



State Innovation Model

Payment Reform Strategy Update
June 30, 2016

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Objectives for Today's Discussion

- Review *Michigan Blueprint for Health Innovation* Payment Reform Foundation
- Review State Innovation Model (SIM) efforts to align with the *Blueprint's* principles
- Highlight the impact of recent federal actions on payment reform and delivery system transformation
- Discuss the modified SIM Payment Reform approach
- Discuss next steps and opportunities for engagement in payment reform development

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Foundation for Payment Reform in *Michigan's Blueprint for Health Innovation*

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Development of *Michigan Blueprint for Health Innovation*

2013

Developed conceptual framework for healthcare payment and delivery system transformation: *Michigan's Blueprint for Health Innovation*.

2014

Submitted *Blueprint* and developed funding proposal for testing implementation of the concepts in the *Blueprint*.

2015

Received 4-year award for planning and implementing healthcare payment and delivery system reform.

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Michigan Blueprint for Health Innovation:
Payment Reform Vision

• **Goals:**

- Multi-payer alignment around payment methods
- Reward improved health outcomes and lower health care costs
- Move away from fee-for-service payment
- Invest in care delivery change and technology adoption
- Move towards overall population health improvement in a community

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Michigan Blueprint for Health Innovation:
Payment Reform Vision

• **The *Blueprint's* Conceptual Payment Framework:**

| Model Element | Payment Options |
|-------------------------------|---|
| Patient Centered Medical Home | <ul style="list-style-type: none"> • Care management payments (risk-adjusted) • Practice transformation payments • Pay-for-performance incentives |
| Accountable Systems of Care | <ul style="list-style-type: none"> • Same as above • Shared savings upside only • Shared savings upside/downside • Partial capitation for defined services • Global payment for high cost conditions |

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Original State Innovation Model (SIM) Efforts to Align with *Michigan's Blueprint for Health Innovation*

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Original Strategic Approach to SIM Payment Reform: February 2015 to April 2016

- Principles

- Leverage 3-year SIM opportunity to pursue the vision in the *Blueprint*
- Collaboration with Medicaid; leading through the Medicaid program
- Collaboration with other payers; attending to their implementation realities
- Collaboration with provider groups; recognizing their operational constraints
- Collaboration with existing multi-payer efforts; learning from their experience and building upon existing payment models
- Consider the potential for sustainability before starting implementation; accounting for scope of investment and

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Original Strategic Approach to SIM Payment Reform:
February 2015 to April 2016

- February—May 2015: Starting with the *Blueprint's* conceptual framework, we developed and administered a Statewide, self-report capacity assessment to determine potential entities capable of implementing the payment methods described.
- February—May 2015: Began developing draft proposals for payment methodologies that would provide more detail to the conceptual frameworks outlined in the *Blueprint*.
- May—October 2015: MDHHS stakeholder engagement for SIM was put on hold due to the procurement of the MDHHS Medicaid managed care program contract (negotiated no-cost extension of SIM year 1 to end July 31, 2016).

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Original Strategic Approach to SIM Payment Reform:
February 2015 to April 2016

- ***Blueprint/SIM Timeline vs. Medicaid managed care RFP Timeline:***

| <i>Blueprint/SIM Timeline</i> | <i>Medicaid managed care RFP Timeline</i> |
|---|---|
| Apr-Dec 2013: <i>Blueprint</i> conceptual framework developed. | -- |
| Jan-Oct 2014: Proposal for funding developed based on conceptual framework, submitted, and negotiated with CMS. | Sept-Dec 2014: RFP conceptual framework developed. Contract details developed, incorporating SIM concepts. |
| Dec 2014: Notified of funding award. | Dec 2014-Apr 2015: Developed and finalized RFP submission requirements and evaluation process. |
| Feb-Oct 2015: Pre-implementation started, designing details to implement concepts was a high-priority. Engaging Medicaid payers was essential, and providing them with details on SIM concepts would have compromised the integrity of the bid process. | May-Oct 2015: Contract and RFP released for bid, requesting bidders to describe their alignment with SIM concepts. With the potential for out-of-state bidders with unequal access to MDHHS SIM staff, there was the potential of inadvertently advantaging some bidders over others. |

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Original Strategic Approach to SIM Payment Reform: February 2015 to April 2016

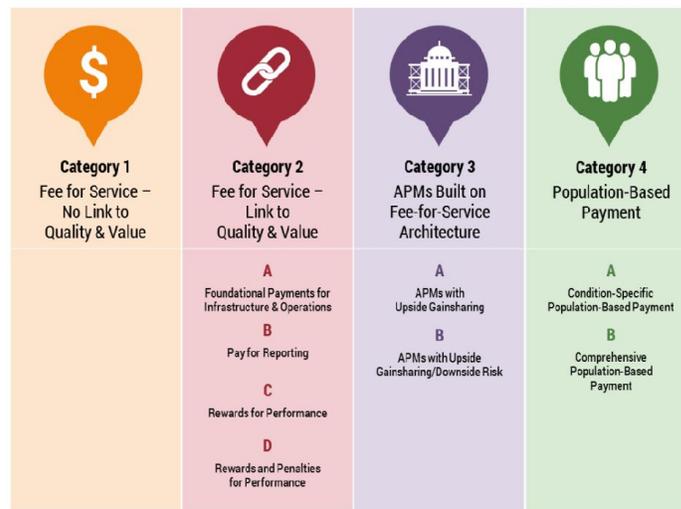
- May—October 2015: Analyzed results of self-report capacity assessments received, and determined a tiered list of organizations to approach following the procurement process.
- May—October 2015: Began processing draft proposals for payment methodologies within MDHHS to ensure alignment with existing efforts, and feasibility and resource needs for implementation.
- October 2015—February 2016: Held 40+ one-on-one conversations with organizations potentially capable of supporting implementation of payment models.
- January 2016—March 2016: Intensified engagement of existing multi-payer efforts, payers, and other provider groups around draft proposals for payment methodologies.

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Health Care Payment Learning & Action Network Framework



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Original Strategic Approach to SIM Payment Reform

- February 2015 to April 2016 efforts led to the original SIM payment strategy framework:

| Model Element | Payment Strategy | HCP LAN Category |
|-------------------------------|---|-------------------|
| Patient Centered Medical Home | Refinement and Spread of Existing Multi-Payer PCMH Demonstration <ul style="list-style-type: none"> • Care management payments (risk-adjusted) • Practice transformation payments • Pay-for-performance incentives | 2A 2A 2C/2D |
| Accountable Systems of Care | Defined ASC Model for Pilot Implementation <ul style="list-style-type: none"> • Shared savings upside only • Shared savings upside/downside | 3A 3B |

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Impact of Recent Federal Actions on Payment Reform and Delivery System Transformation

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Impact of CMS Announcements on SIM Payment Reform Strategy

- **Medicare Alignment in Multi-Payer Models Under the SIM Initiative**
 - Offered detailed guidance to SIM test states for Medicare participation
 - Outlined the principles states would need to meet to pursue new waiver authority which aligned Medicare with a state model

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Impact of CMS Announcements on SIM Payment Reform Strategy

- **Comprehensive Primary Care Plus (CPC+)**
 - Tangible evidence of emphasis on shift away from fee-for-service (track 2 payment model)
 - More widespread use of “at risk” performance payment
 - Codified CMS expectations for comprehensive primary care functions
 - Enhanced emphasis on health information technology capabilities
 - Highlighted potential for duplication of payment issues (with ACOs in particular)
 - Stressed multi-payer involvement and high participating market share

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CPC+ Challenges

- CPC+ did not offer a clear opportunity to continue to grow the number of participating practices over time
- The long term commitment (5 years) associated with the CPC+ payment model could have limited progress in payment reform
- CPC+ excluded Federally Qualified Health Centers, Rural Health Clinics and (functionally due to the minimum 150 Medicare patient volume) most pediatric practices
 - CPC+ did ultimately loosen exclusions for Medicare ACO participants, but on a limited basis (up to 1,500 practices of 5,000 potentially participating nationwide)
- The timeline for deliberating, applying for and implementing CPC+ participation was condensed, challenging some potential multi-payer partners and MDHHS

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Impact of CMS Announcements on SIM Payment Reform Strategy

- **Medicare Access and CHIP Reauthorization Act (MACRA) Proposed Rule**
 - Definition for Advanced Alternative Payment Models (APMs), providing more tangible detail for potential payment reform models and raising the bar for APM qualification
 - Provider incentives for increasing their payments through APMs
 - Direct tie between performance scoring and payment
 - Alignment of multiple transformation efforts in a consolidated approach (quality improvement, cost reduction, HIT advancement, practice improvement)

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Impact of CMS Announcements on SIM Payment Reform Strategy

- Federal actions triggered meaningful consideration and an opportunity to update SIM payment reform strategy
 - The Blueprint's original PCMH payment components would likely not meet new Advanced APM definition
 - At the time the Blueprint was developed, guidance from CMS regarding Medicare alignment in a SIM model was not available
 - An ASC pilot/test would involve a limited number of providers, which would not support broad-based APM adoption
 - Challenges with CPC+ made that structured opportunity less than ideal for Michigan, requiring an alternative primary care model

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Modified SIM Payment Approach

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Modified SIM Payment Approach

- Develop and implement a customized PCMH model to continue multi-payer engagement including formal alignment with CMS for Medicare participation (the “custom option”)
- Provide leadership in the widespread adoption of APMs, setting directional goals for the percentage of payment in APMs over the course of the next several years

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Modified SIM Payment Approach

| | Initiative Year 1 2017 | Initiative Year 2 2018 | Initiative Year 3 2019 |
|-----------------|---|---|-------------------------------------|
| PCMH Medicaid | Interim payment model implementation | Payment model alignment (to the extent possible) with custom option | Payment model refinement and growth |
| PCMH Medicare | Interim chronic and transitional care management payments | Custom option payment model implementation | |
| PCMH Commercial | Sustain current commercial payer participation | Commercial payer participation growth | |
| Broad APMs | Collect Michigan’s APM baseline and establish goals | Progressively increase percentage of payment in APMs | |

Please note that timelines are approximate.

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Broad Advanced Payment Model (APM) Approach

• Accountable Systems of Care → Broader Adoption of APMs

| Accountable Systems of Care Pilots | Broad APM Adoption |
|--|--|
| <ul style="list-style-type: none"> • Regulated construct • Resource intensive • Limited scale • Limits provider ability to receive Medicare incentives | <ul style="list-style-type: none"> • Market-driven approach to broader scale • Leverages existing and future clinical integration • State plays a policy and strategy role • Maximizes provider opportunity for participating in Medicare incentives |

- ASCs in SIM Regions will be eligible for SIM grant funding
- ASC funding will be allowed to purchase work related to the priorities and goals of the Community Health Innovation Region
- Developing clinical-community linkages will be a required activity

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Goals for Pursuing a Custom PCMH Model

- Maintain and expand measurable improvements in quality of care, total cost of care and patient satisfaction.
- Maintain and enhance strong payer participation in the PCMH Model including Medicaid managed care, Medicare FFS, Medicare Advantage and commercial partners.
- Implement payment models that provide meaningful incentives to primary care providers in advancing health outcomes and delivery system transformation.
- Increase the percentage of active primary care providers participating in Advanced Alternative Payment Methodologies.
- Increase the percentage of active primary care providers practicing in PCMH settings.
- Increase the percentage of Michigan residents receiving primary care services in a PCMH setting.

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Timeline for the Custom Option

- Time is of the essence
 - The quicker MI gets a custom option proposal to CMS, the sooner MI may be able to begin negotiation, receive approval and implement (review will take ≥ 1 year)
- **Step One:** develop proposal (June-July)
 - Purpose: ensure a solid foundation for stakeholder discussion and internal alignment
- **Step Two:** stakeholder feedback (July)
 - Purpose: get widespread stakeholder input to finalize the draft proposal
- **Step Three:** submit concept paper to CMS (August)
 - Purpose: obtain feedback from CMS on approach, begin negotiation and approval processes
- **Step Four:** negotiations with CMS / submit formal waiver request (estimated 6-12 months)
 - Purpose: obtain authorization from CMS and OMB to implement the multi-payer PCMH model



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Principles from CMS for Custom Option Development

Source: CMS presentation to SIM States

Customized Statewide Model: Principles for Medicare Alignment

| | |
|---|---|
| Accountable for Total Cost of Care | <ul style="list-style-type: none"> • Medicare participation will be measured against states' commitment to reducing the total cost of care for CMS beneficiaries under their model. • Statewide targets to reduce total cost of care spending on a Medicare basis and all-payer basis |
| Patient Centered | <ul style="list-style-type: none"> • A State's proposal would be assessed for their commitment to improvement across a robust set of quality and patient experience measures in order to ensure that any cost savings are generated by improvements in both patients' health care experience and population health, as well as specific targets for improvement. • States should be able to set specific statewide targets for Medicare and all-payer for improvement and demonstrate how payment is tied to quality improvement. |
| Transformative | <ul style="list-style-type: none"> • A State's proposal would be assessed for the extent to which the payments to providers in a model support and reward better care, smarter spending and healthier people. • For a proposal for Medicare participation, States should specify how the model achieves multi-payer delivery system transformation. |

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Principles from CMS for Custom Option Development

Source: CMS presentation to SIM States

Customized Statewide Model: Principles for Medicare Alignment

| | |
|-----------------------|---|
| Broad Based | <ul style="list-style-type: none"> A State's proposal would be assessed on the extent to which providers and payers are participating or would participate in the SIM model For a proposal for Medicare participation, States should specify the payer, provider and proportion of residents and spend captured by the model Demonstration of support from the State's governor |
| Feasible to Implement | <ul style="list-style-type: none"> Because Medicare alignment in a state designed model could require significant operational investment, we would assess the administrative feasibility of a state's proposal Should describe State's regulatory authority, rate setting authority if necessary Should describe the Medicare program waivers the State is seeking for customized Medicare participation |
| Feasible to Evaluate | <ul style="list-style-type: none"> CMMI can only test models that they can evaluate. The terms of any proposal should include a discrete performance period and clarity about the baseline against which we will measure the state's performance. States should consider how data sharing between CMS and the State would occur for purposes of an evaluation. |

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Moving Forward with Strategy Development and Engagement

- MDHHS Proactive Outreach to Stakeholders
 - The Department has already begun reaching out to dozens of stakeholder groups and is scheduling engagement opportunities ASAP
- Open Engagement Opportunity for Interested Stakeholders
 - Widespread development conversation is key and MDHHS invites interested parties to let us know you want to engage
 - Email your suggestions for key stakeholder groups MDHHS should engage to SIM@mail.mihealth.org
- Save the Date: Michigan State Innovation Model (SIM) Kick-Off Summit, August 10th and 11th
 - The Summit will feature an important checkpoint for updates about the custom option development and initial CMS conversation

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