NEW YORK STATE | Department of Health | Medicaid Redesign Team

Medicaid Payment Reform at Scale:
Realizing the New York State Roadmap

Bundled Payment Summit
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Overview

- Background and Brief History
- Delivery System Reform and Payment Reform: two sides of the same coin
- NYS Medicaid Payment Reform – brief overview
- NYS Medicaid Payment Reform – policy levers and strategy

New York State Medicaid

- Approximately **6 million** individuals in New York State are Medicaid beneficiaries (ranking 2nd in the nation, after CA)

- Current Medicaid spend in New York is approximately **$59 billion** annually (also 2nd in nation)

NYS Medicaid in 2010: the crisis

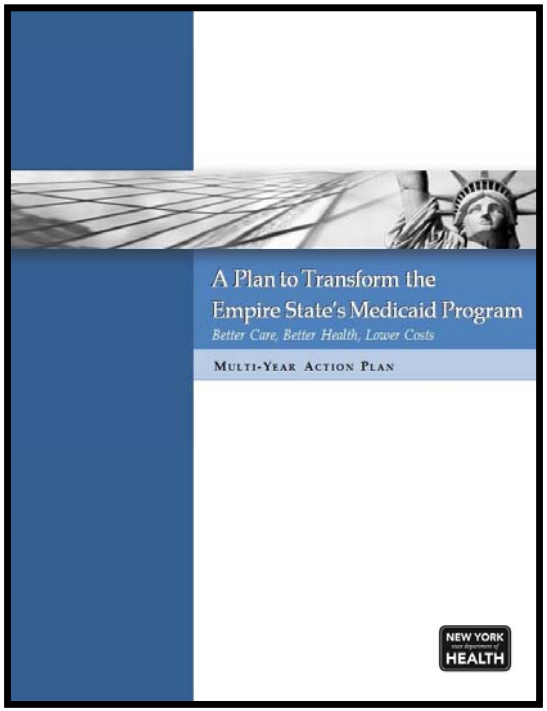
- > 13% anticipated growth rate had become unsustainable, while quality outcomes were lagging
  - Costs per recipient were double the national average
  - NY ranks 50th in country for avoidable hospital use
  - 21st for overall Health System Quality
- Attempts to address situation had failed due to divisive political culture around Medicaid and lack of clear strategy

2009 Commonwealth State Scorecard on Health System Performance

CARE MEASURE	*NATIONAL RANKING*
Avoidable Hospital Use and Cost	**50th**
✓ Percent home health patients with a hospital admission	49th
✓ Percent nursing home residents with a hospital admission	34th
✓ Hospital admissions for pediatric asthma	35th
✓ Medicare ambulatory sensitive condition admissions	40th
✓ Medicare hospital length of stay	50th

Creation of Medicaid Redesign Team – A Major Step Forward

- In 2011, Governor Cuomo created the *Medicaid Redesign Team (MRT)*.
  - Made up of 27 stakeholders representing every sector of healthcare delivery system
  - Developed a series of recommendations to lower immediate spending and propose reforms
  - Closely tied to implementation of ACA in NYS
  - The MRT developed a multi-year action plan – we are still implementing that plan today



Key Components of MRT Reforms

- **Global Spending Cap**
  - Introduced fiscal discipline, transparency and accountability
  - Limit total Medicaid spending growth to 10 yr average rate for the long-term medical component of the Consumer Price Index (currently estimated at 3.8 percent).
- **Care Management for All**
  - NYS Medicaid was still largely FFS; moving Medicaid beneficiaries to managed care helped contain cost growth and introduced core principles of care management
- **Patient Centered Medical Homes and Health Homes**
  - Stimulating PCMH development and invest in care coordination for high-risk and high-cost patients through the NYS Health Homes Program
- **Targeting the Social Determinants of Health**
  - Address issues such as housing and health disparities through innovative strategies (e.g. supportive housing.)

The 2014 MRT Waiver Amendment Continues to further New York State's Goals

- Part of the MRT plan was to obtain a 1115 Waiver which would reinvest MRT generated federal savings back into New York's health care delivery system
- In April 2014, New York State and CMS finalized agreement Waiver Amendment
  - Allows the State to reinvest $8 billion of $17.1 billion in Federal savings generated by MRT reforms
  - $6.4 billion is designated for **Delivery System Reform Incentive Payment Program** (DSRIP)
- The waiver will:
  - Transform the State's Health Care System
  - Bend the Medicaid Cost Curve
  - Assure Access to Quality Care for all Medicaid Members
  - Create a financial sustainable Safety Net infrastructure

The DSRIP Challenge – Transforming the Delivery System

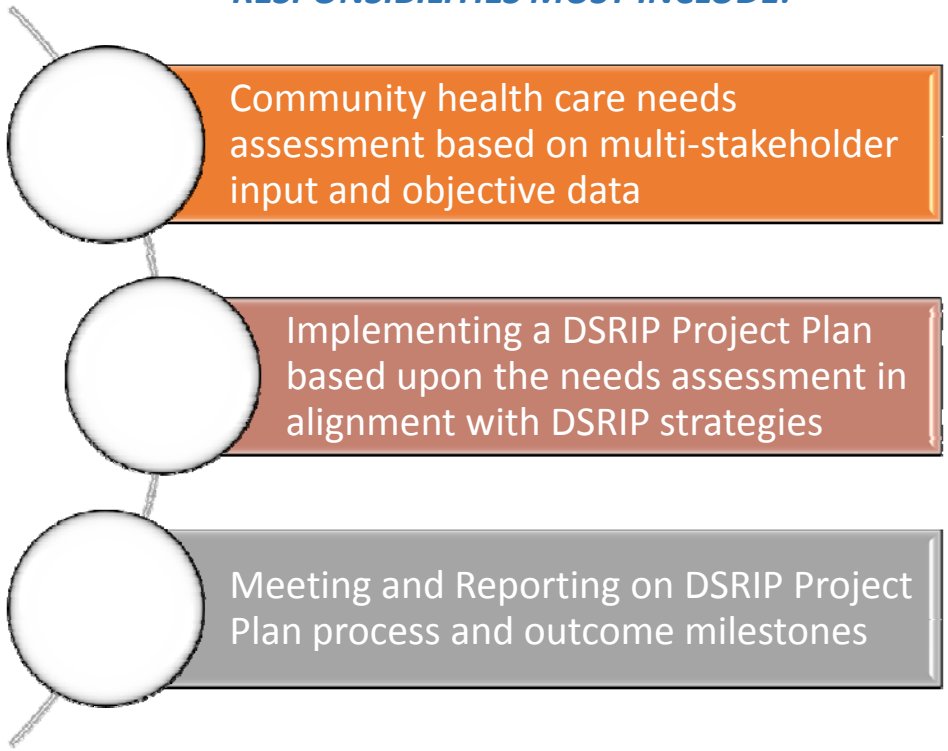
- Largest effort to transform the NYS Medicaid Healthcare Delivery System to date
  - From fragmented and overly focused on inpatient care towards integrated and community focused
  - From a re-active, provider-focused system to a pro-active, patient-focused system
  - Allow providers to invest in changing their business models

Patient-Centered	• Improving patient care & experience through a more efficient, patient-centered and coordinated system.
Transparent	• Decision making process takes place in the public eye and that processes are clear and aligned across providers.
Collaborative	• Collaborative process reflects the needs of the communities and inputs of stakeholders.
Accountable	• Providers are held to common performance standards and timelines; funding is directly tied to reaching program goals.
Value Driven	• Focus on increasing value to patients, community, payers and other stakeholders.

Over 5 Years, 25 Performing Provider Systems (PPS) Will Receive Funding to Drive Change

- A PPS is composed of regionally collaborating providers who will implement DSRIP projects over a 5-year period and beyond
- Each PPS must include providers to form an entire continuum of care
  - Hospitals
  - PCPs, Health Homes
  - Skilled Nursing Facilities (SNF)
  - Clinics & FQHCs
  - Behavioral Health Providers
  - Home Care Agencies
  - Community Based Organizations
- Statewide goal:
  - 25% of avoidable hospital use ((re-) admissions and ER visits)
  - No more providers needing financial state-aid to survive

RESPONSIBILITIES MUST INCLUDE:



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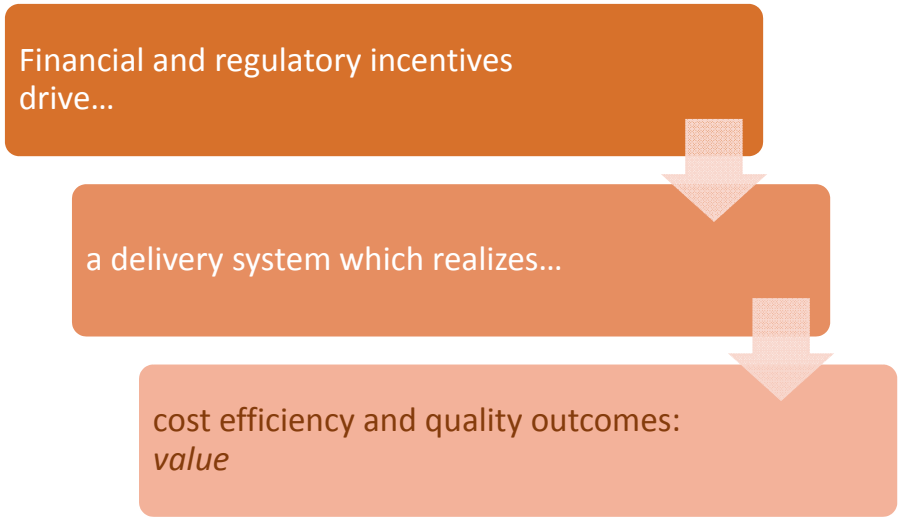
Delivery Reform and Payment Reform: Two Sides of the Same Coin

- A thorough transformation of the delivery system can only become and remain successful when the payment system is transformed as well

- Many of NYS system's problems (fragmentation, high re-admission rates) are rooted in how the State pays for services

    - FFS pays for inputs rather than outcome; an avoidable readmission is rewarded more than a successful transition to integrated home care
    - Current payment systems do not adequately incentivize prevention, coordination or integration



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NYS Medicaid Payment Reform: A Brief Overview

Payment Reform: Moving Towards Value Based Payments

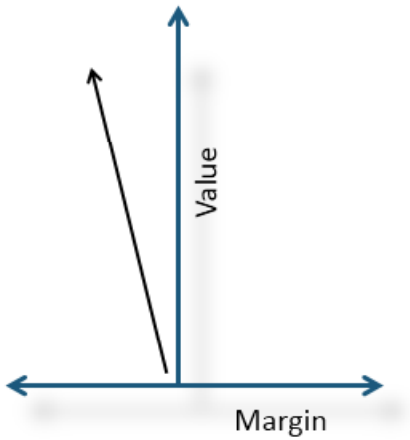
- By DSRIP Year 5 (2019), all Managed Care Organizations must employ non-fee-for-service payment systems that reward value over volume for at least 80-90% of their provider payments (outlined in the *Special Terms and Conditions* of the waiver)
- A Five-Year Roadmap outlining how NYS aims to achieve this goal was required by the MRT Waiver early May
- The State and CMS are committed to the Roadmap
- Core Stakeholders (providers, MCOs, unions, patient organizations) have actively collaborated in the creation of the Roadmap
- If Roadmap goals are *not* met, overall DSRIP dollars from CMS to NYS will be significantly reduced

Learning from Earlier Attempts: VBP as the Path to a Stronger System

VBP arrangements are not intended primarily to save money for the State, but to *allow providers to increase their margins* ***by realizing value***

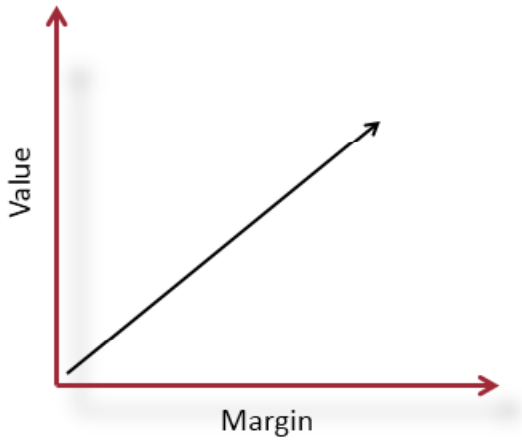
Current State

Increasing the value of care delivered more often than not threatens providers' margins



Future State

When VBP is done well, providers' margins go up when the value of care delivered increases



Goal – Pay for Value not Volume

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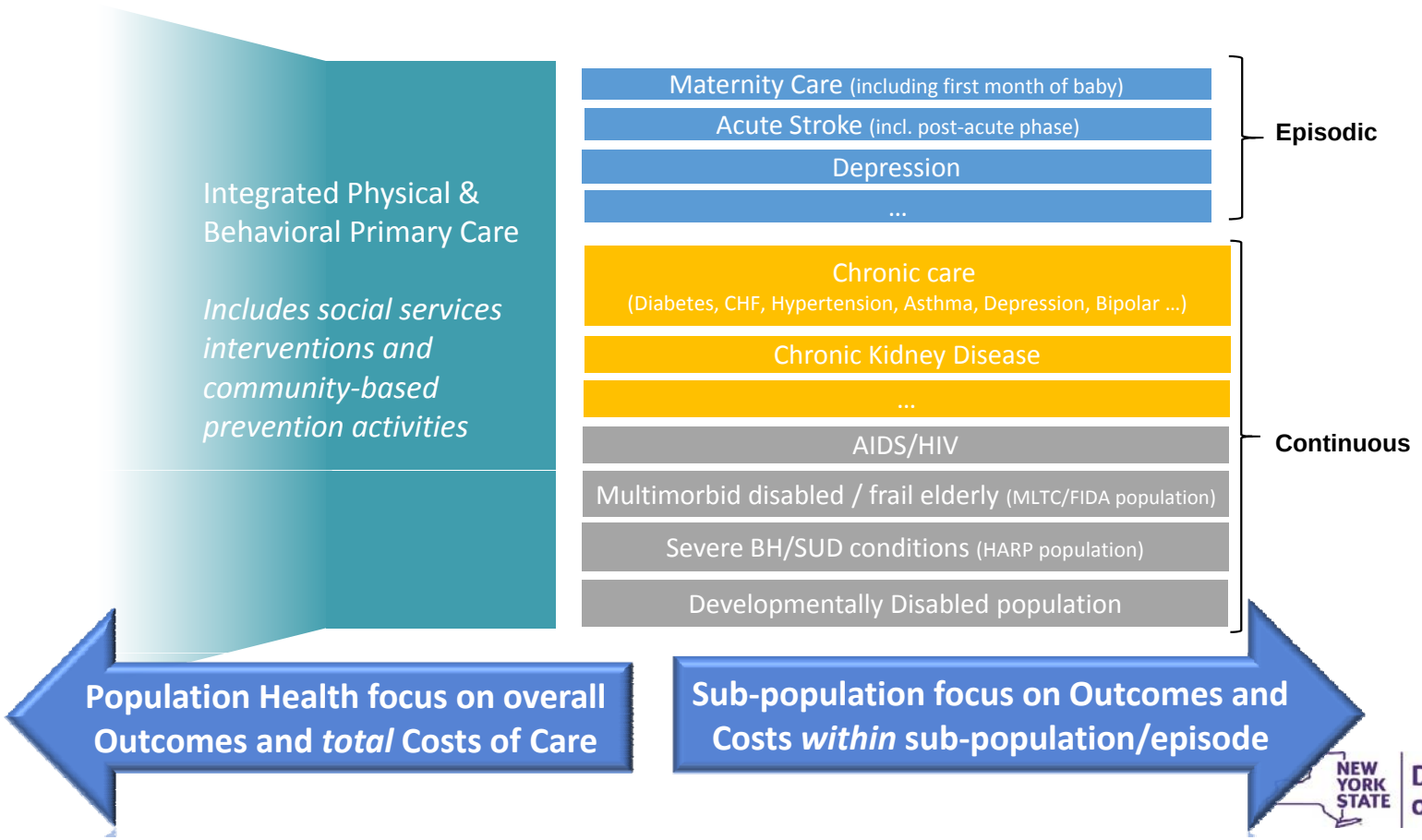
The VBP Roadmap starts from DSRIP Vision on How an Integrated Delivery System should Function



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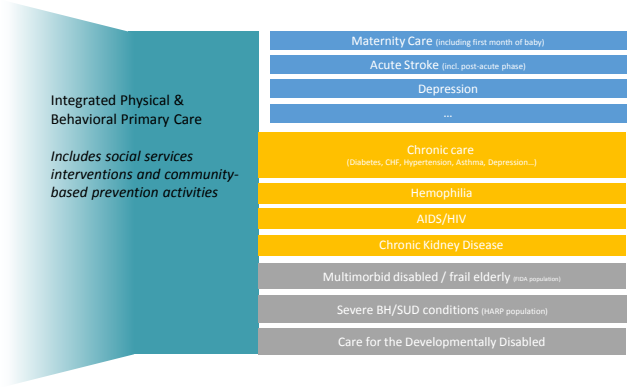
The Path towards Payment Reform: A Menu of Options

There is not one path towards Value Based Payments. Rather, there will be a variety of options that MCOs and PPSs/providers can jointly choose from.

PPSs and MCOs can opt for different shared savings/risk arrangements (often building on already existing MCO/provider initiatives):

- For the total care for the total attributed population of the PPS (or part thereof) – ACO model
- Per integrated service for specific condition (acute or chronic bundle): maternity care; diabetes care
- For integrated Advanced Primary Care (APC)
- For the total care for a subpopulation: HIV/AIDS care; care for patients with severe behavioral health needs and comorbidities



MCOs and PPSs may choose to make shared savings arrangements for the latter types of services between MCOs and groups of providers within the PPS rather than between MCO and PPS

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MCOs and PPSs can choose different levels of Value Based Payments

In addition to choosing *what integrated services* to focus on, the MCOs and PPSs can choose different levels of Value Based Payments:

Level 0 VBP	Level 1 VBP	Level 2 VBP	Level 3 VBP (only feasible after experience with Level 2; requires mature PPS)
FFS with bonus and/or withhold based on quality scores	FFS with upside-only shared savings available when outcome scores are sufficient (For PCMH/APC, FFS may be complemented with PMPM subsidy)	FFS with risk sharing (upside available when outcome scores are sufficient)	Prospective capitation PMPM or Bundle (with outcome-based component)

- Goal of ≥80-90% of total MCO-provider payments (in terms of total dollars) to be captured in Level 1 VBPs at end of DY5
- Aim of ≥ 50% of total costs captured in VBPs in Level 2 VBPs or higher

More details: afternoon session

NYS Medicaid Payment Reform: Policy Levers and Strategy

Key Defining Factors our the New York VBP Approach

1. Addressing all of the Medicaid program in a holistic, all-encompassing approach rather than pilots or individual VBP projects without overall framework
2. Leveraging the Managed Care Organizations (MCO) to deliver the payment reforms
3. Avoiding negative financial incentives for stakeholders moving towards VBP
4. Allowing for maximum flexibility in the implementation for stakeholders, while maintaining a robust, standardized framework
5. Maximum focus on transparency of costs and outcomes of care

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1. A Holistic Approach

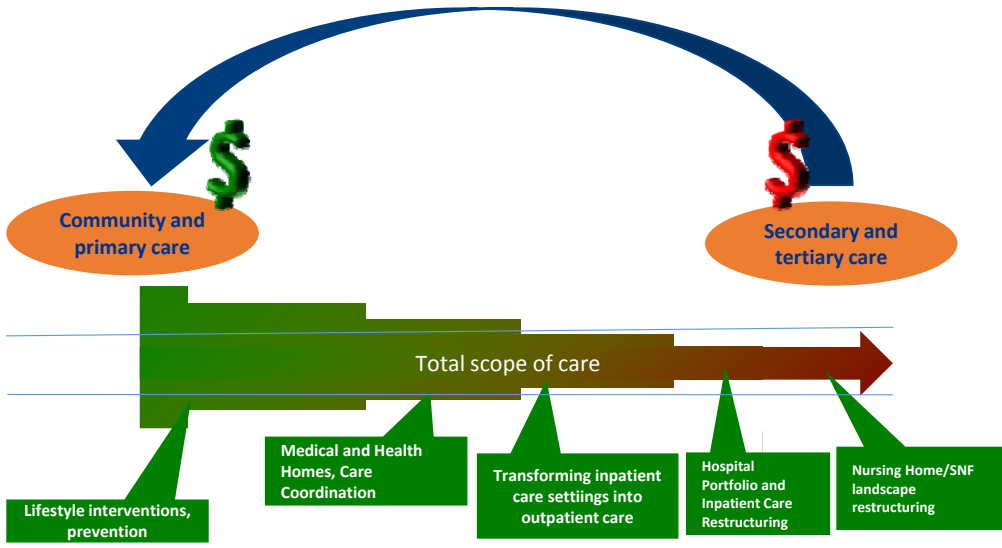
- By including the entire Medicaid program, we leverage maximum scale for VBP
- Through payment reforms, we have the opportunity to fundamentally change how $50+ billion are paid to providers annually
- As a result, the level of complexity to providers and MCOs is, paradoxically, lower than if only parts of the program were addressed
- In addition, the potential for impact is vastly increased, enabling more leverage for the incentive structures to MCOs and providers
- Currently discussing opportunities to align Medicare reform with this Roadmap in NYS as well

2. Leveraging the MCOs

- Key policy choice was to *not* attempt to reform Medicaid FFS system itself, but to leverage existing MCO infrastructure
  - This allowed for regulatory flexibility and speed
  - In addition: no need to transfer insurance risk management & administrative claims handling to provider level
- This process helps to standardize emerging VBP attempts across MCOs, which reduces complexity for providers and increases impact for MCOs

3. Avoiding Negative Financial Incentives for Stakeholders Moving towards VBP

- PPSs successful in DSRIP are going to see reduced inpatient FFS revenue (admissions, ER visits)
  - *Shared savings arrangements are key to recapture these dollars for reinvestment*
- Providers can earn significantly higher shared savings percentages than in e.g. Medicare ACOs
- No 'haircut' when moving to VBP. To the contrary, the more dollars are captured in higher level VBP arrangements, the higher the PMPM value MCOs will receive from the State
- Innovator program (with additional financial incentives) to stimulate first movers



4. Flexible, Yet Robust Approach

- State involvement focuses on standardization of VBP principles across payers & providers to reduce administrative complexity:
  - Standardizing definitions of bundles, subpopulations, including outcomes
  - Guidelines for shared savings/risk percentages, stop-loss
  - No rate setting, but providing benchmark data (including possible shared savings)

- Allowing flexibility:
  - Menu of options
  - MCO and providers can make own adaptations, as long as criteria for ‘Level 1’ or higher are met

5. Transparency on Cost and Outcomes

- The goal is to measure success for all parties (State, MCO, providers) on the same set of cost and outcome measures
- Showing (lack of) value delivered for total population, per bundle and subpopulation by region and provider
  - Same view throughout the State – whatever VBP arrangements are contracted
- Dashboards with comprehensive drill-down opportunities will allow insight for all stakeholders at least one year before first contracts are due according to the Roadmap

Questions?

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Additional information available at:
https://www.health.ny.gov/health_care/medicaid/redesign/dsrip/

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