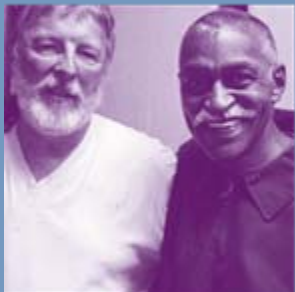


# Medicaid ACO Payment Reform Strategies



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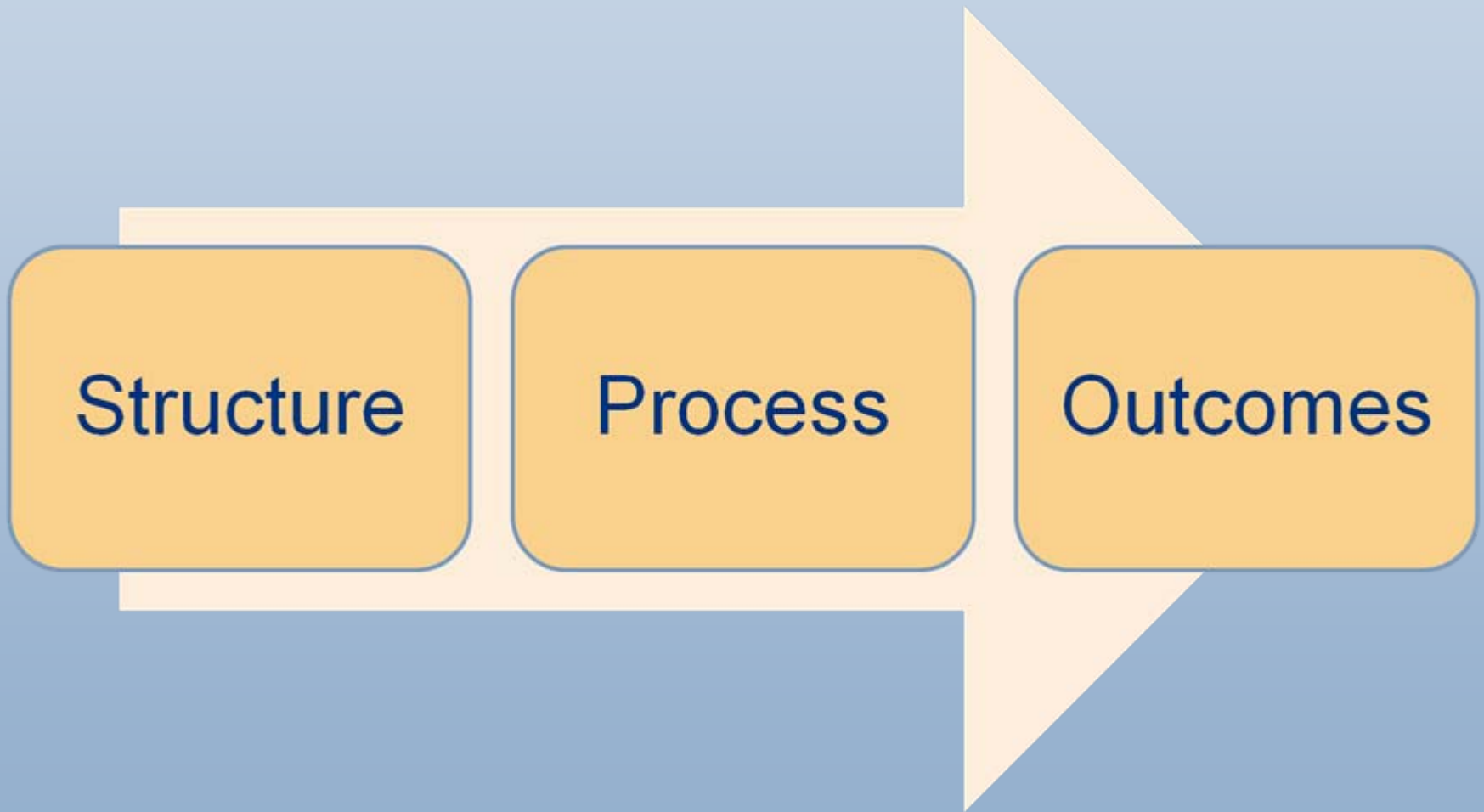
# Payment Reform and Medicaid ACOs

- Lever to foster greater accountability and finance advanced care delivery in the practice
- Three different models currently in use:
  - ▶ Supplemental Payments
  - ▶ Shared Savings and Risk
  - ▶ Global Payment
- All models may incorporate quality

# Current Payment Reform Activity

- Numerous states are pursuing payment reforms in fee-for-service and managed care to support integrated care models
- Considering different approaches for incorporating meaningful quality metrics
- Seeking guidance from the Centers for Medicare & Medicaid Services

# Key Medicaid ACO Payment Features



# Key Considerations for States

- What care delivery infrastructure is in place among potential ACOs?
  - ▶ Care teams
  - ▶ Health information technology
  - ▶ Payment systems
- What care delivery models are in place?
  - ▶ Patient-centered medical homes
  - ▶ Health homes
  - ▶ Coordinated mental and physical health
- To what degree are ACO-affiliated providers integrated?
- What will be the role of managed care plans?
- What patient populations and services will be included?

# Supplemental Payments

**Concept:** Upfront payments (e.g. PMPM) to supplement claims-based payments and drive care coordination

## Benefits

- Easy to implement
- Provides upfront funding for investments
- Aligns well with a range of organizational structures
- Can incorporate quality incentives in model

## Challenges

- May not be sufficient to incentivize coordination across organizations
- Payment is not tied to outcomes
- Difficult to measure what you've paid for

# Shared Savings & Risk

**Concept:** ACOs receive a portion of the savings and may assume a portion of downside risk

## Benefits

- May incentivize improvements among otherwise unaligned providers
- Accommodates a range of organizational structures
- Can incorporate quality incentives in model

## Challenges

- Measuring valid savings
- No upfront funding for investments
- Formulating payment distribution and loss recoupment method
- Potential incentive to avoid patients with pre-existing conditions

# Global Payments

**Concept:** Single payment given to ACOs for all health care services, including the proper coordination of care

## Benefits

- Fully aligns incentives for quality care
- Risk-based incentive to decrease inappropriate utilization
- Large financial savings potential

## Challenges

- Not all entities able to accept full downside risk
- Substantial infrastructure required
- Potential incentive to avoid patients with pre-existing conditions



# Which Model is Best?

- Depends largely on needs and the underlying health system structure

<b>Model</b>	<b>Level of Risk for Providers</b>	<b>Potential Financial Incentive for Providers</b>	<b>Likely Potential System-wide Savings</b>
<b>Supplemental Payments</b>	None	Low/Moderate	Low
<b>Shared Savings &amp; Risk</b>	None/Low	Moderate	Moderate
<b>Global Payments</b>	High	High	Moderate/High

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# Questions?

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