Supporting Alternative Payment Models and Value-Based Purchasing Policy Statement

POSITION

ASTHO supports the promotion and adoption of alternative payment models (APMs) and value-based purchasing (VBP) for healthcare systems, payers, and purchasers. State and territorial health agencies play a critical role in ensuring that innovative healthcare payment and delivery models maximize the value of healthcare dollars, align with social determinants of health, and advance health equity.

SUMMARY OF RECOMMENDATIONS

- Ensure appropriate federal and state flexibility to enable states to develop and implement innovative APMs and VBP, including for the CMS Innovation Center.
- Ensure federal and state policy landscapes and governance structures support and enable states to develop and implement innovative APMs and VBP.
- Apply health equity and value rubrics for risk adjustment to appropriately compare outcomes for different patient populations among entities deploying VBP and APMs.
- Leverage VBP and APMs as an opportunity to address individual health-related social needs and collective social determinants of health.
- Include robust third-party evaluations in VBP and APMs to demonstrate the ability to reduce healthcare costs and improve health outcomes.

BACKGROUND

In 2019, the U.S. spent 17.7 percent of its gross domestic product on health expenditures and is projected to grow at an average annual rate of 5.4 percent through 2028.[1] To maximize healthcare dollars and align resources with improved health outcomes, many healthcare systems have initiated payment models that incentivize high-quality care. The Centers for Medicare and Medicaid Services (CMS) has set goals to increase value-based healthcare delivery arrangements.[2] The adoption of APMs and VBP continues to grow and impacts increasing numbers of people.[3] Linking financial risk to health outcomes for healthcare systems or provider groups creates strengthened accountability for results. In these models, if the healthcare system meets established health improvement targets, it may earn additional dollars or, conversely, risk losing dollars should it fail to do so, depending on the level of risk involved in the model.[4]

The current healthcare landscape offers opportunities for states to test different models of payment and care delivery. By working with payers to find new ways of financing innovative care delivery practices, state and territorial health agencies can increase access to the high-quality, prevention-based, coordinated care necessary to improve population health. While APMs and VBP in healthcare will not comprehensively address the social determinants of health, shifting from volume to value can catalyze healthcare system transformation to better align with efforts to address health-related social needs.

RECOMMENDATIONS/EVIDENCE-BASE

- ***Ensure appropriate federal and state flexibility to enable states to develop and implement innovative APMs and VBP, including for the Center for Medicare and Medicaid Innovation (CMS Innovation Center).*** The CMS Innovation Center supports the development and testing of innovative healthcare payment and delivery models by providing funding for demonstrations to states and healthcare systems, such as through the Integrated Care for Kids and Maternal Opioid Misuse Models.[5] As states are at the forefront of innovation, adequate federal funding and technical assistance to develop and test APMs and VBP is critical to understanding how to improve healthcare quality and reduce costs.
    - Between 2016 and 2018, the CMS Innovation Center oversaw 36 payment and service delivery models and initiatives, including state innovation models that allowed state governments to use their policy and regulatory levers to accelerate payment reform.[6,7]

    - Several CMS Innovation Center state-based initiatives have shown positive impacts on health and cost outcomes, such as the Maryland All-Payer model, which resulted in Medicare savings of $679 million–or a three percent reduction–over three years.[8,9]
- ***Ensure that state policy landscapes and governance structures support and enable states to develop and implement innovative APMs and VBP.*** In order to expand the adoption of VBP and APMs, state policies and governance structures must allow for innovation. In turn, ASTHO supports cross-agency data-sharing agreements and memoranda of understanding to facilitate data-sharing between agencies to allow states to comprehensively evaluate APMs and VBPs.[10,11]
- ***Apply health equity and value rubrics for risk adjustment to appropriately compare outcomes for different patient populations among entities deploying VBP and APMs.*** Essential components of health equity and value rubrics include analyzing health disparities and poor health outcomes of particular communities; assessing the impact of social and economic factors on risk adjustment; accounting and overcoming challenges of under-resourced providers; utilizing appropriate equity measures; diversifying the health care workforce; and including communities of color in transformative efforts to increase health value.[12]
    - Assessing appropriate financial risk must reflect that certain communities have a disproportionate burden of disease, therefore, strategies like geographically defined population attribution and risk-adjusted incentive payments can be employed to ensure and encourage care for those with the greatest needs.
    - For example, Massachusetts adjusts accountable care organizations' capitated payment methodologies based on housing stability and a neighborhood stress measure using census data.[13]
    - The Virginia Department of Health developed a Health Opportunity Index which maps common social determinants of health across social, economic, educational, demographic, and environmental domains to the regional and community level, which can be used to more appropriately inform risk adjustment and account for impacted communities and providers.[14]
- ***Leverage VBP and APMs as an opportunity to address individual health-related social needs and collective social determinants of health.*** The accountability developed through these models gives healthcare systems and providers incentive to collaborate with multi-sector partners to address patients' health-related social needs because the non-clinical needs of their patients are often more impactful on their health outcomes than the clinical care they receive. While APMs and VBP in healthcare will not comprehensively address the social determinants of health, moving from volume to value in healthcare can re-orient a healthcare system to better align with upstream efforts to improve the conditions in which people live, work, and socialize.[15]
    - State and territorial health agencies can play an important role in advancing a comprehensive approach to addressing the social determinants of health by fostering and supporting the adoption of APMs and VBP, thus creating accountability and incentive for healthcare systems to align their goals with broader initiatives to address the social determinants of health.[16]
- ***Include robust third-party evaluations in VBP and APMs to demonstrate the ability to reduce healthcare costs and improve health outcomes.*** Evaluating VBP and APMs allow states to learn from one another and understand best practices in model design.
    - The CMS Innovation Center conducts robust annual evaluations of models to identify shared lessons learned to inform future model design and policymaking.[17]

APPROVAL DATES
Population Health and Informatics Policy Committee Approval: January 27, 2020
Board of Directors Approval: February 24, 2021
Policy Expires: February 29, 2024

ASTHO membership supported the development of this policy, which was subsequently approved by the ASTHO Board of Directors. Be advised that the statements are approved as a general framework on the issue at a point in time. Any given state or territorial health official must interpret the issue within the current context of his/her jurisdiction and therefore may not adhere to all aspects of this Policy Statement.

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[2] Centers for Medicare & Medicaid Services. CMS Issues New Roadmap for States to Accelerate Adoption of Value-Based Care to Improve Quality of Care for Medicaid Beneficiaries. Available at: https://www.cms.gov/newsroom/press-releases/cms-issues-new-roadmap-states-accelerate-adoption-value-based-care-improve-quality-care-medicaid. Accessed 12-1-2020.
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[5] Centers for Medicare & Medicaid Services. "Comparing the InCK & MOM Models." Available at: https://innovation.cms.gov/Files/fact-sheet/inck-mom-overlap-fs.pdf. Accessed 12-1-2020.
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[10] Centers for Medicare & Medicaid Services. "Medicaid Innovation Accelerator Program: Data Privacy, Data Use, and Data Use Agreements." Available at: https://www.medicaid.gov/state-resource-center/innovation-accelerator-program/iap-downloads/program-areas/dua-factsheet.pdf. Accessed 12-1-2020.
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