

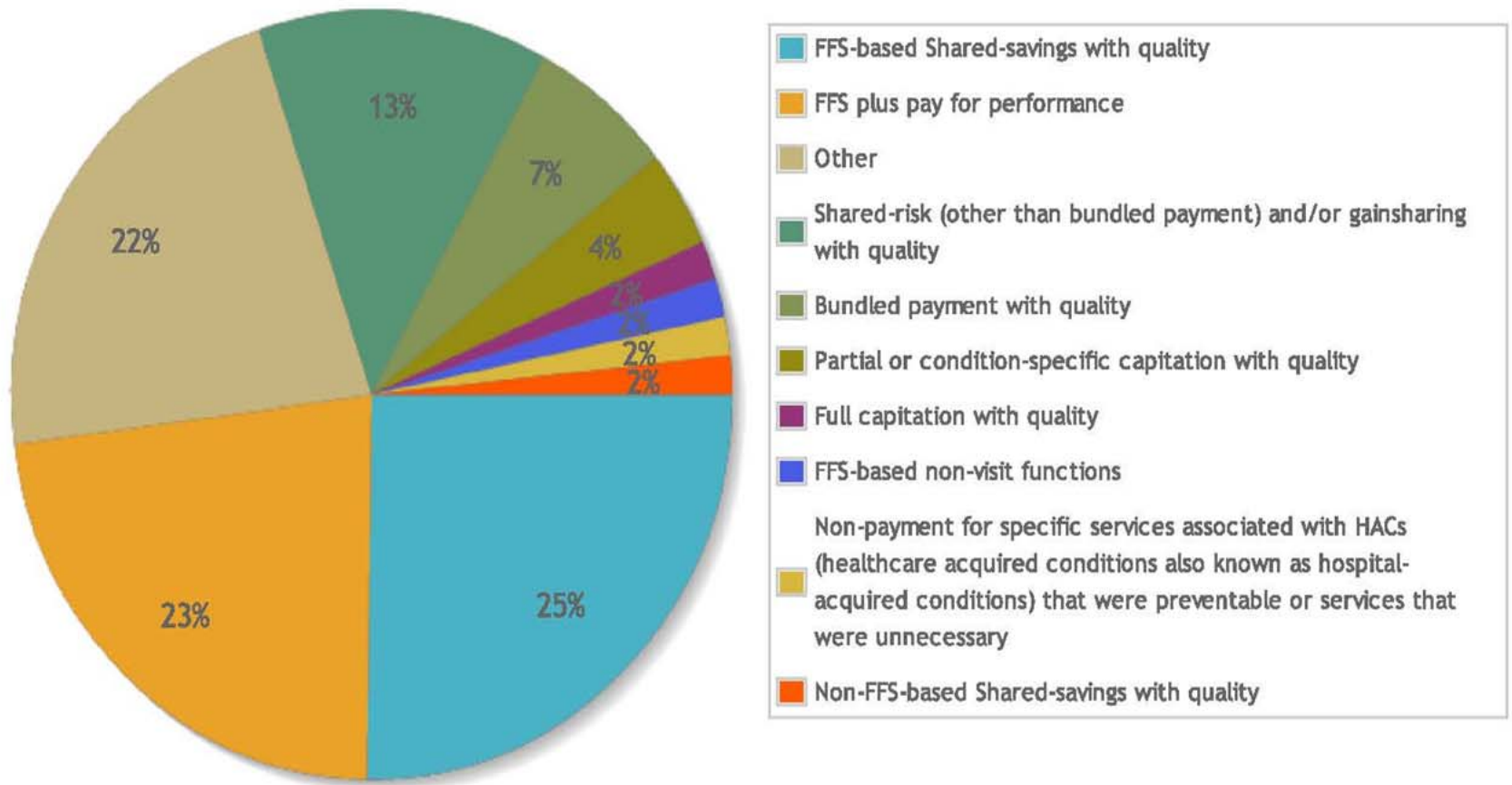
Bundled Payments, Accountable Care and Real Health Care Reform

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Topics

- **Payment Reform Progress**
- **Review of “Alternative” Payment Models**
- **Bundled Payments and Accountable Care Organizations**
- **Next Steps for Reforming Payment and Health Care**

Prevalence of Alternative Payment Models



Source: *Prevalence of Payment Reform Models, 2013 National Compendium on Payment Reform*, Catalyst for Payment Reform

CMS Innovations Portfolio:

Testing New Models to Improve



Accountable Care Organizations (ACOs)

- Medicare Shared Savings Program (Center for Medicare)
- Pioneer ACO Model
- Advance Payment ACO Model
- Comprehensive ERSD Care Initiative

Primary Care Transformation

- Comprehensive Primary Care Initiative (CPC)
- Multi-Payer Advanced Primary Care Practice (MAPCP) Demonstration
- Federally Qualified Health Center (FQHC) Advanced Primary Care Practice Demonstration
- Independence at Home Demonstration
- Graduate Nurse Education Demonstration

Bundled Payment for Care Improvement

- Model 1: Retrospective Acute Care
- Model 2: Retrospective Acute Care Episode & Post Acute
- Model 3: Retrospective Post Acute Care
- Model 4: Prospective Acute Care

Capacity to Spread Innovation

- Partnership for Patients
- Community-Based Care Transitions
- Million Hearts

Health Care Innovation Awards

State Innovation Models Initiative

Initiatives Focused on the Medicaid Population

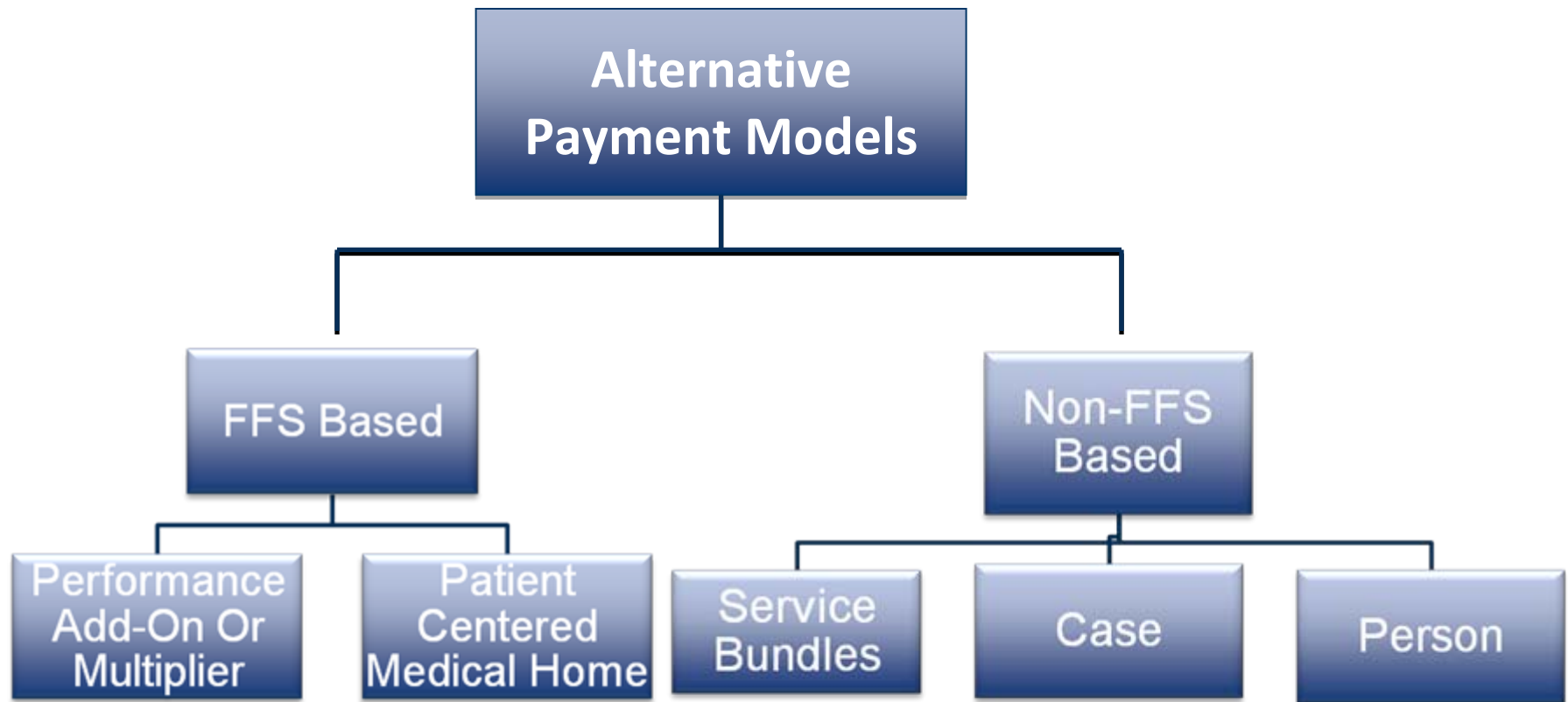
- Medicaid Emergency Psychiatric Demonstration
- Medicaid Incentives for Prevention of Chronic Diseases
- Strong Start Initiative

Medicare-Medicaid Enrollees

- Financial Alignment Initiative
- Initiative to Reduce Avoidable Hospitalizations of Nursing Facility Residents

Source: Patrick Conway, CMS

Alternatives to Activity-Based Payment



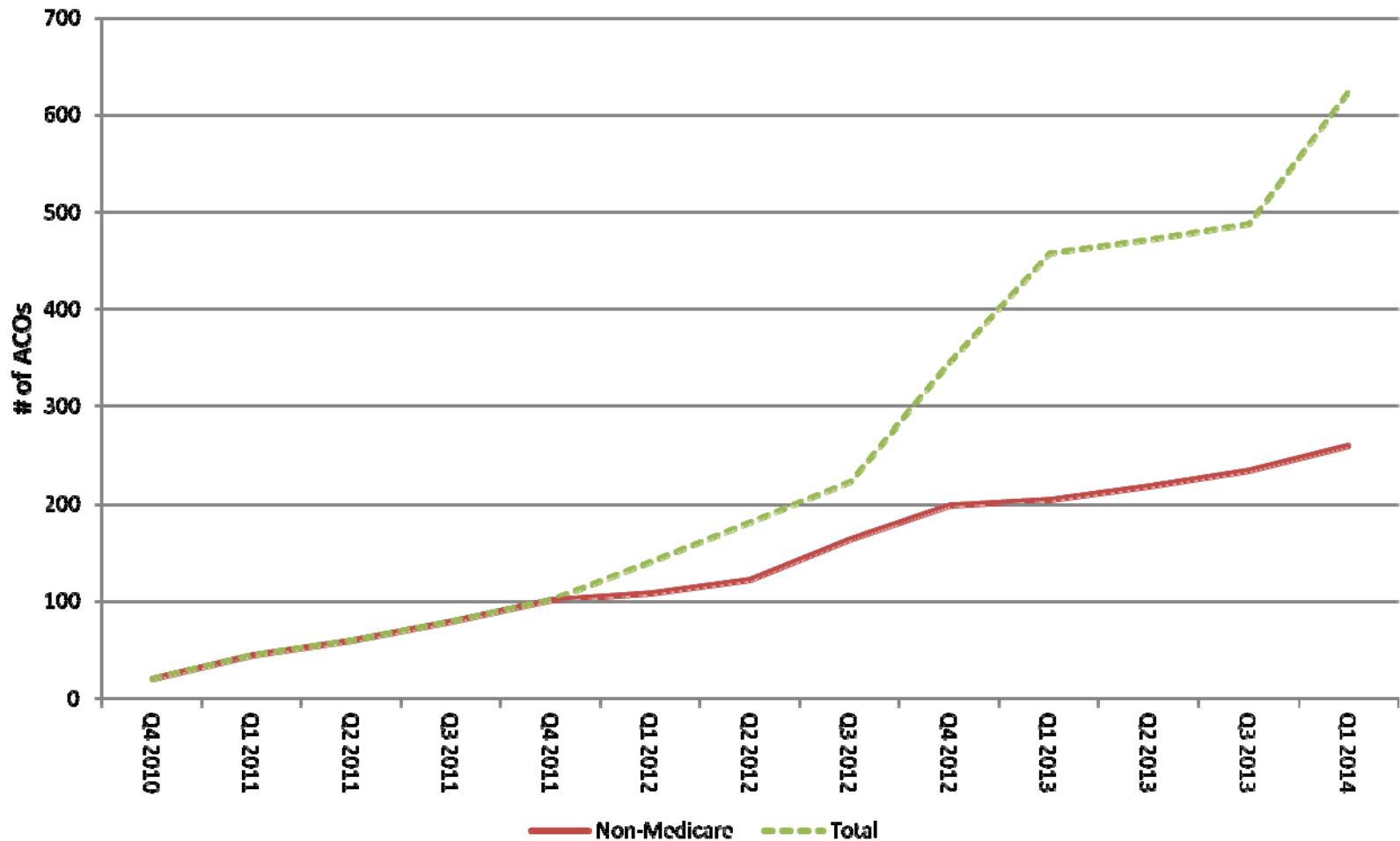
Range of Alternative Payment Models Today

- **Add-On to FFS: Clinical Pathways**
 - Recommended treatment pathways developed based on guidelines using clinical evidence and expert opinion
 - New patient- or practice-based payment for adhering to pathways in most of relevant cases (e.g., 80%)
 - Off-pathway care, such as costly but unproven chemotherapy treatments for cancer patients, may not be reimbursed
- **Add-On to FFS: Patient-Centered Medical Home**
 - Per-case or per-beneficiary payment for care that meets criteria related to quality (medical home, oncology or other specialist medical home, case management fee for specialists)
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- **Shared Savings and Shared Risk**
 - Physicians share in savings from reducing costs while improving quality for some or all costs incurred by a patient, and possibly share in risks for higher costs
- **Payment Shift: Case/Episode Payments**
 - Payment for set of services moves from fee-for-service to case- or episode-based amount
 - For physicians only (e.g., chemo administration, routine imaging services, routine care) or physicians and other health care providers (e.g., bundled payment for colonoscopy, coronary artery bypass surgery, or cancer care)

Growth of ACOs Over Time



Source: Adapted from *Growth and Dispersion of ACOs: August 2013 Update*, Leavitt Partners

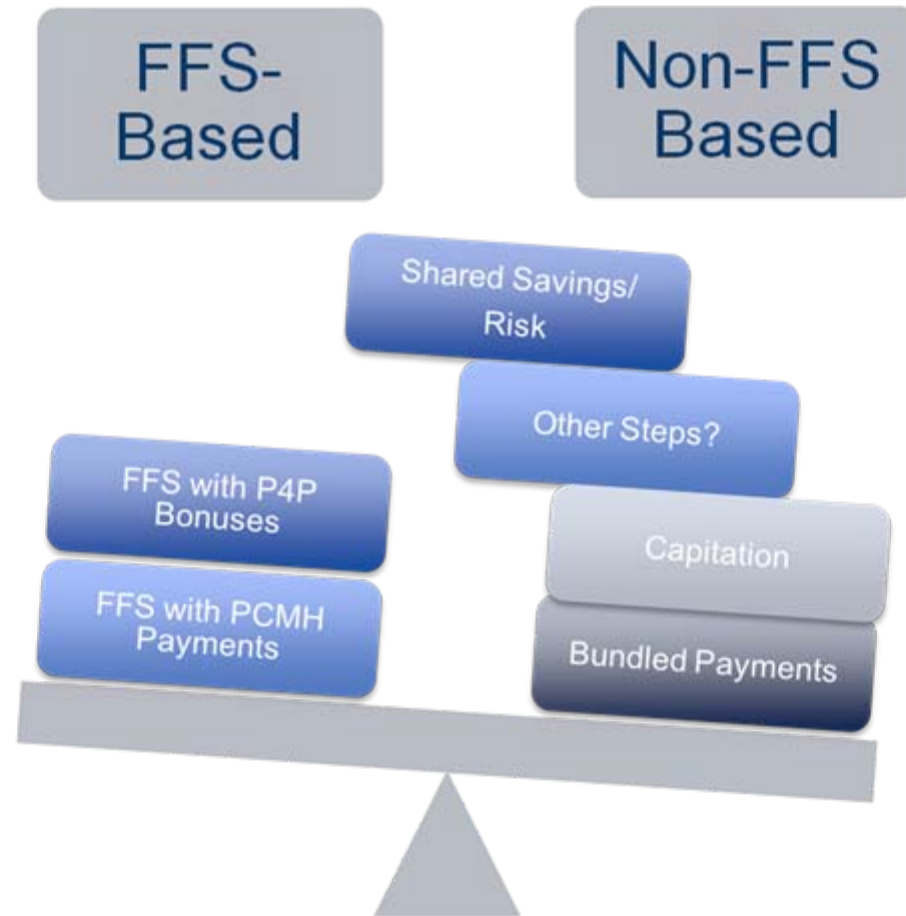
Expanding Accountable Care Activity Across the Country



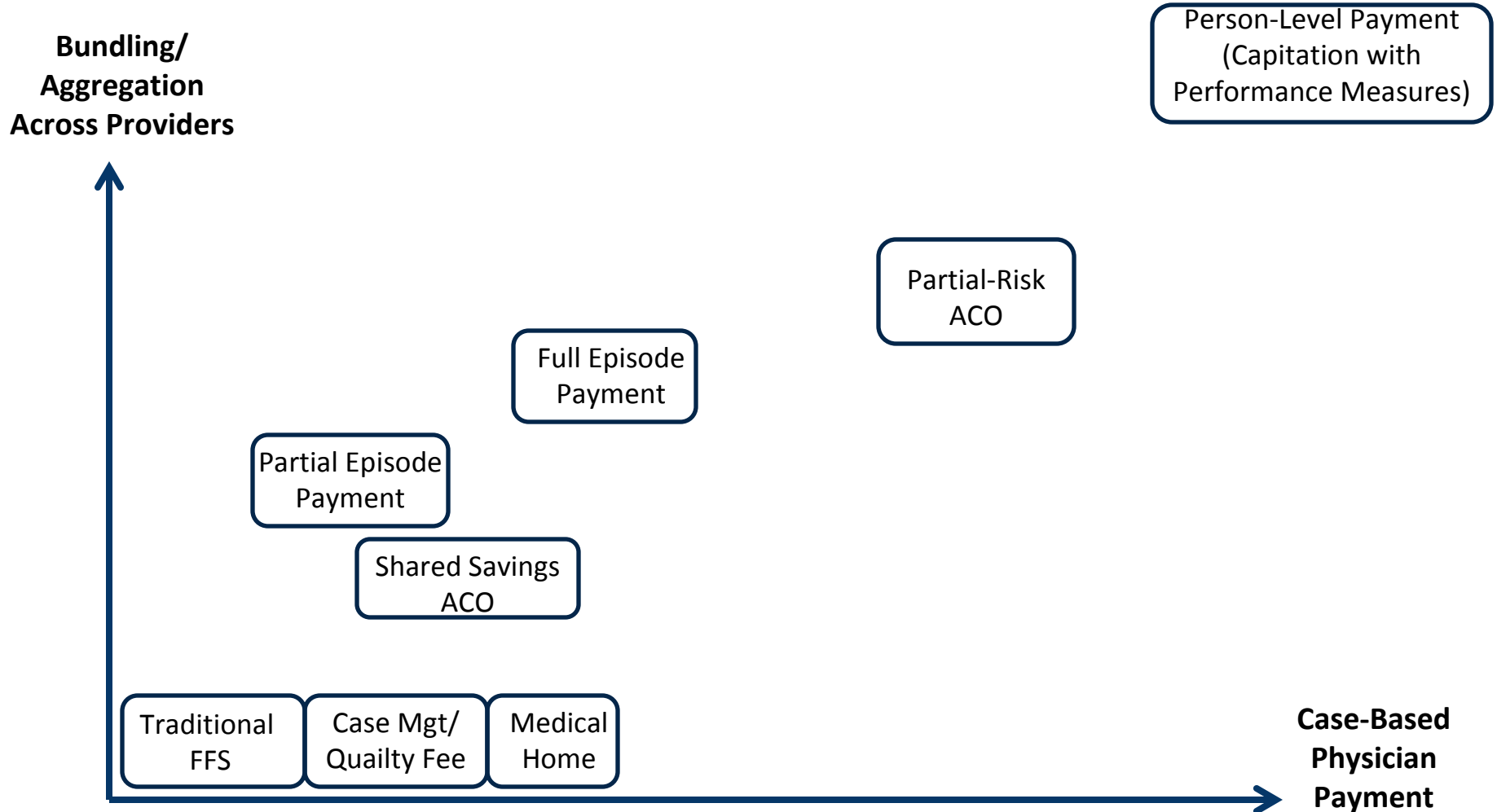
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Tipping Point?



Payment Reform: Volume to Value



Alignment across payment reforms

- **Common core performance measures and a rapid but feasible pathway for improving them to better capture relevant outcomes for patients**
- **Timely and consistent methods for sharing underlying data with providers, suppliers to use with IT and other tools to improve performance**
- **Rapid pilot evaluation and expansion based on evidence**

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- Rewards reductions in primary care-related cost trends

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- Rewards greater efficiency and quality within the episode of care

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- Encourages coordination across the continuum of care
- Can reinforce/ support “piecewise” accountable-care reforms

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Performance-Based Payments for Drugs, Devices

- Reimburses improvements in results and reductions in costs for devices and drugs
- Supports targeting treatments to patients likely to benefit, not greater volume

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Implementing Case- and Person-Level Payment Reforms Together:

Can ACOs and Bundled Payments Get Along?

- **Use Reinforcing Performance Measures and Share Data**
- **Reform Payments for Primary-Care Providers and Specialists to Work Together in Physician-Led and Physician-Hospital ACOs**
 - **Case-Based “Subcontracts” for Specialty Care**
 - **Shared Primary-Specialty Case Payments (Bundles) to promote the right episodes**
 - **Interim Alternative: Component of Specialist Payment Based on Overall Cost/Quality Trends**
- **Avoid Double-Counting of Gains and Losses**
 - **Case-based payments count against person-level benchmark**
 - **Example: specialty-care subcontract in ACO or accountable medical home**
 - **Can apply to shared-savings and shared-risk case payments as well as fully bundled payments**

Implementing Case- and Person-Level Payment Reforms Together: Can ACOs and Bundled Payments Get Along?

- **Develop “internal” payment alternatives to RVUs and other activity-based payments for integrated health care systems**
 - **Salaries and/or bonuses do not reinforce high-value care if they are based directly or indirectly on RVUs and fee-for-service revenues to the health care system**
 - **Case-based tracking of resource use and quality of care**
 - **Will lead to clearer basis for “make vs buy” decisions based on value**

Future of health care reform

- ❖ Crossroads in health care financing and organization, with pace of effective payment reform influencing innovation
 - Without real health care reform, expect continued tightening of public payments, restrictions on coverage, and further reductions in non-medical public spending that affects health
 - Many opportunities and examples exist for shifting focus of health care delivery toward care that does more to improve health without increasing health care costs, alongside rising costs of many new and better diagnostics and therapeutics
 - Implementation of delivery and payment reform is challenging: requires steps for *ongoing and feasible* reforms in care coordination and delivery, alongside supporting reforms in health care financing for sustainable business case for value

- ❖ Future
 - Continued cost increases and pressure on non-medical programs that affect population health
 - Potential for medicine to have much greater impact on health, but will require reforms in care alongside reforms in payment to sustain health care reform

ACO Learning Network: Implementation through Collaboration

Our Objective:

Collaborate with members to identify and share effective accountable care implementation strategies and tactics and drive robust member-to-member dialog focused on discussing key challenges and best practices

Our Members:

Over 70 leading providers, payers, associations, and industry organizations from across the country all committed to driving accountable care practices

Benefits of Membership

- Library of implementation tools and research products on ACO implementation
- 9 Core Network webinars based on a cutting edge curriculum with industry experts
- 2 Member-driven workshops
- Participation in implementation-focused Innovation Exchanges
- Online ACO resources and research, including profiles of organizations implementing ACOs, a library of ACO publications, over 50 archived webinars, and past ACO LN event materials

Learn more at www.acolearningnetwork.org or e-mail aco@brookings.edu.

ACO Summit Tracks: Addressing Implementation Challenges

Summit Day 1

- Track 1:** Performance Measurement for Accountable Care: Challenges and Solutions
- Track 2:** Innovations in Contract and Payment Incentives
- Track 3:** Emerging Payer-Provider Accountable Care Models
- Track 4:** Opportunities and Challenges for Physician-Led ACOs
- Track 5:** Engaging Patients in Accountable Care
- Track 6:** Consolidation and Competition in Health Care Markets: Implications of ACOs

Summit Day 2

- Track 7:** Coordinating Care for High-Risk and Vulnerable Populations
- **Track 8:** Innovations in Data Management
- Track 9:** Clinical Leadership in ACOs
- Track 10:** Optimizing the Value of Pharmaceuticals in New Care Models
- Track 11:** Caring for and Meeting the Needs of Frail and Elderly Patients
- Track 12:** Community Based Accountable Care Organizations