no payments for events and procedures that are harmful and avoidable



Care Coordination + P4P Example: Colorado

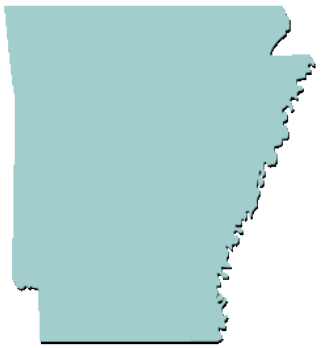
- Colorado's Accountable Care Collaborative established seven Regional Care Coordination Organizations (RCCOs) charged with improving care coordination
- RCCOs receive upfront care coordination payments between $8 and $10 and a P4P bonus for performance on quality metrics
- RCCOs receive data and analytics support from the State Data and Analytics Contractor (SDAC)
- Program has saved $77 million in net savings over four years

Bundled Payments

- Providers receive an inclusive bundled payment for a specific scope of services to treat an "episode of care" with a defined start and end point
  - Incentivizes coordination across physicians, hospitals, nursing homes, etc. to provide care at or below the payment level
  - Payment contingent on quality performance
  - Popular episodes include:
    - Knee/hip replacement
    - Pre-natal care
    - Diabetes

Bundled Payment Example: Arkansas

- Arkansas Medicaid currently provides bundled payments for 15 episodes of care, including total hip/knee replacement, perinatal care, and ambulatory URI
- Each episode has a Principal Accountable Provider (PAP) selected by payers who acts as a "quarterback" for care coordination between providers for the episode
- PAP receives shared savings payment if costs of an episode are lower than "commendable" or "acceptable" levels and meets quality standards
- Bundles are layered on top of existing PCMH program

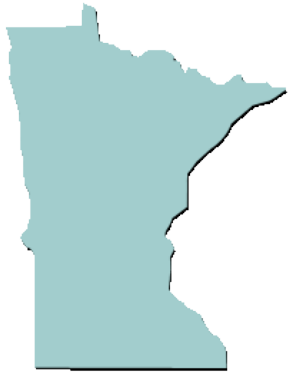


Shared Savings/Risk

- Providers that succeed in keeping costs below a total cost of care benchmark keep a percentage of the savings
  - Payment contingent upon quality performance
  - Incentivizes quality and cost improvements across all services included in the total cost
  - Utilized primarily in accountable care organizations (ACOs)
    - But increasingly being explored in PCMH, health homes, and super-utilizer initiatives

Shared Savings Example: Minnesota

- Integrated Health Partnership ACO – builds on existing patient-centered medical home (PCMH) initiative and is modeled on the Medicare Shared Savings Program
- Two-track approach:
  - "Virtual" providers participate on an upside-only basis, receiving 50% of shared savings
  - Fully integrated providers bear two-sided risk, and shared losses are gradually incorporated
- Providers can choose to participate, but MCOs must share savings with ACOs
- Program saved $76.1 million in 2 years and all ACOs have improved quality



Global or Capitated Payments

- Providers receive a PMPM payment to cover a wide range of services
  - Providers bear full financial risk for patients
  - Incentivizes investments in care coordination, quality improvement, and efficiency across the full continuum of care
  - Utilized with advanced ACOs, hospitals, and multi-specialty provider groups

Global Payment Example: Maryland

- All Maryland hospitals receive an all-payer per capita global budget for hospital expenditures
  - Rates are case-mix adjusted
  - Limits per capita spending growth to 3.8% annually over five years
  - Uses 3M quality metrics to track quality performance
- Approved via CMMI waiver in January 2014
- Includes initiatives to reduce Medicare readmissions reduction and potentially preventable conditions
- Estimated to save Medicare $330 million over 5 years
- Program is exceeding expectations:
  - 1.47% growth rate and $116M Medicare savings in Y1

Existing Programs in Your States

State	Programs
Delaware	• Broad-based VBP Efforts
Illinois	• Accountable Care Entities (Shared Savings)
Massachusetts	• Primary Care Payment Reform (Shared Savings) • Developing Medicaid ACO Program (Shared Savings)
Michigan	• Health Homes • Developing Accountable Systems of Care (Shared Savings)
New York	• Delivery System Reform Incentive Payment (Multiple Strategies) • Health Homes
Ohio	• Health Homes • Developing Episodes of Care Model (Bundled Payments)
Washington	• Health Homes • Developing Shared Savings Program
Wisconsin	• Broad-based VBP Efforts • Health Homes

Three Big Sustainability Questions

1. How does your program stand out?
2. Who can you approach for funding?
3. How can your program's strengths be communicated to a specific funder?

1. How does the Program Stand Out?

- Do something unique that no one has ever done before
- Do something familiar better than others have done it before
- Guarantee results
- Show return on investment (ROI)

$$ROI = \frac{(Gain\ from\ Investment\ -\ Cost\ of\ Investment)}{Cost\ of\ Investment}$$

2. Who Will Fund The Program?

- Health plans
  - Medicaid, Medicare, and commercial
- State Medicaid agencies
- Philanthropies
- Medicare
- Self-funding
- Partnerships with community organizations

Note: Not all programs will have the same funding streams

3. How can Program Strengths be Shown?

- Know your audience
  - E.g., a health plan, Medicaid agency, or foundation may have different goals and interests
- Do not be afraid to tailor messaging to specific funders
  - Communicate strengths to a receptive audience in an appealing way

For More Information

Contact me for more information:

rhouston@chcs.org