Advancing Healthcare Value

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HHSC
Value Based Purchasing (VBP): The What and Why

What is VBP?

Often referred to as **Alternative Payment Models (APMs)**, they are payment approaches that incentivize high-quality and cost-efficient care (i.e. link portions of healthcare payment to measure(s) of value). They can apply to a specific clinical condition, a care episode, or a population. They could incorporate financial risk and rewards or simply be rewards-based.
Value Based Purchasing (VBP): The What and Why

Why VBP?

Numerous Studies on healthcare “waste” (i.e. opportunities for improved outcomes and increased efficiency) indicate fee-for-service payment models contribute to a large percentage of excess expenditures, as they do not align payment with value, but rather billable patient encounters (incentivize volume over value).

In Texas Medicaid/CHIP, most populations, services and supports have been subsumed under managed care...BUT... provider payments by MCOs historically have been largely rooted in fee for service payment methods...
VBP/APM in Texas and Nationally

- Past legislative sessions have provided HHS with many tools for aligning payment with value and driving value through the Medicaid/CHIP programs
- Advisory Committees to help provide guidance to HHSC
- Most Medicaid programs around the country are proceeding down this path, some very aggressively
- Medicare and Commercial carriers have moved in this direction
- Takes place in a dynamic, multi-payer environment
# A Common Framework for Different Initiatives

<table>
<thead>
<tr>
<th>CATEGORY 1</th>
<th>CATEGORY 2</th>
<th>CATEGORY 3</th>
<th>CATEGORY 4</th>
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<tbody>
<tr>
<td><strong>FEE FOR SERVICE - NO LINK TO QUALITY &amp; VALUE</strong></td>
<td><strong>FEE FOR SERVICE - LINK TO QUALITY &amp; VALUE</strong></td>
<td><strong>APMS BUILT ON FEE-FOR-SERVICE ARCHITECTURE</strong></td>
<td><strong>POPULATION - BASED PAYMENT</strong></td>
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<td>Foundational Payments for Infrastructure &amp; Operations (e.g., care coordination fees and payments for HIT investments)</td>
<td>APMs with Shared Savings (e.g., shared savings with upside risk only)</td>
<td>Condition-Specific Population-Based Payment (e.g., per member per month payments for specialty services, such as oncology or mental health)</td>
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<td>Pay for Reporting (e.g., bonuses for reporting data or penalties for not reporting data)</td>
<td>APMs with Shared Savings and Downside Risk (e.g., episode-based payments for procedures and comprehensive payments with upside and downside risk)</td>
<td>Comprehensive Population-Based Payment (e.g., global budgets or full/percent of premium payments)</td>
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<tr>
<td>Pay-for-Performance (e.g., bonuses for quality performance)</td>
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<td>Integrated Finance &amp; Delivery System (e.g., global budgets or full/percent of premium payments in integrated systems)</td>
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<td>Risk Based Payments NOT Linked to Quality</td>
<td>Capitated Payments NOT Linked to Quality</td>
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Key HHS Value Based Purchasing (VBP) Programs

- MCO Pay for Quality
- DMO Pay for Quality
- Hospital Pay for Quality
- MCO payment reform (VBP) effort with providers (contractual targets for VBP)
- Delivery System Reform Incentive Payment (DSRIP) program
- Quality Incentive Payment Program (QIPP)
- Other
MCO Contract Targets for VBP/APM

• CY2018: 25% of MCO Medical Spend must be in a VBP/APM. 10% must be in risk-based VBP/APM
• CY2021: 50% of MCO Medical Spend must be in a VBP/APM. 25% must be in risk-based VBP/APM
• DMOs: 25%/2% in 2018., and 50%/10% in 2021
• Other required activities
• Exception
• PMPM Penalties for not hitting targets
## MCO Contract Targets for VBP/APM

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<tr>
<th>VBP Model</th>
<th>Numerator</th>
<th>Denominator</th>
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<tr>
<td>1  FFS with upside bonus for achievement of quality metric or other identified measure (i.e. after hours)</td>
<td>Total base FFS payments based on provider claims processed by MCO plus bonuses earned by provider for period of measurement</td>
<td>Total medical expenses by MCO (medical and pharmacy) for period of measurement</td>
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<td>2  FFS with bonus and downside risk</td>
<td>Total base FFS payments based on provider claims processed by MCO plus net bonuses earned by provider for period of measurement</td>
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<td>3  Partial Capitation</td>
<td>Total capitated payments made by MCO to provider plus net bonuses earned by provider for period of measurement</td>
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<td>4  Bundled Payment</td>
<td>Total bundled payments made by MCO to provider plus net bonuses earned by provider for period of measurement</td>
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<td>5  Episode of Care Payment</td>
<td>Total episode based payments made by MCO to provider plus net bonuses earned by provider for period of measurement</td>
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<tr>
<td>6  VBP models 1-5 that have a provider risk/reward component based on total cost of care of enrollee</td>
<td>Total paid claims for enrollees served under VBP model for period of measurement plus bonuses/recoupments based on total cost of care targets established between MCO and provider</td>
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<td>7  Hospital Quality Based Payment Program for PPR/PPC</td>
<td>Total inpatient claims paid to network hospitals plus safety net hospital incentives paid to hospitals for period of measurement</td>
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<tr>
<td>8  Full Capitation</td>
<td>Capitated payments made by MCO to provider plus net bonuses earned by provider for period of measurement</td>
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VBP - Key Issues Going Forward

- Paradigm shift - examine roles/relationships, level of support and overall structure
- Keep administrative simplification at the forefront
- Workable solutions for wide variety of providers: rural-urban, high volume-low volume, those that have developed infrastructure-those that do not, etc.
- Data analytics and business intelligence infrastructure at the HHSC level, MCO level, and provider levels needs to be developed
VBP- Key Issues Going Forward

- Regular, data-driven engagement of MCOs and providers to assess progress, highlight best practices, identify barriers (and remove if possible)
- Are investments needed?
- Examination of MCO rate setting in a value-based system
- Movement thru VBP continuum
- Patient attribution
- Knowledge transfer (topical webinars, sharing what works, lessons learned, etc.)
- Public reporting
Helpful HHSC Web Resources


EQRO Portal: A Tool for MCOs and Providers

Origin and purpose:
• Tool for MCOs
• Public reporting
• Tool for providers
Questions?

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