

AHCCCS Payment Modernization Plan SFY 2014

Introduction

Arizona Health Care Cost Containment System (AHCCCS), the State's Medicaid Agency, uses Federal, state, and county funds to provide health care coverage to the State's acute and long-term care Medicaid population and other qualified low income Arizonans. AHCCCS was established as a mandatory managed care program that makes prospective capitation payments to contracted health plans responsible for the delivery of care. In State Fiscal Year (SFY) 2014, AHCCCS is expected to spend approximately \$9.5 billion, providing health care coverage to over 1.3 million Arizonans through contracts with 11 different Managed Care Organizations that depend on a network of over 55,000 providers.

Payment Modernization is a cornerstone of the Agency's strategy to bend the upward trajectory of health care costs. By building on the established AHCCCS managed care delivery model, the intent is to reduce growth in per capita expenditures, and to improve members' health outcomes. This Care delivery and payment system transformation will be achieved through collaboration with Agency stakeholders.

The AHCCCS Payment Modernization Plan includes a discussion of the current healthcare delivery and payment system, the framework for moving payment modernization forward, and actions needed for successful system transformation.

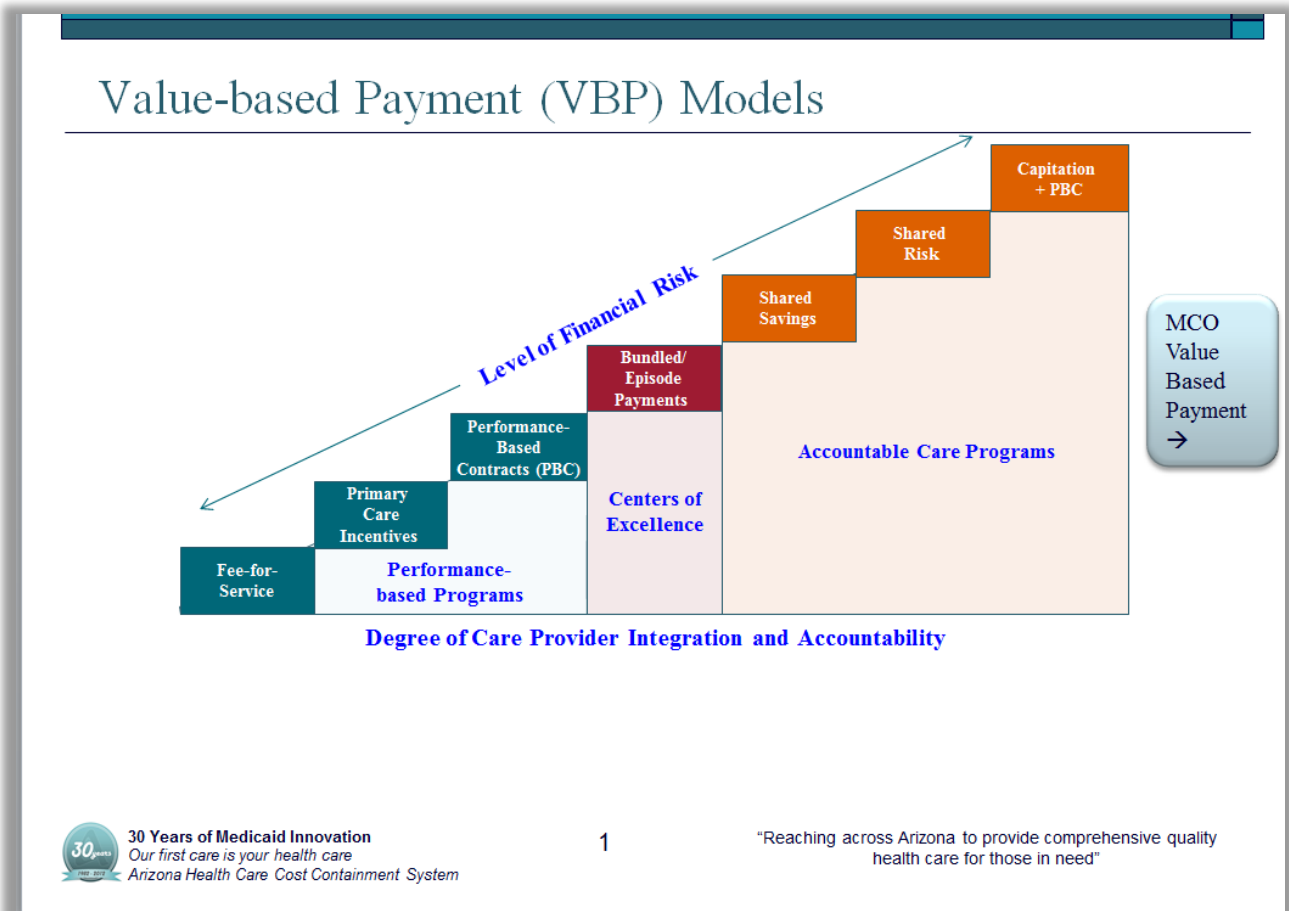
Healthcare Delivery System Assessment

The Institute of Medicine 2012 report, "Best Care at Lower Cost" estimated that approximately \$750 billion of United States health care costs are wasted annually. The reasons include unnecessary services, inefficient care, excessive administrative costs, inflated prices, prevention failures, and fraud. Other health care system shortcomings include inconsistent care outcomes, payment models which reward quantity instead of quality, and fragmented care transitions among provider settings. Health care costs are projected to continue to consume an increasing percentage of the nation's economic output for the foreseeable future.

There is widespread agreement that the current rate of health care spending is not sustainable. There is also general consensus (*"Partnership for Sustainable Health Care"*, Robert Wood Johnson 2013; *"Best Care at Lower Cost"*, Institute of Medicine 2012; *"National Commission on Physician Payment Reform"*, Society of General Internal Medicine 2013) about the changes which must occur to establish a high value, financially sustainable health delivery system.

In recent years, there have been numerous initiatives attempted by government payers, health systems, and providers across the country, including Arizona, to address the health care

system's deficits. Some have been successful, but generally not on a large scale. Most experts agree that aligning incentives among providers, managed care organizations (MCO's), and patients, results in better and less costly care. However, transforming our nation's health care system to be value based rather than transaction based has proven to be extremely challenging. Medicare has attempted to improve care coordination and reduce cost by instituting provider structures such as hospital readmission penalties, as well as demonstration projects for concepts such as accountable care organizations (ACO's) and bundled provider payments. Managed care organizations including many in Arizona are developing models such as Patient Centered Medical Homes with similar goals. Many state Medicaid programs are transitioning to care delivery models similar to the AHCCCS managed care model, and moving toward value based care delivery models in recognition that fee for service payment methods are not sustainable. However, according to Catalyst for Payment Reform, a nationally recognized independent organization whose mission is to accelerate healthcare payment reform, currently only 11% of commercial health plan in network payments to providers nationwide are value oriented, and not traditional fee for service.



This chart shows a continuum of value based care and payment models. The continuum is based on the degree of financial risk, integration, and accountability assumed by providers. The

models also vary by the degree to which there is accountability for care outcomes and overall value. Transitioning from the predominant current Fee for Service model to the models with greater levels of provider integration and accountability for outcomes is essential to payment modernization.

Payment Modernization Mission

To leverage the AHCCCS managed care model toward value based health care systems where patients' experience and population health are improved, per-capita health care cost is limited to the rate of general inflation through aligned incentives with managed care organization and provider partners, and there is a commitment to continuous quality improvement and learning.

Payment Modernization Plan Foundation

AHCCCS has a long history as an innovator. Through the Payment Modernization Plan the agency is committing resources to leverage the State's successful managed care model to address inadequacies of the current health care delivery system such as fragmentation, and to continue to lead efforts to bend the health care cost curve to sustainable levels.

As one of the largest health care purchasers in the State of Arizona the AHCCCS Payment Modernization Plan is grounded in three broad based goals.

1. AHCCCS must promote and facilitate a culture of learning and growth around payment modernization both internally and externally
2. AHCCCS must leverage its position among Arizona healthcare payers to promote more cost and outcome transparency in the healthcare delivery system.
3. AHCCCS must deploy a variety of strategies that leverage health plans and other stakeholders resulting in more value based purchasing moving up the payment modernization continuum

The AHCCCS Payment Modernization Plan provides a framework intended to guide policy to:

- Health care that is affordable and financially sustainable for taxpayers and members.
- A delivery system that is accountable for health outcomes and resource use.
- Patients who are informed, empowered, and engaged in their care.
- An environment that fosters a culture of continuous improvement and learning.
- Reliable information that can be used to monitor and transform quality, cost, and population health.
- Patient care that is evidence-based and safe.
- Innovation and improvement through healthy competition based on cost, patient experience, and health outcomes, with AHCCCS as an essential partner.

Establish a Culture of Learning

- Establish robust stakeholders' input opportunities for health plans, providers and other interested parties to identify and implement effective payment modernization strategies.
- Establish baseline measurement of current value based medical spend by AHCCCS contracted MCOs consistent with the payment modernization continuum presented in *Table 1*. Update this measurement annually.
- Participate in, and leverage Catalyst for Payment Reform (CPR) and other organizations which support and foster new value based payment models and drive payment modernization strategies.
- Convene the AHCCCS Executive Management Team regularly to evaluate Payment Modernization Plan implementation and to identify new opportunities.
- Work collaboratively with contracted MCO's to reward high performing providers, and support initiatives which move from fee for service payment models.
- Provide incentives for the use of evidence based innovative care models, particularly for models which focus on paying for care which is proven to work.
- Support and drive data analytics development which enables MCOs to reduce care fragmentation among providers and care settings.
- Monitor and accelerate MCOs' use of incentives to providers such as gain sharing for meeting benchmarks which improve patient safety, including hospital acquired conditions, adverse drug events, and surgical site infections.

Expand Transparency

- Enhance the accessibility of information on cost, outcomes, and patient experience which can be utilized to reward high performing providers and to help drive innovation.
- Make recommendations to the legislature by January 1, 2014 on strategies to improve hospital charge master reporting to enhance charge and cost transparency
- Publish results to providers from episodic payment modeling to inform clinical community on variation in reimbursement.
- Compare newly mandated reporting requirements as established by Laws HB2045 , Chapter 202 with other published documents like the charge master
- Work to increase the availability of payment, utilization, and cost information on the AHCCCS website as well as highlight Payment Modernization initiatives.

FY 2013 Key Accomplishments

- The requirement for ALTCS MCOs to enter shared savings agreements with contracted providers was expanded to the Acute Care procurement [Payment Reform Initiative]. Incentive payments are paid to health plans and providers who demonstrate improved health outcomes and reduced costs.
- Contracted MCOs are required to identify how to improve alignment and integration of care within their networks with identified cost reductions.
- The hospital inpatient reimbursement system is transitioning from a per-diem system to a new methodology (APR-DRG) effective October 2014 which pays based on the patient's diagnosis and incentivizes hospitals to provide care more efficiently.
- The systems integration for the CRS, SMI, and Dual Eligible populations which are underway will reduce care network fragmentation, align incentives, improve care outcomes, and improve financial accountability.
- Executive level resources have been added to drive substantive system payment modernization.

FY 2014 Initiatives

Payment Modernization Initiatives Underway

- Determining the ongoing structure and methodologies by which AHCCCS will further incentivize, support, and prescribe the contracted MCOs' adoption of value based models of care delivery and payment, while continuing to foster MCO and provider competitive innovation.
- Analyzing the shared savings criteria which will be established for future contracting periods based on results of the Contract Year 2014 requirements for ALTCS and Acute shared savings requirements.
- Implementing an E-prescribing initiative that seeks to leverage significant taxpayer investment in Electronic Health Records.
- Facilitating process to develop a limited set of bundled payment structures to establish greater reimbursement consistency for episodes of care within healthcare delivery system.
- Implementing the new APR-DRG system by October 1, 2014.
- Support for increased development of patient centered care models which improve care access and involve patients in their health decisions and options. Patient centered care leads to better outcomes, lower costs, and an enhanced care experience.
- Leveraging and developing the Agency's data analytics capabilities to enable effective design, development and measurement of new care delivery models

Transforming healthcare delivery and payment models will be a long term process. The transition from our current model must proceed with the interests of all stakeholders, most

importantly Arizona taxpayers and AHCCCS members, being aligned. Some actions can be implemented more easily and quickly than others. AHCCCS and its MCO and provider partners will move quickly with payment modernization where implementation and infrastructure permits. This includes measures being implemented for the Payment Reform Initiative beginning October 2013. Other more complex reforms will be undertaken more deliberately to insure that significant measurable quality improvement and cost reduction progress is achieved.

Through ongoing dialogue with key stakeholders and a commitment to continuous learning and improvement, the AHCCCS Payment Modernization effort will continue to identify and implement effective and sustainable initiatives which provide the highest possible value for the Arizonans we serve.