



HEALTHCARE REGULATORY ROUND-UP

# Update on Alternative Payment Models

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May 18, 2022

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WE ARE AN INDEPENDENT MEMBER OF HLB—THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

# Introductions

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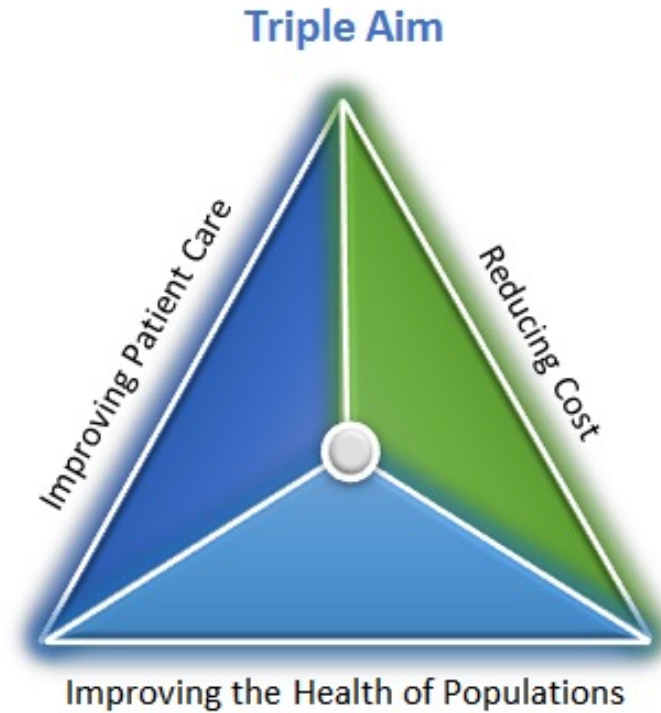
ATLANTA | HELENA | KANSAS CITY | KNOXVILLE | NASHVILLE | TAMPA

# Happy Anniversary!

## One Year of PYA Healthcare Regulatory Round-Up

- Welcome to Episode 25!
- Recordings and slides from all prior HCRR webinars available at <https://www.pyapc.com/healthcare-regulatory-roundup-webinars/>
- Topic recommendations always welcome
- New series coming soon: Rural-At-Risk podcast
- PYA speakers available to present to your organization

# Align Incentives To Pursue the Triple Aim



Institute for Healthcare Improvement (2008)

# What's In a Name?

Payment reform

Alternative payment models

Value-based contracts

Risk-based arrangements (capitation)

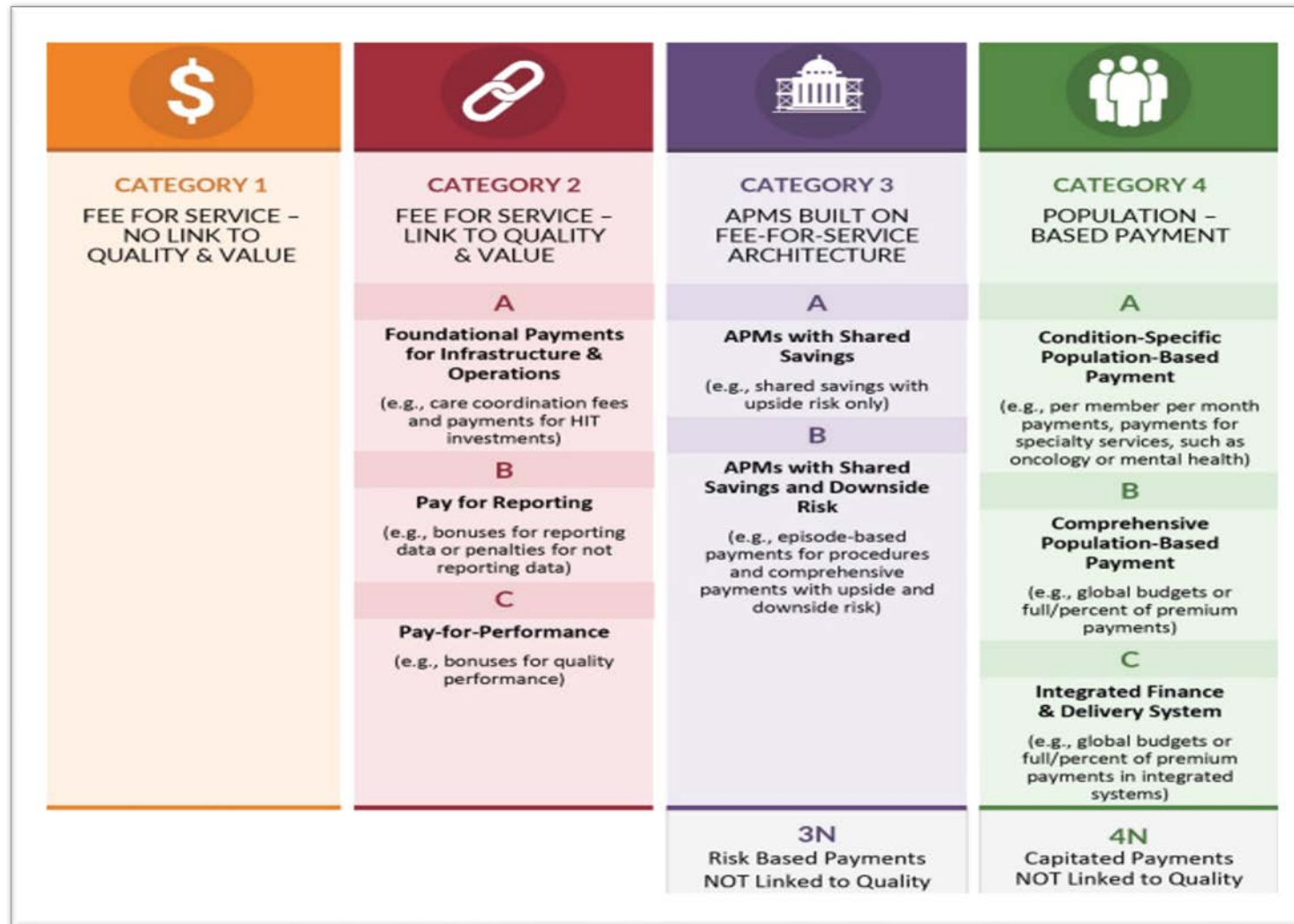
Performance-based payments

# Foot in Two Canoes

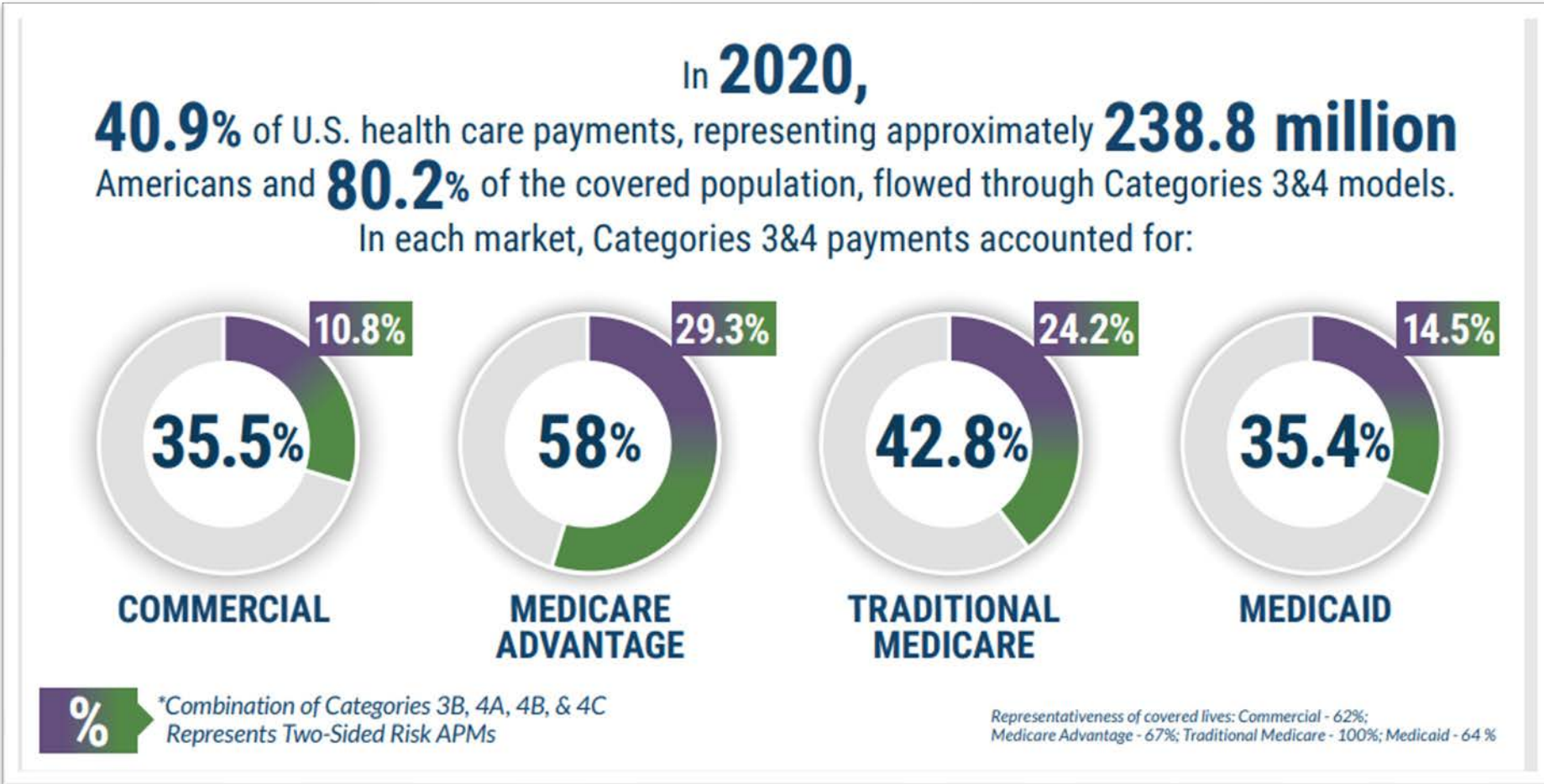


- Fee-for-service reimbursement and performance-based payments incentivize different behaviors
  - Promoting healthy behaviors, managing chronic conditions, adhering to best practices, addressing SDOH all tend to reduce utilization (especially for hospital and post-acute services)
- How do providers navigate uneven transition to performance-based payments?

# LAN APM Framework



# Most Recent Progress Report





# Health Insurance Coverage (2019)

## Percentage of Population

- Employer 49.6%
- Non-Group 5.9%
- Medicaid 19.8%
- Medicare 14.2%
- Military 1.4%
- Uninsured 9.2%

[www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D](http://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D)

# National Health Expenditures (2020)

## Percentage by Sponsor

- Federal government 36.3%
- Households 26.1%
- Private business 16.7%
- State/local government 14.3%
- Other private revenues 6.5%

# COVID Impact

Risk associated  
with fee-for-  
service  
reimbursement

Value of non-face-  
to-face services

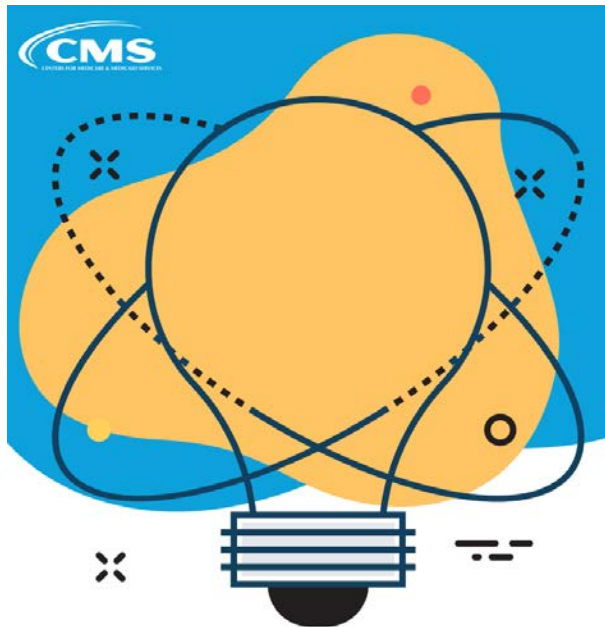
Appropriate  
site of care

Health equity

Health care  
workforce  
shortages

Benchmarking

# CMS Accountable Care Strategy



INNOVATION  
CENTER  
STRATEGY  
**REFRESH**

**October 2021**

- By 2030, all traditional Medicare beneficiaries and most Medicaid beneficiaries will be in care relationships with accountability for quality and total cost of care
  - Advanced primary care models
  - Specialty episodic payment models
  - Accountable care organizations
- Tactics
  - Engage providers
  - Improve benchmarking and performance measures
  - Enable provider participation in downside risk

<https://innovation.cms.gov/strategic-direction-whitepaper>

# Traditional Medicare

- Quality reporting programs
  - Pay for reporting
  - Public disclosure
- Value-based purchasing
  - Pay for performance
  - Public disclosure
- Medicare Shared Savings Program
- Mandatory episodic payment models (BPCI)
- CMMI initiatives

# Medicare Shared Savings Program

- Largest and longest-running APM
  - In 2020, 513 ACOs serving 10.6 million beneficiaries generated \$2.1 billion in net savings with average savings of \$390 per beneficiary and achieved average quality score of 97.8%
  - 83% of ACOs generated savings; 67% received shared savings; only 6 would have owed shared losses
- Mandated transition to downside risk in 2023 for current participants
  - Potential regulatory changes?
- Deadline for 2023 Notice of Intent is June 7
  - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram>

# CMMI Initiatives

## Lessons learned

- Episodic payment models reduce costs, especially for surgical procedures
- Advanced primary care models reduce costs
- Total cost of care models have mixed results (benchmarking challenges)
- Limited success of “see what sticks” strategy

## What's next

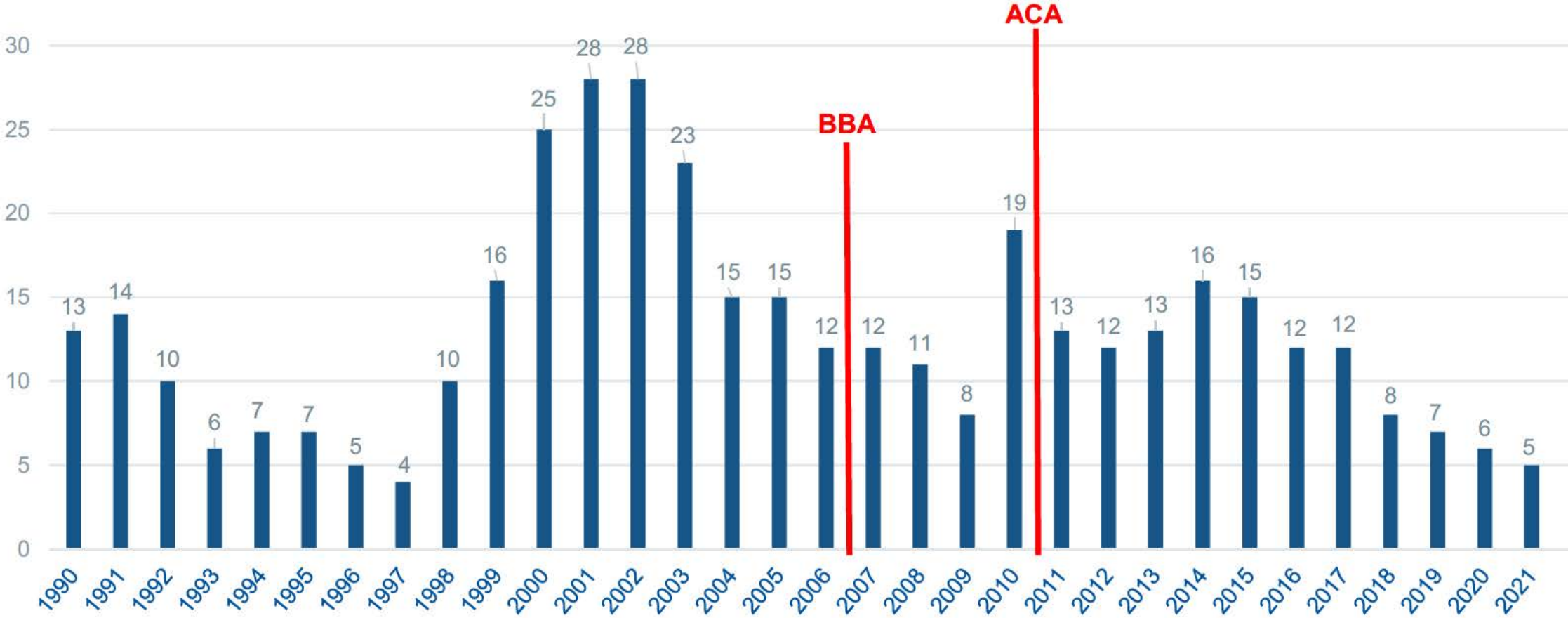
- Focused efforts (fewer models, coordination of efforts)
- Greater transparency
- Better benchmarking and risk adjustment
- Focus on health equity

# Medicare Advantage

- MACRA-mandated CMS Report to Congress on APMs in MA (2019)
  - Non-interference clause prevents CMS from mandating or incentivizing plans to adopt APMs; explores other tactics to promote adoption, e.g., voluntary participation in multi-payer initiatives
  - Survey data showed MA preference for advanced primary care models
- Since 2020, MA plans required to report total payments to providers by APM category (Plan level data available in public use files)
- CMS continues to consider inclusion of APM utilization measure in MA Star Rating System



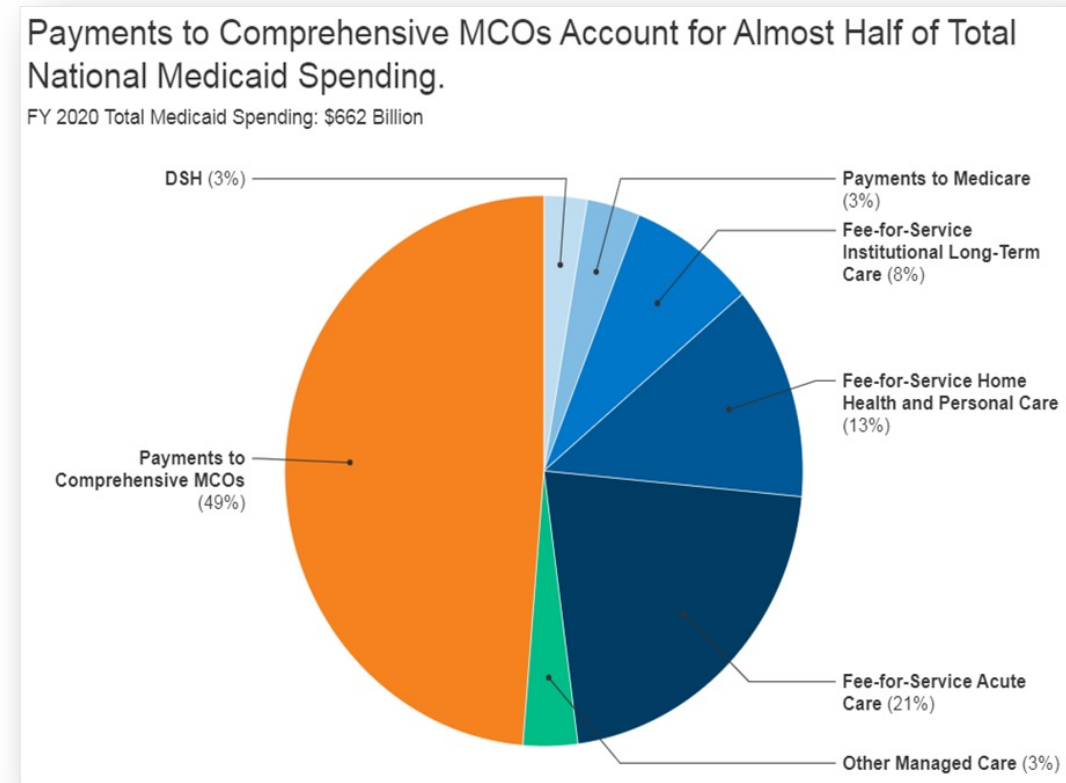
# Medicare Trust Fund Insolvency?



<https://sgp.fas.org/crs/misc/RS20946.pdf>

# State Medicaid Programs

- CMMI
  - More Medicaid-focused models (e.g., maternity care)
  - More multi-payer initiatives (e.g., CPC+)
  - More incentives for providers working with underserved populations
- Center for Medicaid Services
  - State plan requirements?
- State Medicaid agencies
  - MCO contract requirements?

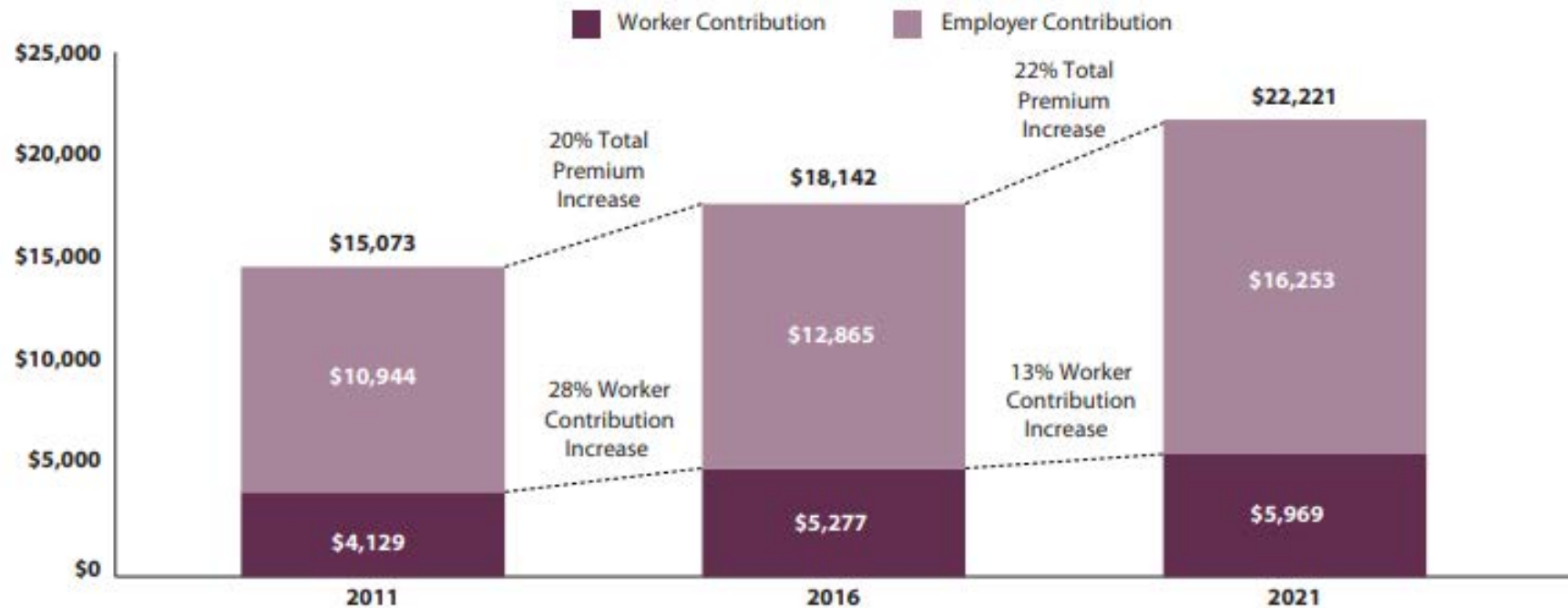


[www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-managed-care/#:~:text=In%20FY%202020%2C%20state%20and,from%20the%20previous%20fiscal%20year.](https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-managed-care/#:~:text=In%20FY%202020%2C%20state%20and,from%20the%20previous%20fiscal%20year.)

# Employer-Sponsored Plans

- In 2019, 49.6% covered by employer-sponsored plan; more than 60% covered by self-funded plan

Average Annual Worker and Employer Premium Contributions for Family Coverage, 2011, 2016, and 2021



SOURCE: KFF Employer Health Benefits Survey, 2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011 and 2016

# Tipping Point?

April 2021

## How Corporate Executives View Rising Health Care Costs and the Role of Government

Prepared by:

Gary Claxton, Larry Levitt, Matthew Rae  
KFF

and

William Kramer, Shawn Gremminger  
Purchaser Business Group on Health

- 87% of executive decision makers at 300+ large private employers said health care costs will be unsustainable in 5-10 years
- 85% expect government will need to intervene to contain costs
- 92% want action on anti-competitive behavior; 90% want more price transparency

[www.kff.org/health-reform/report/how-large-employers-view-rising-health-care-cost-and-the-role-of-government/](http://www.kff.org/health-reform/report/how-large-employers-view-rising-health-care-cost-and-the-role-of-government/)

# Complicated Relationships

- **Patient** (Employee/Dependent)
- **Purchaser** (Employer)
- **Payer**
  - Insurance/managed care companies
  - Third-party administrators
  - Pharmacy benefit managers
  - Brokers
- **Provider**

*Who is the consumer?*

# Who Will Drive Change?

- With payers posting record profits, any incentive to pursue performance-based payments?
- Purchasers want to control costs, but what do they view as viable solutions?
  - Increase employee share of costs?
  - Benefit design?
  - Per unit pricing?
    - Price transparency, anti-trust enforcement
- What changes will patients (employees) tolerate?

# Pressure on Prices

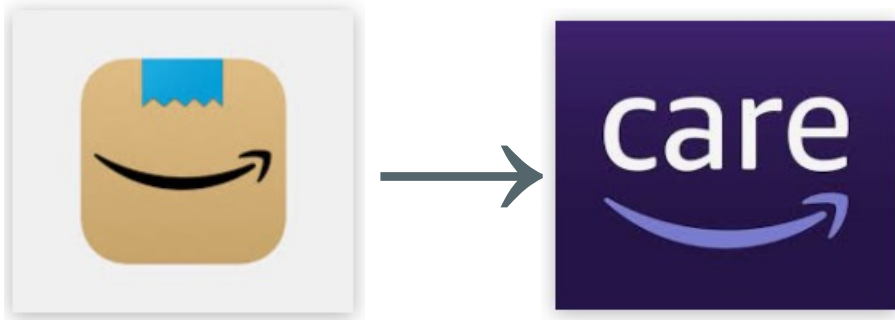
- Negative media attention
- Price transparency laws
  - Hospital price transparency
  - No Surprises Act
  - Health plan price transparency
  - Broker and consultant price transparency
- Aggressive antitrust enforcement
  - New direction for Federal Trade Commission?

# Ripe for Disruption?

- Market disruptors take advantage of *unmet consumer need* to create product, service, or way of doing things which displaces existing market leaders
- Market disruptors play the game in a way that is both different from and *in conflict with* traditional way
  - Video streaming, internet banking, low-cost airlines, direct insurance, online brokerage trading, home delivery of retail goods
- ***When and how should incumbents respond to (potential) market disruptor?***



# Just One Example



- Haven experiment
  - JV with Berkshire Hathaway and JP Morgan Chase to “fix” healthcare; disbanded in January 2021
- 53,000 Seattle-based employees participated in 2019 pilot program
  - Integrated mobile app connects to dedicated care team (Care Medical)
  - Care coordination and referrals
  - Home nursing visits
- Now expanding to include Amazon employees nationwide
- Committed to expanding services to employers in all 50 states

# How Will Disrupter Gatekeepers Act?

- Flat-fee primary care services
- Aggressive management of high-risk and rising-risk patients
  - Data analytics
  - Home care
  - Virtual services
  - Focus on SDOH
- Avoid higher-cost care settings
  - Outpatient vs. inpatient services
  - Non-facility vs. facility
  - Home care vs. post-acute facilities
- Preference for Centers of Excellence for high-end services
- Network participation based on demonstrated value
- Insistence on price transparency

# Back To Those Canoes...

- Responding to increasing price pressures and commercial market disruption (vs. alternative payment models)
  - Engage with local employers
  - Reduce operating costs through greater efficiency
  - Pursue demonstrable quality
  - Understand total cost of care (claims data analytics)
  - Develop ambulatory care management capabilities
  - Focus on health equity



# **Our Next Healthcare Regulatory Round-Up:**

## **Pursuing Health Equity Through Regulation and Reimbursement**

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**June 1, 2022**



MONTANA  
HOSPITAL  
ASSOCIATION

# Rural-at-Risk Forum

Working to Solve Providers' Challenges

Tuesday, June 21, 2022

8:30 am to 4:00 pm

Great Northern Hotel - Helena, Montana

For more info visit [pyapc.com/rural](https://pyapc.com/rural)



# How Can We HELP?

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A national healthcare advisory services firm  
providing consulting, audit, and tax services