Purchaser Value Network Policy in Brief

Alternative Payment Models for Providers

Overview

As the largest collective purchaser of American healthcare, employers are committed to improving value across the system by accelerating the transition from fee-for-service (FFS) to alternative payment models (APMs).[1,2,3] APMs are classified as payment arrangements in which providers accept accountability for the quality, patient experience, and total cost of care for a specified population, procedure, or condition.[1] The employer community has generated several lessons from private-sector APM initiatives that can inform federal healthcare policymaking.

Examples of employer-driven APM initiatives include bundled payments used in the Employers Centers of Excellence Network (ECEN) utilized by Walmart, JetBlue, Lowe's, and McKesson, reference pricing utilized by the California Public Employees' Retirement System (CalPERS), and direct Accountable Care Organization (ACO) contracts implemented by Boeing and Intel. ECEN utilizes prospectively negotiated, comprehensive bundled payments for joint replacements, spine procedures, and bariatric surgery. Employer direct ACO contract models include stringent performance measures along with upside and downside financial risk. These programs and their results are described in detail elsewhere.[4,5,6]

Private Purchasing Lessons and Federal Policy Implications

Federal policymakers re-examining bundled payment and accountable care initiatives in Medicare and Medicaid can improve these programs by incorporating lessons from private purchasers. Key lessons and specific policy implications include:

Purchaser Lesson	Policy Implication
1. Retrospective reconciliation of bundles for maternity care, cardiac procedures, and joint replacement does not provide sufficiently strong and immediate financial incentives to providers to coordinate across the care continuum.[7,8]	• Establish an explicit timeline to incorporate prospectively set payments for comprehensive bundles (facility, professional and drugs) in all CMS and CMMI episode-based payment programs.

[1] HCPLAN APM Framework Whitepaper
[2] HCPLAN APM Framework: Case Study Addendum
[3] Bipartisan Policy Center: Transitioning from Volume to Value: Accelerating the Shift to Alternative Payment Models
[4] Employers Centers of Excellence Network
[5] Intel Whitepaper: Employer-Led Innovation for Healthcare Delivery and Payment Reform
[6] HCPLAN interview with Jeff White: Contracting Directly with Health Systems to Achieve the Triple Aim: The Boeing Experience
[7] CHQPR: BUNDLING BADLY: The Problems with Medicare's Comprehensive Care for Joint Replacement Proposal
[8] Health Affairs: From Volume To Value: Better Ways To Pay For Health Care

2. One-sided (upside-only) risk in alternative payment models does not encourage innovation by hospitals and doctors to provide the highest value care to patients and their families, nor does it support transforming the way care is delivered.[3]	• Incorporate larger financial incentives for providers taking on two-sided performance risk under all federal alternative payment models, including those under MACRA.
3. Consumer opt-in models can foster a higher level of engagement than passive attribution approaches. ACO enrollees should be encouraged by plan design incentives to obtain their care within the ACO network. This improves consumer engagement and supports better management of care.	• Include an opt-in approach for the Medicare ACO program that may include enhanced benefits for engaged beneficiaries.
4. Measures of clinical outcomes, patient-reported outcomes (PROs) and patient experience are necessary in alternative payment models.[9,10]	• Require all Medicare alternative payment models to include meaningful and useful publicly reported measures of clinical outcomes, PROs and patient experience, and payments should be reduced for sub-standard performance.
5. Comprehensive, longitudinal, and shareable data across care systems are critical to support care coordination, clinical decision-support, consumer choice and payer/purchaser evaluation of APM initiatives.[11]	• Reinforce and accelerate interoperability requirements for electronic medical records and patient-generated data. Strengthen incentives for providers to demonstrate interoperable EHRs under MACRA.
6. Private-sector APM initiatives are necessary but not sufficient to drive system-wide transformation. Medicare and Medicare must collaborate actively with private sector purchasers to align performance standards and payment methodologies.[12,13]	• Federal programs must continue to partner in value-promoting efforts. The Center for Medicare and Medicaid Innovation (or a similar organization with authority to test and spread innovative provider payment and care delivery models) and the State Innovations Model program should remain fully funded and operational.

For More Information

For more information on these or other employer-led initiatives and policy solutions, please contact Kelly Klaas, Purchaser Value Manager, Pacific Business Group on Health, kklaas@pbgh.org, 415-615-6309.

[9] Core Quality Measures Have Value for Alternative Payment Models
[10] ICHOM: How the NHS is Leveraging an ICHOM Standard Set For Value-Based Purchasing
[11] Care coordination gaps due to lack of interoperability in the United States: a qualitative study and literature review
[12] JAMA Network: CMS-Engaging Multiple Payers in Payment Reform
[13] Modern Healthcare: What the Medicare program can learn from large employers