Budget Neutrality & Payment Overview

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Overview

- Budget neutrality definition
- Savings sources and challenges in measuring financial performance
  - Waiver development and approval process
- Linking payment to quality performance
- Examples of MHCQ payment models
- What we want to see in applications

Budget Neutrality

"With respect to the 5-year period of the demonstration program under subsection (b), the aggregate expenditures under this title for such period shall not exceed the aggregate expenditures that would have been expended under this title if the program established under this section had not been implemented."

-- MMA, Section 646 - MHCQ Demonstration

Medicare Savings/Better Value

- System efficiencies across providers
  - Care coordination
  - Managing transitions across settings
  - Not solely internal provider efficiencies
- Share clinical information
  - Reduce duplicative tests and procedures
- Improve processes and outcomes
  - Increase guideline compliance
- Avoid unnecessary inpatient admissions and readmissions as well as emergency room visits
- Substitute outpatient services for inpatient services
  - Less invasive procedures for more invasive procedures
- Shorten length of stay

Measuring Financial Performance

- No duplication of payments for same/similar service
- Insurance vs. business risk
- Targeting Medicare beneficiaries
- Comparison population
- Reconciliation
- Medicare outpatient Rx drug benefit
- Performance periods
- Risk adjustment
- Transparency

Waiver Approval Process

- Waivers required to pay for new services
- Waiver package development
  - Modeling & projections
  - Savings assumptions
  - CMS actuaries must sign off
- Clearance process
- OMB review
  - Site negotiations
  - Final terms of clearance

Rewarding Quality

- Linking payment to performance
- Provider buy-in
- Consensus measures
- Measurement methodology
- Claims and clinical records
- Achievable benchmarks for setting performance thresholds
  - Rewarding high quality and quality improvement

MHCQ Demonstration Payment Methodology Examples

- Shared savings
  - PGP model
- PMPM fee
- Capitation
  - Regional, full and partial
- Restructured FFS payment
- Other payment models

Shared Savings

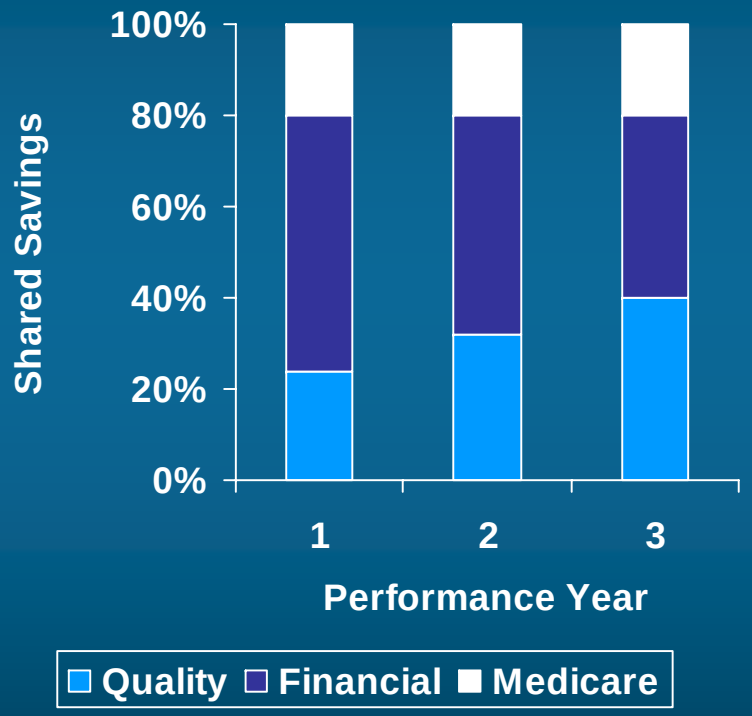
- Medicare FFS + performance payments
  - Performance payments derived from savings
    - » Targeted beneficiaries & comparison populations
    - » Percentage of savings shared
- Reconciliation & claims lag
  - No upfront cash flow
- Non-enrollment model
  - Beneficiary assignment
- Performance payment linked to quality

PGP Model

- Medicare FFS + performance payment
  - No insurance risk
  - PGPs at business risk
- PGP specific annual performance target
  - PGP base year assigned beneficiary Medicare FFS spending trended forward by the local market Medicare FFS growth rate
  - Medicare Part A & Part B expenditures + Part D
- Performance payments earned if…
  - Assigned beneficiary Medicare FFS spending is ***less than*** annual performance target
  - 2% savings threshold must be exceeded

PGP Shared Savings

- Medicare Retains 20% of Savings
- Groups May Earn up to 80% of Savings
  - Performance Payments Earned for Efficiency & Quality
  - Increasing Percentage of Performance Payments Linked to Quality
- Maximum Annual Performance Payment Capped at 5% of Medicare Part A & Part B Target



Per Member Per Month Fee

- PMPM fee for new services
  - Fees at risk
  - Potential to pay Medicare back
    - » Organization's ability to assume risk
- Targeting beneficiaries
  - Enrollment vs. non-enrollment model
- Comparison group
- Reconciliation process
- Payment linked to quality

Capitation

- Regional, full or partial capitation
  - Rate based on risk-adjusted per capita Medicare FFS expenditures
  - Define covered services
  - Out-of-network services
  - Beneficiary liability
  - Prevent duplicate payments
- Medicare Advantage alternatives
- Capitation linked to quality performance

Restructured FFS Payment

- Focus on multiple procedures
- Refining Medicare FFS payment systems
- Bundled payment for range of services
  - Bundle reflects discount
  - Episode based payments
- Targeting beneficiaries
  - Enrollment vs. non-enrollment models
  - Duplicate payments
- Payment linked to quality performance

Proposed Payment Methodology Evaluation Criteria

- Rationale for demonstration fees or payments
- Reasonableness of the alternative payment system
- Reasonableness of the Medicare savings estimates
- Financial solvency and ability to compensate Medicare
  - » Capitation models
  - » Guaranteed savings models

Concluding Remarks

- Test variety of organizational models, system redesign approaches and payment models
- Evidence base and experience critical for setting acceptable assumptions
- Modifying existing payment models
- Medicare Carrier/FI system changes
- Waiver approval process
- Prepare for intensive review process
  - Be prepared for modifications