

# Medicaid Value-based Purchasing

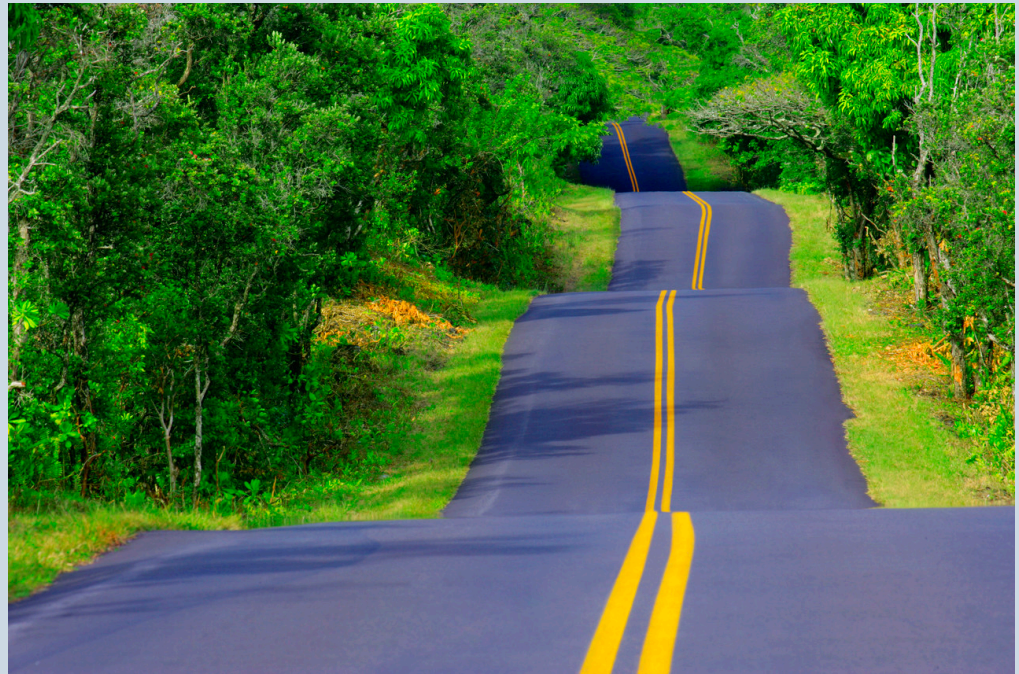
Georgetown Center for Children and Families  
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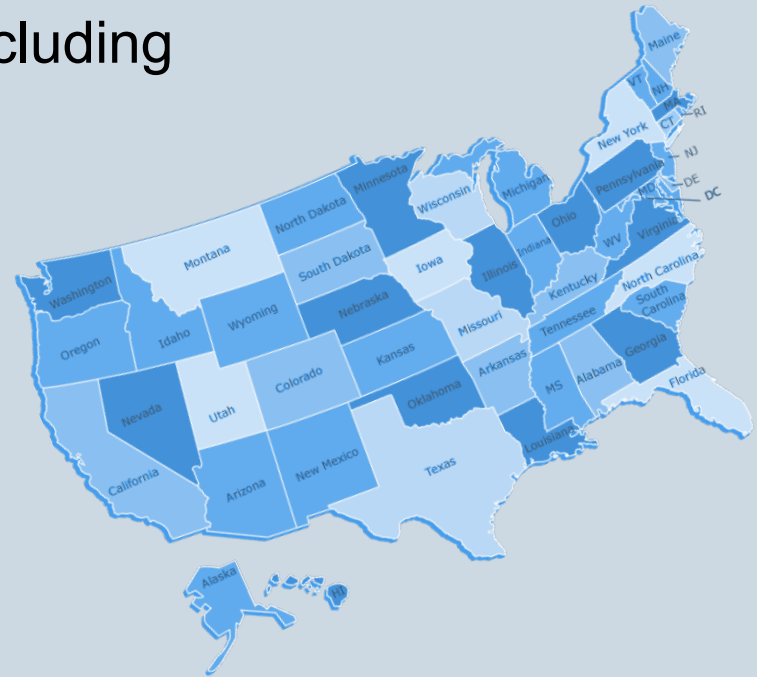
# Overview

1. Level setting: NAMD & the Medicaid state of play
2. Medicaid value-based purchasing
3. Payment reform opportunities & challenges
4. Key takeaways



# National Association of Medicaid Directors

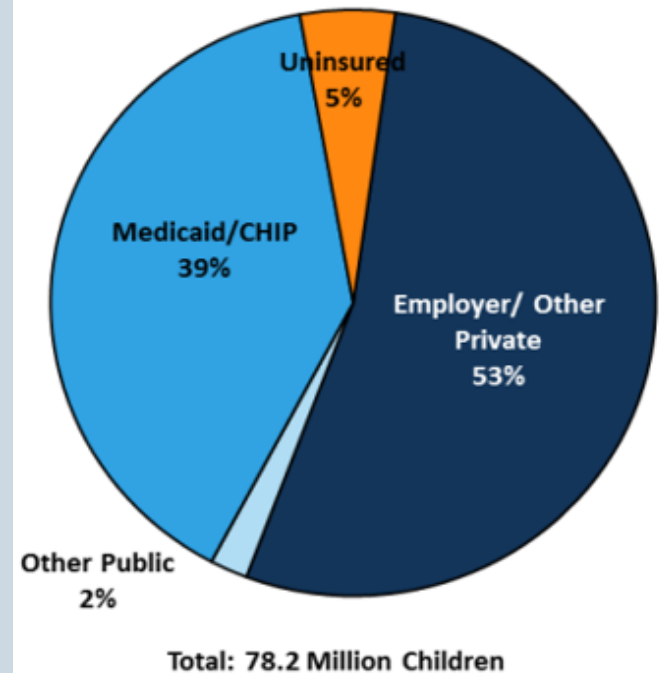
- Bi-partisan, standalone association
- Represent 56 Medicaid directors, including DC and territories
- Our mission is to...
  - Be the **consensus voice** of state Medicaid Directors in federal policy process
  - Support **sharing of best practices** around key state priorities



# The Medicaid Context

- Single largest source of public health insurance, covering 74 million people
- Nearly 40 percent of all children and nearly half of all births
- Largest payer of long-term care
- Increasing role in covering low-income childless adults

Health Insurance Coverage of Children - 2015 (KFF)



# The Medicaid Context



- Total Medicaid spending in FY 2016 was **\$550 billion**
- Almost 2/3 of Medicaid spending for services is for **elderly and persons with disabilities**, who make up just 1/4 of Medicaid enrollees.
- In FY11, 5% of Medicaid beneficiaries with the highest costs drove more than **half of all Medicaid spending**.

# The Medicaid Context

- Post election, significant changes
- Three front burner issues:
  1. Repeal and replace of Affordable Care Act (congressional)
  2. Medicaid as entitlement reform (congressional)
  3. New leadership at HHS and promise of state flexibility (Administration)



# Where does NAMD stand?

## ➤ Bipartisan

- No position on repeal and replace
- No position on per capita caps or block grants
- NAMD statement on Better Care Reconciliation Act cost shifting to states

## ➤ Rather, key Medicaid considerations...

- **Involve Medicaid Directors** in legislative proposals as the “expert mechanics.”
- **Strengthen the federal-state partnership** that underpins the Medicaid program.
- Any federal Medicaid **resource limitations must be paired with flexibility** to address underlying cost drivers.

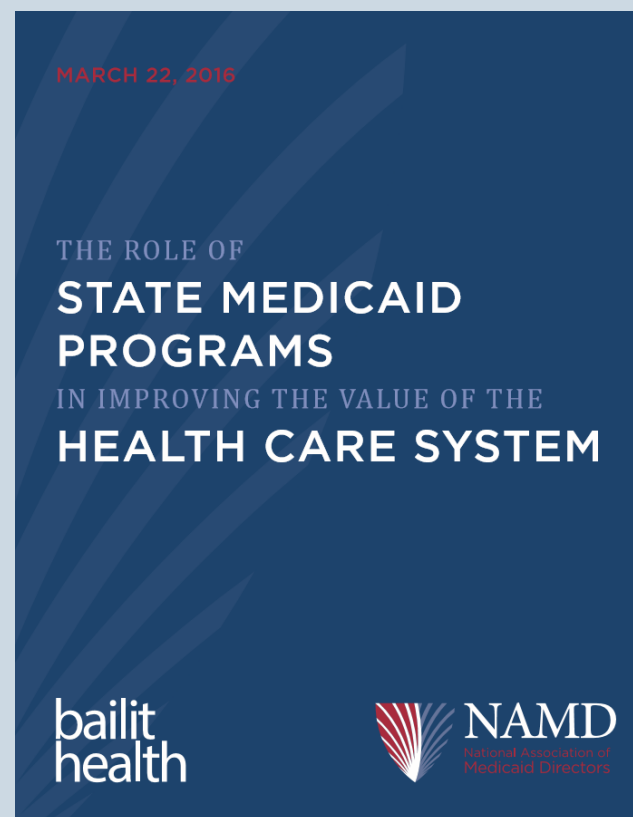
# Medicaid Value-based Purchasing & APMs





# Medicaid Value-based Purchasing Study

- NAMD/Bailit Health report on Medicaid alternative payment models – March 2016
- Developed through partnership with The Commonwealth Fund
- Mixed methods approach
- Findings based on 34 of states and sample of 5 Medicaid MCOs



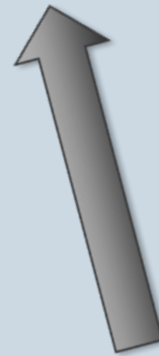
# Overarching Findings

- Payment reform **happening nationally** in Medicaid
- How APMs are being implemented **varies by state**
- Occurring **through MCOs and direct contracting** with providers
- Initial focus on **primary and acute care**; some states beginning to focus on long-term care and behavioral health
- States with State Innovation Model (SIM) grants and Delivery System Reform Incentive Payment (DSRIP) Programs tend to be **further along**

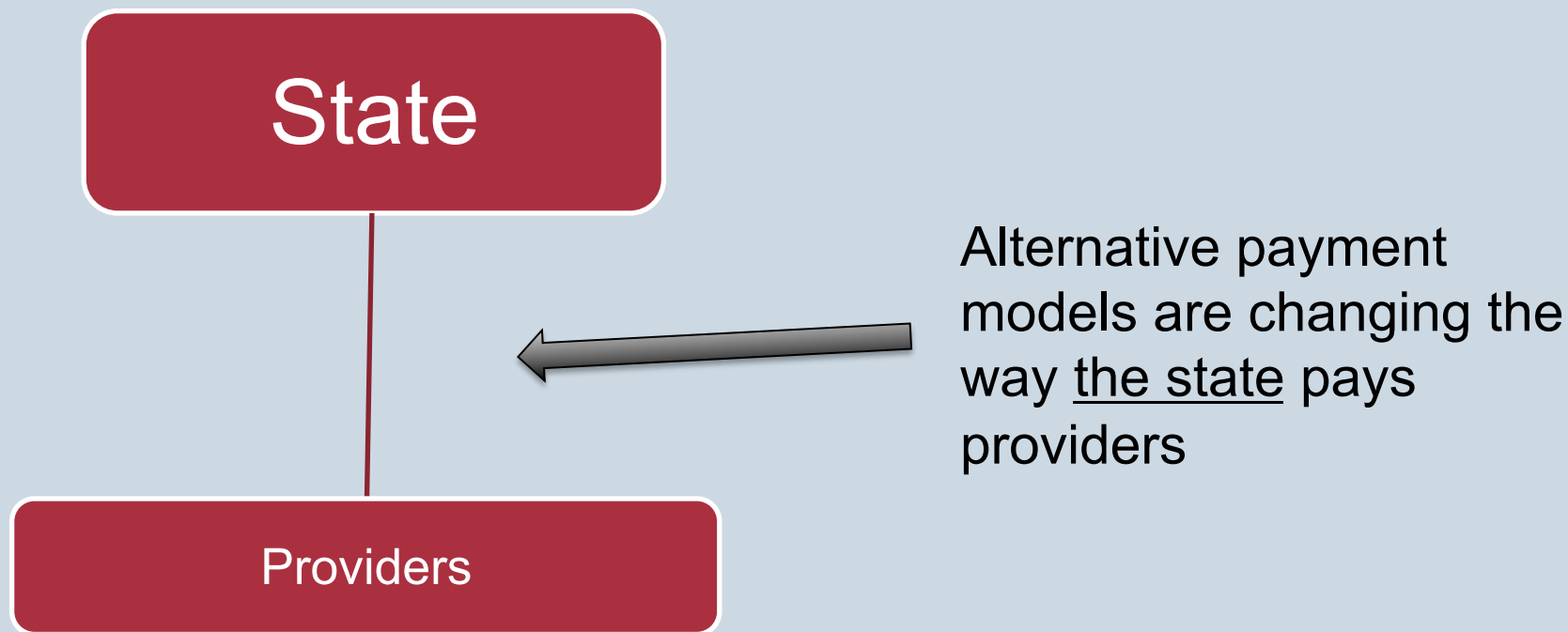


# Some definitions...

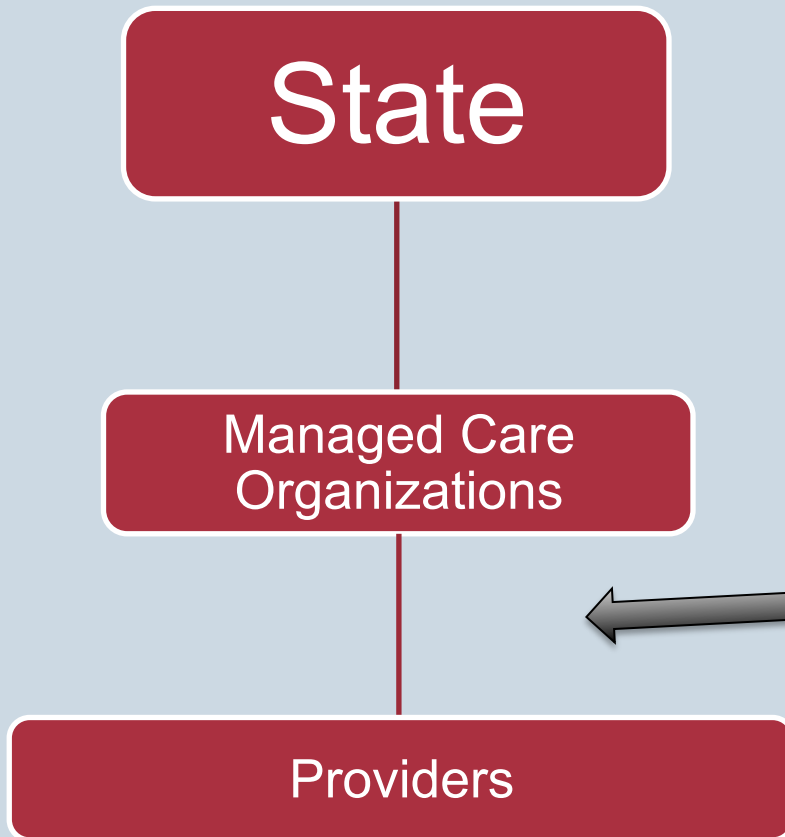
- **Value-based purchasing (VBP):** business strategy to maximize benefit received when buying goods/ services
- **Alternative Payment Models (APMs)** reward health care providers with higher/better payment methods based on provider's performance on cost and quality



# Alternative Payment Models in a Fee-for-Service Delivery System



# Alternative Payment Models in a Managed Care Delivery System



Alternative payment models are changing the way MCOs pay providers

# MCOs and APMs

- APMs are **shaking up the traditional swim lanes** between states, MCOs and providers
- Many states **require or encourage** MCOs to increase use of value-based purchasing
- **State approaches vary:**
  - Promote use of alternative payment models by MCOs
  - Medicaid agency provides financial incentives for MCOs to use APMs
  - Contractually require MCOs to implement MCO-defined APMs
  - Medicaid agency designs an APM and contractually requires MCOs to implement it

# Most Common Medicaid APMs

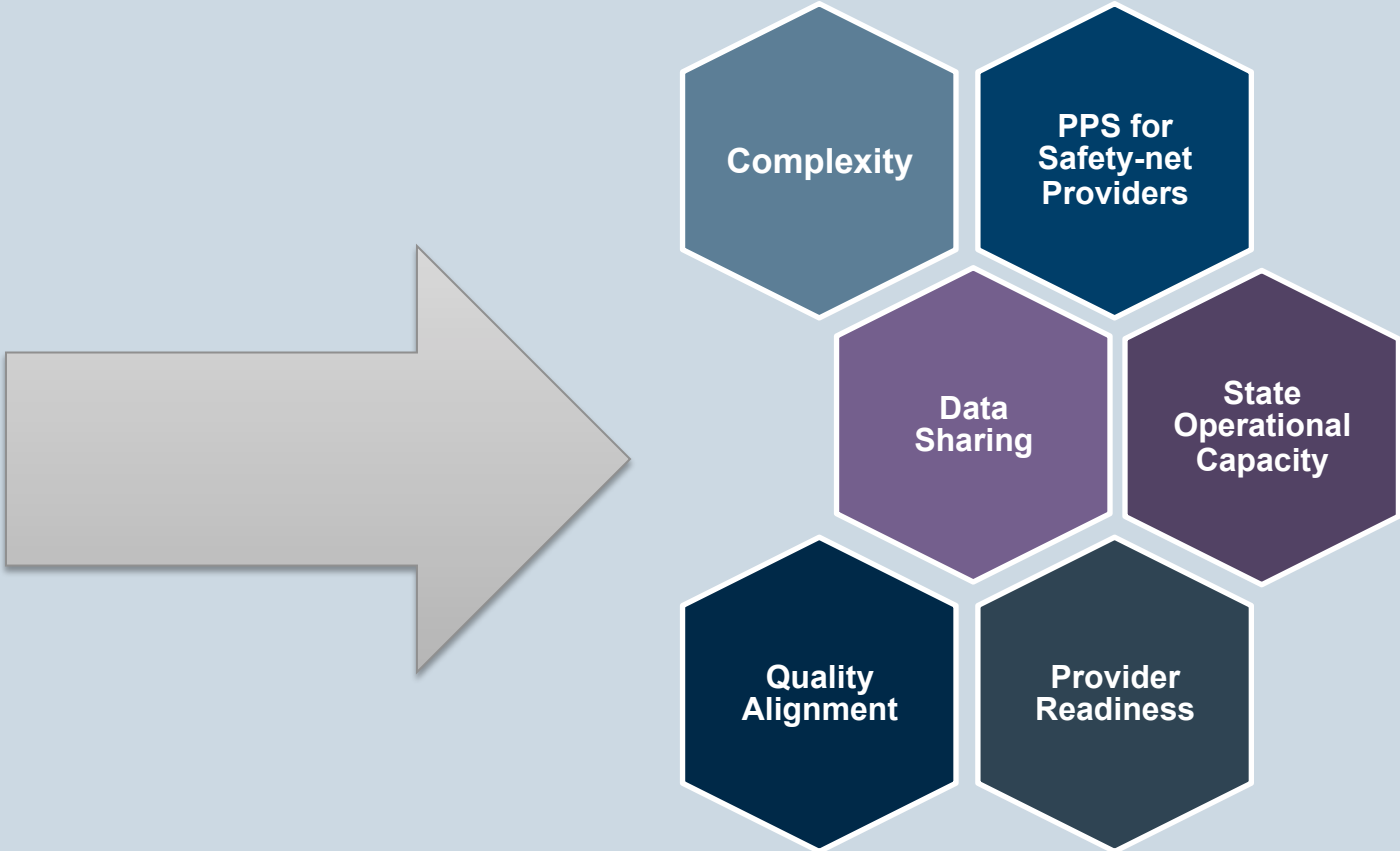
- **Additional Payments to Providers in Support of Delivery System Reform**
  - Per member per month payment on top of fee-for-service payments for care management or practice transformation
  - Typically supports patient-centered medical homes and/or Health Homes
- **Episode-based Payments**
  - Provider financially accountable for a defined and discrete set of services over limited time
  - Focused on identifying and improving clinical pathways
- **Population-based Payments**
  - Providers responsible for a comprehensive set of services for a patient population
  - Potential to share in savings/risk based on actual costs & quality

# Pediatric Populations and Value-based Purchasing

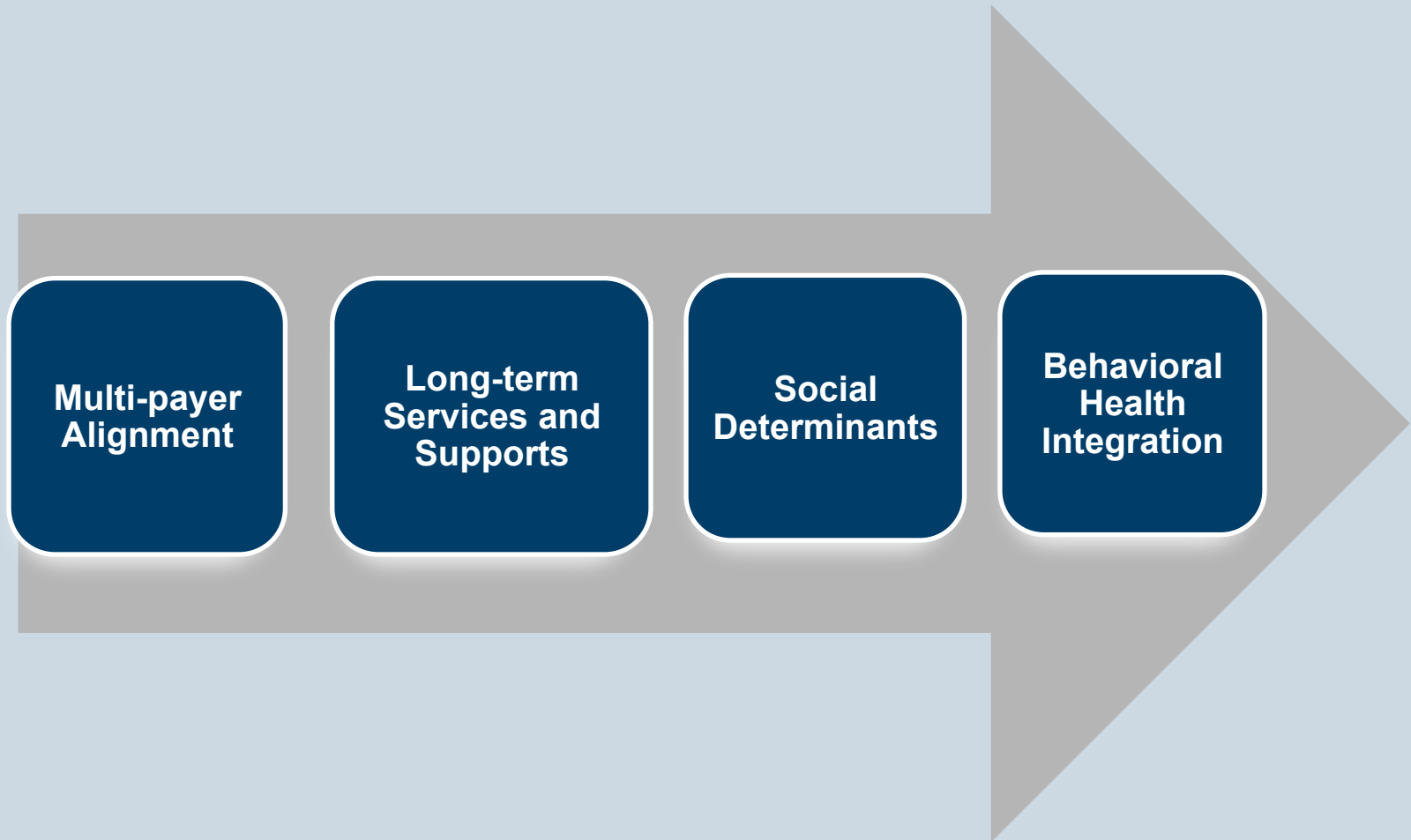
- Objective to broadly align payment strategies while accounting for unique needs of beneficiaries, including children
- Examples of pediatric models:
  - Colorado patient-centered medical homes
  - Wisconsin foster care pilot program (Care4Kids)
  - New York State pediatric health homes
  - Episodes focused on children and pregnant women
- Need for federally-led multi-payer models to include pediatric focus (i.e., CPC+)



# Challenges in Medicaid APMs



# Opportunities in Medicaid APMs



# The Road Ahead for Medicaid Payment Reform

- Legislative activity creating uncertainty for states (and the rest of the health care system).
- Regardless of legislative outcome, payment reform will **continue to be a state priority**.
  - Underlying cost drivers of health care system
  - Ensure sustainability of program
- There may be opportunities for Administration to **support uptake of Medicaid APMs** through:
  - Revised regulations and oversight processes
  - Ongoing federal investment in the state reform infrastructure – i.e., SIM, DSRIP, etc.

# Questions?

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