State Innovations in Value-Based Care: ACOs and Beyond

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About the Center for Health Care Strategies

Non-profit policy center dedicated to improving the health of low-income Americans
CHCS Projects Focused on Advancing Delivery System and Payment Reforms

- Medicaid Accountable Care Organization (ACO) Learning Collaborative
- State Innovation Model
- Innovation Accelerator Program (IAP) for Value-Based Payment (VBP)
- Delivery System Reform Incentive Payment (DSRIP) VBP Roadmaps
Goal is to shift U.S. health care system toward payment models in Categories 3 and 4. In 2016, ≈18% of Medicaid payments fell in these categories.

Category 1: Fee-for-service payments not link to quality/value (e.g., traditional FFS, DRGs)

Category 2: Fee-for-service payments linked to quality/value (e.g., pay-for-performance)

Category 3: Alternative payment models built on fee-for-service payment (e.g., shared savings/risk)

Category 4: Population-based payment (e.g. global payments)

What is the Current ACO Market?

- **Rapid expansion across payers**
  - Over 800 ACOs in the United States

- **Over 25 million covered lives**
  - Commercial: 17.2 million
  - Medicare: 8.3 million
  - Medicaid: 2.9 million

- **Widespread penetration**
  - ACO service areas in all 50 states and the District of Columbia

Medicaid ACO models vary greatly, but we generally see three models:

Provider-driven:
- Provider establishes collaborative networks and assumes accountability for cost of care

MCO-driven:
- MCOs retain financial risk but implement new payment model and partnerships with providers

Regional/Community Partnership-driven:
- Regional/community organizations form care teams with providers and receive payments
Current Medicaid ACO Landscape

States pursuing Medicaid ACO programs

States with active Medicaid ACO programs
In 2013, MN launched its Medicaid ACO program, Integrated Health Partnerships (IHPs)

Key IHP program features include:

- Provider-led with two tracks: (1) larger systems providing inpatient and outpatient care; and (2) smaller systems not integrated with a hospital
- Shared savings payment arrangement, with upside/downside risk for larger systems and upside only for smaller systems
- 21 IHPs oversee care for 465,000 enrollees, approximately 45% of MN Medicaid population

Accomplishments:

- Estimated savings of $156 million compared to trended targets, over first three years; IHPs received 85%+ of dollars at risk for quality
State Example: Oregon

- In 2012, OR launched Coordinated Care Organizations (CCOs), a type of Medicaid ACO

- Key CCO program features include:
  - Payer-led organizations with governing boards that include Medicaid members, providers, and local government
  - Global budgets with a fixed rate of growth to cover physical, oral, behavioral health; flexibility to spend funds on “health-related” services
  - 16 CCOs provide care for nearly 1 million enrollees, approximately 90% of OR’s Medicaid population

- Accomplishments:
  - Estimated 23% decrease in emergency department visits; cost growth below national average; 15 of 16 CCOs earned 100% of quality bonuses
# Future of Medicaid ACOs

## Version 1.0
- Fee-for-service payment models (shared savings or P4P)
- Physical health only
- Medicaid only
- Many quality measures
- Payment tied to quality reporting / performance on process measures

## Version 2.0
- Capitated or global payments
- Behavioral health, LTSS, dental, pharmacy, social services
- Multi-payer
- Fewer, more aligned quality measures
- Payment tied to quality outcomes and care coordination metrics
Other Innovative State Approaches to Advance VBP

Medicaid ACOs are just one of many types of delivery system and payment reforms being implemented or planned by states.
State Example: Tennessee’s Health Care Innovation Initiative

Primary Care Transformation

- Patient Centered Medical Homes
- Tennessee Health Link for Individuals with Serious Mental Illness

Episodes of Care

- 20 retrospective episodes of care in place
- 75 episodes of care designed by 2020

Long-Term Services and Supports

- Quality and value-adjusted payments for nursing facilities and home and community-based services

Source: Adapted from https://tn.gov/assets/entities/hcfa/attachments/IntroductionEpisodes.pdf
In general, lack of evidence on payment reform initiatives in Medicaid

» Only 17 of 355 payment reform evaluations identified through Duke’s “Payment Reform Evidence Hub” focused on Medicaid

However, early evidence indicates that a variety of state VBP initiatives have been successful

» Reported improvements in quality and cost performance in both Colorado and Oregon’s Medicaid ACO models (McConnell et al, JAMA Internal Medicine, 2017)

» 7 percent relative reduction in Oregon’s CCO expenditures compared to Washington state, primarily attributable to reductions in inpatient use (McConnell et al, Health Affairs, 2017)

» Tennessee reported aggregate savings of $6.2 million in 2015 for three episodes of care (perinatal, acute asthma exacerbation, and total joint replacement)
State interest in VBP continues to grow, with focus on...

- Implementation of VBP through managed care contracting
- Integrating long-term services and supports, behavioral health, and social determinants into VBP
- Alignment with MACRA
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