State Innovation Spotlight: Implementing Multi-Payer Bundled Payment Models

July 24, 2017
Speakers

Jeff Micklos
Executive Director
HCTTF
Washington, DC

Dr. Thompson served as the Surgeon General for the State of Arkansas, and worked with private and public stakeholders to develop the “private option” to Medicaid expansion.

Joe Thompson, MD, MPH
President and CEO
Arkansas Center for Health Improvement

Andrew Baskin, MD
National Medical Director
Aetna

Dr. Baskin is responsible for initiatives at Aetna to measure and improve quality of care, and has developed products to improve affordability and quality of care, and promote payment reform.

Jeff has been the Executive Director of the Task Force since 2015. He previously served as General Counsel for the Federation of American Hospitals.
Agenda

• Introduction to the Health Care Transformation Task Force
• Scan of State Bundled Payment Models
• Case Study: Arkansas Payment Improvement Initiative
• Reactant: Commercial Payer Perspective
• Q&A
Who we are: Our mission to achieve results in value-based care

The Health Care Transformation Task Force is an industry consortium that brings together patients, payers, providers, and purchasers to align private and public sector efforts to clear the way for a sweeping transformation of the U.S. health care system. We are committed to rapid, measurable change, both for ourselves and our country.

We aspire to have 75% of our respective businesses operating under value-based payment arrangements by 2020.
Our Members: Patients, Payers, Providers and Purchasers committed to better value
The Task Force’s guiding principles outline a financially and operationally viable and sustainable approach

- **Shift 75% of our respective businesses to be under value-based care contracts by 2020**
- **Design programs that provide reasonable returns to deliver the triple aim of better health, better care and reduced total cost of care at or below GDP growth**
- **Equip market players with all tools necessary to compete in new market focused on people-centered primary care**
- **Encourage multi-payer participation and alignment to create common targets, metrics, and incentives**
- **Share cost savings with patients, payers, and providers to ensure adequate investment in new care models**
- **Foster transparency of quality and cost metrics in a manner that is accessible to, and easily understood by, consumers**
- **Support the needs of disadvantaged populations and help strengthen the safety net providers who serve them**
TF Work Groups drive rapid-cycle product development

**Improve the ACO Model**

Develop aligned public-private action-steps and recommendations to improve the design and implementation of the ACO model.

**Develop Common Bundled Payment Framework**

Create detailed principles and tools to align and evaluate episode definitions/pricing for public/private payer bundled payment programs.

**New Model Development - Improving Care for High-cost Patients**

Create, test and recommend a delivery/payment model that allows a wide range of provider organizations, including in rural areas with little to no current MA/ACO penetration, to engage in population health by starting with highest-cost patients (top 5%).
Agenda

- Introduction to the Health Care Transformation Task Force
- Scan of State Bundled Payment Models
- Case Study: Arkansas Payment Improvement Initiative
- Reactant: Commercial Payer Perspective
- Q&A
- Upcoming Webinars
State Episodes of Care: Environmental Scan

- Seeking effective strategies to encourage alignment between public and private payers
- Reviewed of State Innovation Model participants
- Identified State authority to test value-based payment models
The state of state bundled payment programs

### Areas of alignment and difference across state bundled payment models

<table>
<thead>
<tr>
<th>Alignment in methodology</th>
<th>Differ by state design</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Benchmark methodology</td>
<td>o Requirements for participation</td>
</tr>
<tr>
<td>o Episode initiators</td>
<td>o Level of provider participation</td>
</tr>
<tr>
<td>o Risk thresholds</td>
<td>o Payer participation (e.g., Medicaid/Medicaid managed care/MA/commercial)</td>
</tr>
<tr>
<td>o Performance metrics (e.g., quality, utilization)</td>
<td>o Results and lessons learned</td>
</tr>
</tbody>
</table>

Agenda

• Introduction to the Health Care Transformation Task Force
• Scan of State Bundled Payment Models
• Case Study: Arkansas Payment Improvement Initiative
• Reactant: Commercial Payer Perspective
• Q&A
• Upcoming Webinars
Arkansas Health Care Payment Improvement Initiative

Joseph W. Thompson, MD, MPH
President and CEO, Arkansas Center for Health Improvement
Professor, UAMS Colleges of Medicine & Public Health

Health Care Transformation Task Force
State Innovation Spotlight: Implementing Multi-payer Bundled Payment Models
July 24th, 2017
Arkansas Landscape (2009)

- Consistently ranked low on national health indicators
- >50% of Arkansas’s adult population living with at least one chronic disease
- Many areas of Arkansas are medically underserved
- Insurance premiums doubled in 10 years resulting in growing numbers of uninsured
- One-fourth of working age Arkansans were uninsured
- Increasingly fragmented health care system hard for citizens to navigate
- Public and private expenditures exceeding revenues
Arkansas’s Unique Payment Model Evolution Since 2011

• Initial concept included prospective global bundled payments

• Providers and other stakeholders pushed back against initial concept – lack of integration and infrastructure

• Extensive provider engagement and stakeholder input shaped current model

• Now includes a retrospective payment model and integration of patient-centered medical homes with episodes of care
Arkansas Payment Improvement Initiative’s Integrated Model
Coordinated Multi-payer Leadership

- **Consistent incentives** and standardized reporting rules and tools
- **Change in practice** patterns as program applies to many patients
- Enough scale to justify investments in **new infrastructure** and operational models
- **Motivate patients** to play larger role in their health and health care
Arkansas Episode Strategy

- All care associated with treatment for a specific medical condition
- Time bound, defined start and end point
- Adhere to quality measures
- Lead principal accountable provider (PAP) assigned as ‘quarterback’
- Mandatory participation; Implemented by individual payers
- Intended to reduce the variation in cost and quality of care across providers for similar services
  - Improve quality and coordination for the patient, reduce inefficiency across health system, resulting in lowered cost of care
- **Upside and downside** gain/risk sharing model
How Episodes Work for Patients and Providers (1/2)

1. Patients seek care and select providers as they do today
2. Providers submit claims as they do today
3. Payers reimburse for all services as they do today
How Episodes Work for Patients and Providers (2/2)

Calculate incentive payments based on outcomes after close of 12 month performance period

Review claims from performance period to identify a ‘Principal Accountable Provider’ (PAP) for each episode

Payers calculate average cost per episode for each PAP

1. Outliers removed and adjusted for risk and hospital per diems
2. Appropriate cost and quality metrics based on latest and best clinical evidence, nationally recognized clinical guidelines and local considerations

Compare average costs to predetermined “commendable” and ‘acceptable’ levels

Based on results, providers will:
- Share savings: avg. costs below commendable levels /quality targets met
- Pay part of excess cost: avg. costs above acceptable level
- See no change in pay: avg. costs between commendable and acceptable levels
Significant Input from Providers and Patients

- **Providers, patients, family members**, and other stakeholders who helped shape the new model in public workgroups
- **500+**

- **Public workgroup meetings** connected to 6–8 sites across the state through videoconference
- **20+**
- **Public town hall meetings** across the state
- **17**

- **Months of research**, data analysis, expert interviews and infrastructure development to design and launch episode-based payments
- **24**

- **Updates with Arkansas provider associations** (AHA, AMS, Arkansas Waiver Association, Developmental Disabilities Provider Association)
- **Monthly**
Case for Change

Total average cost per episode post-risk adjustment by Principal Accountable Provider, 2008-2010

**Simple upper respiratory infection**¹

<table>
<thead>
<tr>
<th>Description</th>
<th>Median cost</th>
<th>10% percentile</th>
<th>90% percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total episodes</td>
<td>~80,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median cost</td>
<td>$57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% percentile</td>
<td>$44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90% percentile</td>
<td>$76</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Pregnancy**²

<table>
<thead>
<tr>
<th>Description</th>
<th>Median cost</th>
<th>10% percentile</th>
<th>90% percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total episodes</td>
<td>~30,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median cost</td>
<td>$3,608</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% percentile</td>
<td>$3,208</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90% percentile</td>
<td>$4,071</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ADHD**³

<table>
<thead>
<tr>
<th>Description</th>
<th>Median cost</th>
<th>10% percentile</th>
<th>90% percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total episodes</td>
<td>~20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median cost</td>
<td>$1,641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% percentile</td>
<td>$1,073</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90% percentile</td>
<td>$7,046</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total hip replacement**

<table>
<thead>
<tr>
<th>Description</th>
<th>Median cost</th>
<th>10% percentile</th>
<th>90% percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total episodes</td>
<td>140</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median cost</td>
<td>$7,953</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% percentile</td>
<td>$5,867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90% percentile</td>
<td>$12,814</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Episode costs for children less than 10 risk-adjusted by a historically-derived multiplier.
² Individual episode costs risk-adjusted for clinical drivers of severity based upon historically-derived multipliers.
³ Eligible defined as ADHD without comorbidities between ages 6 and 17.

SOURCE: Arkansas Medicaid claims data; Team analysis
Clinical Input Guides Patient Journey: Perinatal Episode Example

Initial Assessment → Prenatal Care → Prenatal Care → Complications → Prenatal Care → Prenatal Care → Vaginal Delivery

Early Pregnancy (1st and 2nd Trimester) → Late Pregnancy (3rd Trimester) → Delivery

C-section → Unplanned C-section → C-section
PAPs are Provided with New Tools to Measure and Improve Care

Reports provide performance information for PAP’s episode(s):

- Overview of **quality** across a PAP’s episodes
- Overview of **cost effectiveness** (how a PAP is doing relative to cost thresholds and relative to other providers)
- Overview of **utilization** and drivers of a PAP’s average episode cost
### Wave 1 Episodes

<table>
<thead>
<tr>
<th>Total Hip/ Knee replacement</th>
<th>• Surgical procedure plus related claims 30 days prior to 90 days after</th>
<th>Orthopedic surgeon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perinatal (non-NICU)</td>
<td>• Pregnancy-related claims for mother 40 wks before to 60 days after delivery</td>
<td>Delivering provider</td>
</tr>
<tr>
<td>Ambulatory URI</td>
<td>• 21-day window beginning with initial consultation</td>
<td>First provider to diagnose patient in-person</td>
</tr>
<tr>
<td>Congestive Heart Failure Admission</td>
<td>• Hospital admission and care within 30 days of discharge</td>
<td>Admitting hospital</td>
</tr>
<tr>
<td>ADHD</td>
<td>• 12-month episode including all ADHD services plus pharmacy costs</td>
<td>Physician or licensed mental health provider</td>
</tr>
</tbody>
</table>
How the Episode Payment Model Works

Year 1 results

Average cost per episode for each provider

Individual providers, in order from highest to lowest average cost

- **Shared Savings**
- **Savings/Cost Neutral**
- **Shared Cost**

*Quality of care protected by limits on gain sharing and required quality metrics*
## Current Arkansas Multi-payer Episode Participation

<table>
<thead>
<tr>
<th>Episodes</th>
<th>Multi-Payer Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Respiratory Infection</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Attention Deficit Hyperactivity Disorder</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Perinatal</td>
<td>Medicaid, QualChoice</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Total Joint Replacement (Hip &amp; Knee)</td>
<td>Medicaid, QualChoice</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>Medicaid, QualChoice</td>
</tr>
<tr>
<td>Cholecystectomy (Gallbladder Removal)</td>
<td>Medicaid, QualChoice</td>
</tr>
<tr>
<td>Tonsillectomy</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Oppositional Defiance Disorder</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Coronary Artery Bypass Grafting</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Asthma</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Percutaneous Coronary Intervention</td>
<td>Medicaid, QualChoice</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease</td>
<td>Medicaid</td>
</tr>
<tr>
<td>Neonatal</td>
<td>Medicaid</td>
</tr>
<tr>
<td>ADHD/ODD Comorbidity</td>
<td>Medicaid</td>
</tr>
</tbody>
</table>
## Multi-payer Episode Volume 2012 - 2015

<table>
<thead>
<tr>
<th>Episode</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perinatal</td>
<td>8,716</td>
<td>9,167</td>
<td>16,095</td>
<td>9,920</td>
</tr>
<tr>
<td>TJR</td>
<td>964</td>
<td>870</td>
<td>1,104</td>
<td>954</td>
</tr>
<tr>
<td>URI</td>
<td>118,193</td>
<td>125,146</td>
<td>110,935</td>
<td>111,101</td>
</tr>
<tr>
<td>CHF</td>
<td>273</td>
<td>274</td>
<td>299</td>
<td>273</td>
</tr>
<tr>
<td>Colonoscopy</td>
<td>NA</td>
<td>10,547</td>
<td>9,854</td>
<td>9,676</td>
</tr>
<tr>
<td>Tonsillectomy</td>
<td>NA</td>
<td>3,363</td>
<td>3,505</td>
<td>3,874</td>
</tr>
<tr>
<td>Cholecystectomy</td>
<td>NA</td>
<td>2,448</td>
<td>2,176</td>
<td>1,878</td>
</tr>
<tr>
<td>ADHD</td>
<td>NA</td>
<td>3,048</td>
<td>3,630</td>
<td>4,426</td>
</tr>
<tr>
<td>CABG</td>
<td>NA</td>
<td>32</td>
<td>206</td>
<td>172</td>
</tr>
<tr>
<td>Asthma</td>
<td>NA</td>
<td>NA</td>
<td>4,248</td>
<td>4,280</td>
</tr>
<tr>
<td>COPD</td>
<td>NA</td>
<td>NA</td>
<td>1,286</td>
<td>981</td>
</tr>
<tr>
<td>ODD</td>
<td>NA</td>
<td>NA</td>
<td>2,981</td>
<td>3,183</td>
</tr>
<tr>
<td>PCI</td>
<td>NA</td>
<td>NA</td>
<td>748</td>
<td>608</td>
</tr>
</tbody>
</table>
ACHI Statewide Tracking Report

- Annual report tracks multi-payer progress

http://www.achi.net/pages/OurWork/Project.aspx?ID=112
Arkansas Episodes of Care Highlights

- **URI**: 28% drop in unnecessary antibiotic prescribing for non-specific URI from 2012-2015
- **Perinatal**: Sustained improvements in perinatal screening rates; reduced C-Section rates; 3-4% overall cost reduction compared to neighbor states
- **Tonsillectomy**: Path lab use down 48% for Medicaid; costs reduced by 5% for ARBCBS
- **Congestive Heart Failure**: Medicaid CHF costs reduced by 14% from 2014-2015
- **For 2015 Medicaid performance**: $519k in gain-share payments and $257k in risk-share
Implementation Challenge Example: ADHD Episode

• **Episode duration**: Year-long episode algorithm; technical updates can be more challenging

• **Multiple provider types**: Primary care physician vs RSPMI provider business model

• **Potential for coding subjectivity**: State saw substantial decrease in ADHD billing; simultaneous increase in billing for Oppositional Defiant Disorder

• **Provider Outreach**: Required one-on-one outreach to 400+ providers to discuss continued stimulant prescribing (inappropriate for ODD)
Other Model Comparisons with AR Model

• **AR model** is mandatory and assigns episode type-specific principal accountable provider;
  • Based on who has most ability to influence treatment decisions, cost and quality

• **Bundled Payment for Care Improvement (BPCI) Model** is voluntary and allows for variation in provider and participant types
  • Majority of participants are hospitals or skilled nursing facilities; option to assign individual physician champion or specialty coordinator for management responsibility
Arkansas Payment Improvement Initiative’s Integrated Model
Medical Home: Rollout Timeline

Multi-payer PCMH Coverage Strategy

Wave 1
Comprehensive Primary Care Initiative (CPC)
69 Practices

Wave 2
123 Practices

Start of wave:
October 2012

Wave 3
135 Practices

January 2014

Wave 4
178 practices

January 2015

Wave 5
192 Practices with 182 enrolled in new CPC+ Initiative

January 2016

January 2017
2017 Participation in PCMH and CPC+

- Medicaid PCMH Clinic (192)
- CPC+ Clinic (127)
- PCMH and CPC+ Clinic (55 w/ 100% of PCPs in CPC+)

*182 CPC+ Clinics overall
Medicaid: Reductions in Hospitalizations and ER Visits Indicate Improved Quality and Cost

Hospitalizations per 1,000 Beneficiaries

- CY2014: 80.1
- CY2015: 66.9
- Reduction: -16.5%

Emergency Room Visits per 1,000 Beneficiaries

- CY2014: 630.5
- CY2015: 595.2
- Reduction: -5.6%

Source: AR DHS Q415 reports
Of the $660.9M predicted total cost of care, $606.5M is the actual cost, $54.4M is the generated cost avoidance.

Of the $54.4M in cost avoidance:
- $14.8M has been reinvested back into the provider community
- $39.6M represents total net cost avoidance
- $4.6M shared savings payments to providers for CY2015

MAY 2017 Final Reconciliation
PCMHs Receiving Shared Savings in 2017

- For Medicaid, 22 Provider Groups received Shared Savings
- Amounts from $35k to $1.54 million
Provider Reporting Opportunity: Transparency of Information

- Billions of claims processed for reports; display quality, cost and utilization
- Facilitates integration of primary care and specialty support via episodes
- Episode PAP engagement w/ PCP prospectively for elective opportunities, and re-engagement for all opportunities
- New for 2017, PCPs now receiving information on specialist referral sources
- **Overall value**: Reporting transparency provides more effective tools than have been available
Statewide Learning Network

As part of the governor’s Healthy Active Arkansas framework, the Arkansas Center for Health Improvement (ACHI) is hosting a series of Statewide Learning Network meetings to inform, recruit, and mobilize new champions to assist us and our partners in addressing the state’s obesity crisis. Click here for more information and materials distributed at the regional meetings.
Follow ACHI on Social Media

@ACHI_net
@JoeThompsonMD
@ARCeterForHealthImprovement
@ACHI_net
www.ACHI.net
Agenda

- Introduction to the Health Care Transformation Task Force
- Scan of State Bundled Payment Models
- Case Study: Arkansas Payment Improvement Initiative
- Reactant: Commercial Payer Perspective
- Q&A
- Upcoming Webinars
Payer Perspective

Andrew Baskin, MD
National Medical Director

Ohio Episode-Based Payment Charter for Payers
Agenda

- Introduction to the Health Care Transformation Task Force
- Scan of State Bundled Payment Models
- Case Study: Arkansas Payment Improvement Initiative
- Reactant: Commercial Payer Perspective
- Q&A
- Upcoming Webinars
Questions?

Use the question box on the Zoom screen

To access our materials and the recording of this webinar, please visit: http://hcttf.org/bundled-payments/
Agenda

• Introduction to the Health Care Transformation Task Force
• Scan of State Bundled Payment Models
• Case Study: Arkansas Payment Improvement Initiative
• Reactant: Commercial Payer Perspective
• Q&A

• Upcoming Webinars
Upcoming Webinars

**September**

*Social Services Integration: Effective Financing Strategies*

- An in-depth discussion of financing mechanisms used by health care organizations to fund the integration of social services into medical care.

**October**

*The Path to Transformation: Moving an Organization from Volume to Value*

- Introduction of the Dimensions of Transformation Matrix, an overview of analysis/findings from interviews with strategic leaders, and member case studies.

**November**

*The Essential Elements of Effective Accountable Care*

- An overview of best practices and key learnings from interviews with ACO that were successful earning shared savings and high quality marks in the Medicare ACO programs.

To sign up for invitations to our webinar series, please visit: [http://hcttf.org/sign-up](http://hcttf.org/sign-up)