Accountable Care NEWS

What's On Your Mind?

The Future of Medicare's Episode-Based Payments

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There is currently much uncertainty regarding the future direction of Medicare payment models. The Center for Medicare and Medicaid Innovation (CMMI), tasked with developing and testing innovative healthcare payment and service delivery models, recently released a request for information seeking input from stakeholders on "…a new direction to promote patient-centered care and test market-driven reforms that empower beneficiaries as customers; provide price transparency; and increase choices and competition to drive quality, reduce costs and improve outcomes."[1]

Given the many drivers of change in payment and service delivery reform recently, providers that have been working to redesign their care delivery to align with the value-based payment goals of Medicare are asking themselves if value-based payment is here to stay and whether it is worth the continued investment. Episode-based payment (also referred to as bundled payment) is an example of one value-based, payment methodology that has heavily influenced Medicare fee-for-service in recent years.

It sets a fixed price for a collection of temporally or clinically related services that may vary across patients. CMMI has rolled out numerous episode-based, pay-ment programs in recent years, and they are one of the most pervasive payment reform models currently being implemented within the Medicare fee-for-service program. There are more than 1,000 provider participants in the Bundled Pay-ments for Care Improvement (BPCI) models[2] and nearly 800 hospitals involved in the Comprehensive Care for Joint Replacement (CJR) model program.[3]

CMS has proposed, subsequently delayed and then proposed cancellation of an additional mandatory episode-based, payment program, the Episode Payment Models (EPMs), which would have implemented mandatory episode-based payments for cardiac and orthopedic conditions in select metropolitan areas nationwide. It is useful to consider the multiple factors that influenced EPM design before necessarily concluding that this proposed cancellation of EPMs is evidence that Medicare's implementation of episode-based payment models is over.

Mandatory Nature of Models

Tom Price, former secretary of the U.S. Department of Health and Human Services (HHS), has been a vocal opponent of mandatory payment models. In a letter to Acting Administrator Andrew Slavitt and Deputy Administrator Patrick Conway penned on Sept. 29, 2016 by Tom Price, then a Georgia congressman; Charles Boustany, Jr., a former Louisiana congressman; and Erik Paulsen, congressman from Minnesota and signed by 176 other members of Congress, the authors asserted "…we insist CMMI stop experimenting with Americans' health and cease all current and future planned mandatory initiatives within the CMMI."[4]

Due to this action, few were surprised when HHS took the opportunity to cancel the mandatory EPMs under Price's tenure. While some would argue that making the EPMs voluntary would have been an alternative option, it is worth noting that the EPM pricing methodology depended in part upon regional spending with fully regional prices in the later years of the program. As such, it would have been unlikely that the Centers for Medicare & Medicaid Services (CMS) could achieve savings in the model if it were made voluntary.

If voluntary, it is likely those organizations that would be paid more under a regional pricing mechanism would have volunteered to participate, and those that would be paid less would have elected not to participate. This could mean that CMS could on average be paying systematically more for services affected by the model than they had historically.

Potential Voluntary Episode-based Payment Models

CMS has noted publicly that it intends to release a voluntary episode-based payment model in the near future, which would replace the current BPCI program (slated to expire at the end of September 2018).[5] In a voluntary episode-based payment model, CMS could implement benchmarking methodologies that would compare participant performance to a participant's own historical performance instead of a regional average performance. In this model of comparison with historical performance, CMS would still save money.

If a voluntary episode-based, payment model is likely forthcoming, CMS has the opportunity to roll EPM clinical conditions, including acute myocardial infarction, coronary artery bypass grafts and surgical hip and femur fracture treatment, into the new

voluntary program. Because the forthcoming model has the potential to solve the issues of not requiring participation and CMS savings, CMS might see this as a better option than allowing EPMs to proceed or canceling them without creating another opportunity to test episode-based payments.

However, there is not yet a definitive solution by CMS as to whether a voluntary model is better than proceeding with EPMs or canceling them.

If the current administration continues to support episode-based, payment models, voluntary models will likely be preferred, and there will be a balance between hospital-focused and physician-focused models. Some provisions of models may differ from historical precedents; for example, there was an overlap provision that disallowed beneficiaries from being in both EPMs and a prospectively aligned accountable care organization (ACO) in the recent EPM rule, a provision that would simplify the administration of these types of programs for CMS.

The Quality Payment Program (QPP), which changes the way physicians are paid under Medicare fee-for-service based on provisions outlined in MACRA, will also likely be a driver of change at CMS and the development of new payment models. Under QPP, physicians are offered incentive payments for participating in advanced alternative payment models (A-APMs). However, for many types of physician specialists, A-APMs are currently unavailable.[6] CMS is being pressured by providers to create and implement A-APMs that would give physicians an opportunity to enter the A-APM track under QPP.

The MACRA statute included a provision to create a Physician-focused Payment Model Technical Advisory Committee (PTAC), which is tasked with reviewing proposals for APMs and making a recommendation to the secretary of HHS related to their implementation.[7] The PTAC continues to receive numerous proposals and letters of intent, which are posted on their public website.

As of October 2017, 12 of 18 proposals received by the PTAC suggest an episode-based, payment methodology. While CMS has not yet implemented any of the models proposed to the committee, this demonstrates the interest of the provider community in continuing the investment in episode-based, payment models.

Based on these many indications of interest in bundled payment models, they seem to be far from over; however, this is not a foregone conclusion. CMS recently proposed adjustments to the CJR model, which if finalized, would make it voluntary in half of the previously mandated regions, indicating CMS' willingness to roll back these types of models. In addition, the long anticipated announcement of the forthcoming voluntary bundled payment program has been repeatedly delayed, which could indicate hesitation on the part of the new administration to expand these models further despite the strong support for them in the industry.

[1] "Centers for Medicare & Medicaid Services: Innovation Center New Direction." Center for Medicare and Medicaid Innovation. Accessed Nov. 9, 2017.
[2] "Where Innovation Is Happening." Center for Medicare and Medicaid Innovation. CMS.gov. Accessed Nov. 9, 2017.
[3] "Comprehensive Care for Joint Replacement Model." CMS.gov. Updated Oct. 13, 2017.
[4] Price T, Boustany CW, Paulsen E. "Letter to Andrew Slavitt and Patrick Conway." Centers for Medicare & Medicaid Services. Sept. 29, 2016.
[5] Ritter CS. "HHS/CMS Keynote Address." The Seventh National Bundled Payment Summit. June 28, 2017.
[6] "Alternative Payment Models in the Quality Payment Program." Centers for Medicare & Medicaid Services. Accessed on Nov. 9, 2017.
[7] "Proposal Submissions: Physician-Focused Payment Model Technical Advisory Committee." Office of the Assistant Secretary of Planning and Evaluation. Accessed Nov. 9, 2017.

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