

# InFOCUS

## Reforming the Provider Payment System

Evidence is available to help program leaders and managers, health care system leaders, and policymakers design, implement, and evaluate new value-based payment approaches.

**In an effort to control health care spending while improving service quality and access, private and public payers are experimenting with innovative ways to reimburse health care providers.** The Centers for Medicare & Medicaid Services (CMS), for example, has invested significant resources to move away from traditional fee-for-service (FFS) payment toward alternative payment models that reward efficient, high quality, and patient-centered care. These shifts, though, often require substantial policy, structural, and operational changes at every level of service delivery. Fortunately, evidence is available to help program leaders and managers, health care system leaders, and policymakers design, implement, and evaluate new value-based payment approaches.

A new issue brief, “Developing Alternative Payment Models: Key Considerations and Lessons Learned from Years of Collaboration with CMS,” draws on Mathematica’s support to CMS with several recent and notable payment reform initiatives.

### Alternative Payment Models

Linking financial incentives to providers’ performance on a set of defined measures.

#### Shared Savings

Offer a percentage of savings to encourage providers to assume financial responsibility and coordinate care for a defined population (often paired with ACOs).

#### Pay for Performance

Use quality and resource use measures within the framework of a fee-for-service financial model.

#### Primary Care Services Payment

Enhance provider payments to encourage more comprehensive or advanced primary care (often paired with patient-centered medical homes).

#### Bundled Payments

Pay a lump sum for a set of services rather than paying for each individual service separately.

**Better Care, Better Health, Lower Costs**

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## KEY FINDINGS

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Topics covered in the brief include the following:

- **Effective design and implementation of payment reforms.** Carefully considered program design and execution are essential for the successful transition away from FFS toward innovative payment models. Lessons learned from assisting CMS with developing and implementing a range of payment reform programs—the Physician Value-Based Payment Modifier (VBM) program, the Hospital Value-Based Purchasing program, the Bundled Payments for Care Improvement initiative, patient-centered medical homes, and accountable care organizations (ACOs)—can be applied to help mitigate challenges that arise during the transition. For example, our work designing and testing key features of the VBM program has revealed the need to balance use of methodologically sophisticated evaluation measures against measures that are most accessible to providers; this balance ensures that measures have face validity and are actionable.

- **Effective evaluation of primary care practices and payment reforms.**

To better understand the effectiveness of programs designed to improve primary care, the Center for Medicare and Medicaid Innovation has sponsored several large program evaluations. One of the largest is an evaluation of CMS's Comprehensive Primary Care Initiative, which includes the potential for shared savings with almost 500 primary care practices. Through this and other evaluations,

such as that of the Independence at Home Demonstration, a growing research base is now available for providers who are ultimately responsible for instituting evidence-based policy changes. Evidence suggests, for example, that core features of primary care—such as coordination, accessibility, and whole-person care—collectively enhance outcomes, so better assessment of these measures would likely improve future evaluations.

- **Effective support for providers participating in payment reforms.** CMS and other organizations have developed or are developing various tools and resources to help health care providers implement payment reforms. For example, ACOs participating in CMS's Medicare Pioneer ACO and Medicare Shared Savings programs now have a platform for sharing information across sites, specifically through peer-to-peer learning, educational webinars, and in-person conferences. ACO sharing through these learning systems has highlighted factors important to ACO success, in particular the need to engage providers and patients in transforming care.

## GUIDANCE FOR EFFECTIVE REFORM

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For many years, CMS and its partners have worked to understand and address the challenges that arise in designing, implementing, monitoring, and evaluating alternative payment models. The evidence-based lessons described in this brief provide decision makers with the guidance they need to address these challenges so they can improve service quality, control costs, and meet providers' and patients' needs with flexible care.

Please visit [Mathematica's website](#) to view the full brief ("Developing Alternative Payment Models: Key Considerations and Lessons Learned from Years of Collaboration with CMS," by Mary Laschober, Eugene Rich, Timothy Lake, Angela Merrill, and Candace Natoli) and to learn more about our extensive work helping Medicare, Medicaid, and other public and private payers make the transition to diverse types of alternative payment models.

