
APAC Technical Advisory Group

Capturing Alternative Payment Methodologies (APMs) in APAC

July 9, 2015



APMs: What's missing from APAC?

1

Under some APMs, certain types of payments are not captured in APAC.

- Pay-for-performance payments
- Shared-savings payments
- Capitation payments

2

Under some APMs, details on services paid for are not captured in APAC.

- Episodes of Care
- Bundled Payments

OHA has a tentative work plan for work on
APMs with the TAG.

Goal:

Prepare a report with recommendations for collecting APM data in APAC, including:

- Specific APMs to focus on, with working definitions
- Detailed proposal, including data to collect and APAC enhancements needed
- Timeline for implementing proposal and accessing data

July Meeting

- Introduce topic.
- Present business case.
- Identify preliminary list of APMs for consideration.

August Meeting

- Understand APMs adopted by payers.
- Understand data supplier capacity to report on APMs.

September Meeting

- Discuss data collection proposal.

October Meeting

- Finalize proposal and recommendations.

Why capture APMs in APAC?

1

Measure spread of the coordinated care model.

Oregon's coordinated care model includes paying for outcomes and health.

2

Measure total statewide spending on health care.

Capturing spending under APMs will make Sustainable Health Expenditure Workgroup (SHEW) and related efforts more complete and accurate.

3

Improve data completeness for reporting initiatives on the horizon.

- Health care spending: Report statewide primary care spending for initiatives subsequent to SB 231.
- Price transparency: Report spending on common procedures pursuant to SB 900.

4

Improve completeness of data used by regulatory agencies.

Capturing APMs will improve completeness and accuracy of rate review reports prepared by DCBS.

4

Rigorously evaluate the effectiveness of APMs.

- Are APMs associated with reductions in spending?
- Are APMs associated with improvements in quality?

5

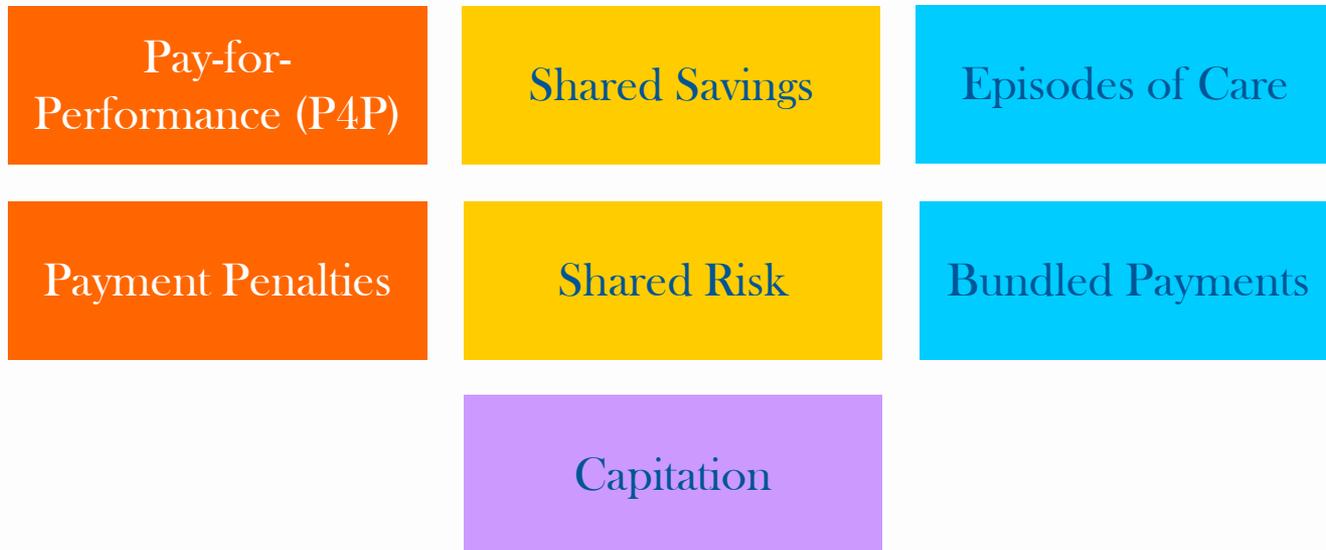
Benchmark to recognize payers at the forefront of APM adoption.

If APMs are associated with lower spending and higher quality, employers and other purchasers might seek out for coverage that includes APMs.

Discussion

Which APMs could be captured in APAC?

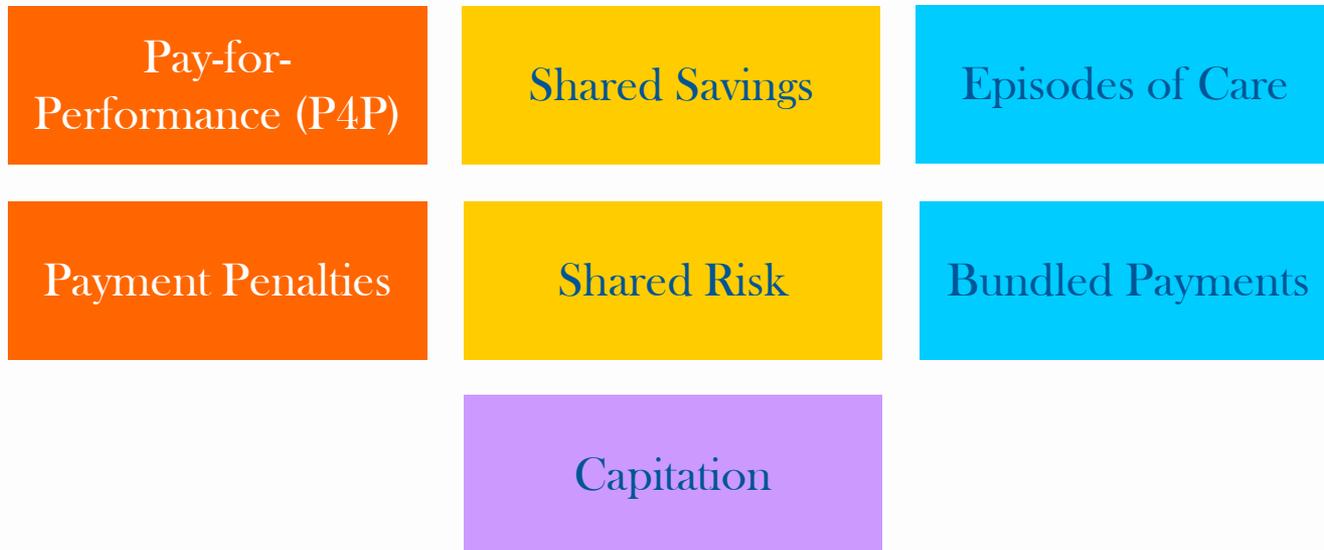
OHSU's Center for Evidence-based Policy identified seven basic APM models.*



* Leof, A., Curtis, P., Gordon, C., Thielke, A., Evans, R. & Pinson, N. (2014). *Alternative Payment Methodologies in Oregon: The State of Reform*. Portland, OR: Center for Evidence-based Policy, Oregon Health & Science University.

Which APMs could be captured in APAC?

“These models are not mutually exclusive, and many APM programs consist of a mixture of these models in some form.”*



* Leof, A., Curtis, P., Gordon, C., Thielke, A., Evans, R. & Pinson, N. (2014). *Alternative Payment Methodologies in Oregon: The State of Reform*. Portland, OR: Center for Evidence-based Policy, Oregon Health & Science University.

Which APMs could be captured in APAC?

To facilitate discussion, TAG staff grouped the APMs by common features.

APM	Basis of Payment	How Provider Gains	
P4P and Payment Penalties	Provider	Provider receives reward payment for meeting <i>quality</i> goals	Provider is rewarded for meeting goals
Shared Savings and Shared Risk	Provider	Provider receives reward payment for meeting <i>spending</i> target	
Episodes of Care and Bundled Payments	Episode	Provider spends less per <i>episode</i> than set episode payment	Provider spends less than set payment
Capitation	Member	Provider spends less per <i>member</i> than set capitation payment	

P4P: Providers receive a payment for meeting certain goals during the contract period, such as:

- Quality of care
- Patient health outcomes
- Patient satisfaction

P4P Example:

If at least 90% of patients with diabetes in a clinic's panel receive recommended screenings, the clinic receives a payment of \$100 per patient at the end of the year.

Payment Penalties: Payment is withheld from providers for failure to meet certain goals, such as:

- Quality outcomes
- Deviation from evidence-based practice standards
- Poor patient health outcomes (for example, health care acquired conditions or never events)

Payment Penalties are usually operationalized as a withhold:

- A portion of payment for services is withheld from providers during the contract period.
- Providers receive the withheld portion of payment at the end of the contract period for meeting goals.

Payment Penalties Example:

A payer withholds 5% of all payments to hospitals in the contract period. If fewer than five patients have hospital acquired infections, the payer returns the withheld portion of payment at the end of the contract period.

Pay-for-Performance (P4P) and Payment Penalties: Challenges for APAC

- P4P payments are part of health care spending by payers, but are not captured by APAC.
- Identifying members and claims associated with P4P payments is very challenging.

Which APMs could be captured in APAC?

Pay-for-Performance (P4P): Possibilities for APAC

Add a provider file that contains P4P payments made to each provider during the reporting period.

Shared Savings and Shared Risk: Overview

- **Shared Savings:** The payer sets a spending target for providers in the contract period.
- Providers that bill for a lower amount than the target within the contract period receive a portion of the difference at the end of the period.

Shared Savings and Shared Risk: Overview

Shared Savings Example:

- Carrier A sets a spending target of \$100,000 for Clinic A in the contract period.
- Clinic A bills Carrier A \$90,000.
- At the end of the year, Clinic A receives 50% of the difference between the target and actual spending (\$5,000).

Shared Savings and Shared Risk: Overview

- **Shared Risk:** The payer sets a spending target for providers in the contract period.
- Providers that bill for a higher amount than the target pay a penalty, such as a share of spending exceeding the target.

Shared Savings and Shared Risk: Overview

Shared Risk Example:

- Carrier B sets a spending target of \$100,000 for Clinic B in the contract period.
- Clinic B bills Carrier B \$150,000.
- At the end of the contract period, Clinic B pays 20% of the difference between the target and actual spending (\$10,000).

Shared Savings and Shared Risk: Challenges for APAC

Like P4P payments, Shared Savings payments are part of health care spending by payers, but are not captured by APAC.

Shared Savings and Shared Risk: Possibilities for APAC

Add a provider file that contains Shared Savings payments made to each provider during the reporting period.

Episodes of Care and Bundled Payments: Overview

- Under **Episodes of Care**, providers receive a set payment for all care related to a defined “episode of care.”
- Implementation requires agreement on what constitutes an “episode,” how long the episode will be in effect, and whether the payment is adjusted based on patient risk factors.

Episodes of Care and Bundled Payments: Overview

Episodes of Care is often used for elective and planned procedures or events with clear boundaries, such as:

- Prenatal and maternity care
- Orthopedic joint replacement
- Coronary artery bypass graft including surgical services and pre and post-operative services

Episodes of Care and Bundled Payments: Overview

Recently, payers and providers have begun experimenting with Episodes of Care for chronic conditions over a defined period of time, such as:

- Chronic obstructive pulmonary disease
- Attention deficit hyperactivity disorder

Payment based on groupers is a flavor of Episodes of Care.

- Providers receive a set payment for all services related to a defined episode of care, as identified by grouping algorithm.
- The Diagnostic Related Groups (DRG) system for hospitals exemplifies grouper-based payment.

Episodes of Care and Bundled Payments: Overview

- **Bundled Payments:** A single episode-based payment is divided among multiple providers, such as doctors and hospitals.
- Bundled Payments work well when doctors have close associations with hospitals.

Episodes of Care and Bundled Payments: Challenges for APAC

- Episode based payments are processed as fee-for-service payments, but use global codes.
- APAC captures payment amount, but loses detail about services provided for each episode.

Which APMs could be captured in APAC?

Episodes of Care and Bundled Payments: Possibilities for APAC

Any ideas?

Capitation: Overview

- **Capitation:** The payer gives the provider, provider group, or health system a single per-patient payment to provide all necessary services to the patient in the contract period (usually a year).
- Capitation may include all health care services, or a subset of health care services (for example, primary care or behavioral health).

Capitation: Challenges for APAC

- Encounter claims under capitation contracts may (or may not) be captured in APAC, but have \$0 payment amounts.
- Encounter claims are not necessarily identified as paid under capitation, so the reason for the \$0 amount may be unknown.
- Capitation payments are part of health care spending by payers, but are not captured by APAC.

Capitation: Possibilities for APAC

- Add a capitation file that contains capitation payments made to each provider during the reporting period.
- On the capitation file, include a field indicating the services covered by capitation (for example, primary care or behavioral health).

Who is capturing and reporting APM data?

The Massachusetts Center for Health Information and Analysis (CHIA) reports on APM adoption in MA.

- Metric: “Proportion of members whose care was paid for by APMs.”
- Reporting includes capitation, bundled payments, and medical home initiative supplemental payments.
- P4P accompanying FFS is counted as FFS.

CHIA APM reports and data collection specifications are publicly available:

- Performance of the Massachusetts Health Care System Series: Adoption of Alternative Payment Methods in Massachusetts, 2012 - 2013. <http://www.chiamass.gov/assets/Uploads/APM-Policy-Brief.pdf>
- Annual Report on the Performance of the Massachusetts Health Care System [2013 data]. <http://www.chiamass.gov/assets/docs/r/pubs/14/chia-annual-report-2014.pdf>
- Alternative Payment Methods in the Massachusetts Commercial Market: Baseline Report [2012 Data]. <http://www.chiamass.gov/assets/docs/r/pubs/13/alternative-payment-methods-report-2012-data.pdf>
- Data Specification Manual: 957 CMR 2.00: Payer Reporting of Alternative Payment Methods. <http://www.chiamass.gov/assets/docs/p/tme-rp/data-spec-manual-ape.pdf>

Oregon's coordinated care organizations (CCOs) report non-FFS spending in quarterly financial reports.

- Data are used to report percentage of payments that are non-FFS to CMS.
- Using stakeholder input, OHA is revising the report to capture APMs with greater accuracy and detail.
- A draft version of the revised report:

<http://www.oregon.gov/oha/healthplan/ContractorWorkgroupsMeetingMaterials/2016%20Exh%20L%20Financial%20Reporting%20Template%20Draft.pdf>

- Which APMs would be especially valuable for research and evaluation or provider analytics?
- For data suppliers, what is the feasibility of reporting on specific APMs?
- Are there other APMs, or variations on APMs presented, that the TAG should consider?
- Which APMs should the TAG focus on in subsequent meetings?

The Center for Healthcare Quality & Payment Reform
Payment Reform Glossary is available here:

http://www.chqpr.org/downloads/paymentreformglossary.pdf?utm_source=Payment+Reform+Glossary+Distribution&utm_campaign=PCOP&utm_medium=email