

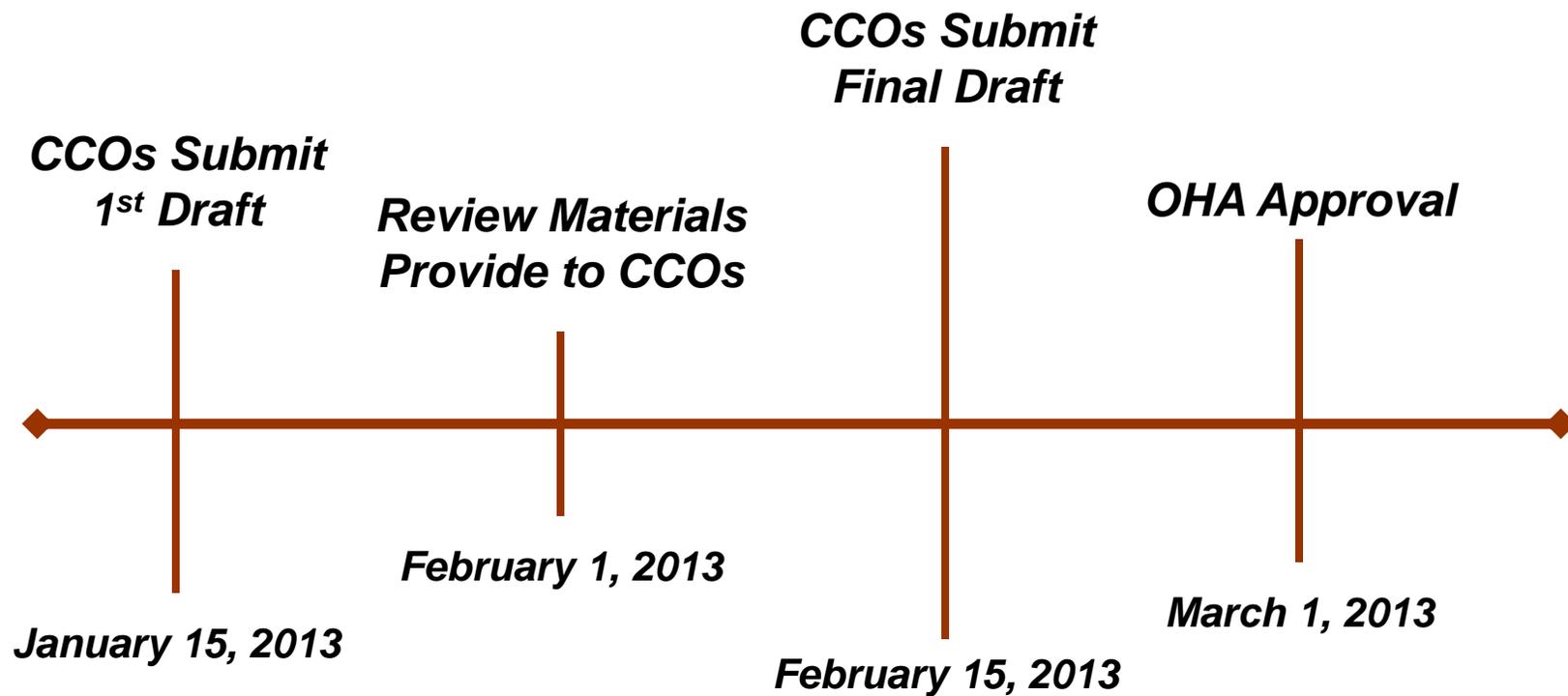
# Transformation Plan Webinar

## Element #3: Alternative Payment Methodologies

*December 17, 2012*

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# Transformation Plan Timeline



# Overview

*Alternative payment methodologies (APMs) can be used to encourage higher quality and more efficient delivery of health care services.*

Toward this end, Transformation Plans should:

- Identify their current payment methodologies,
- Describe the methodologies they plan to use,
- Explain how new methodologies will be implemented, and
- Describe the process for monitoring effectiveness over time.

# Common Payment Systems

Common methods of provider reimbursement:

- **Fee-For-Service:** Pre-determined amounts per each service.
- **Per Diem:** Pre-determined amount per person/per day.
- **Episode-of-Care:** Pre-determined amount for all services during an episode of care, also known as “case rate.”
- **Capitation:** Pre-determined fee to cover all services rendered for the continuous care of a patient.
- **Diagnosis-Related Groups (DRGs):** Predetermined amounts to hospitals based on each patient’s clinical condition.
- **Ambulatory Payment Classifications:** Payments to outpatient facilities based on line-level fee schedules.
- **Global Payments:** Lump sum payments to entities that coordinate health care services for their shared patients (the ACO model).

# Health Care Cost Factors

Different payment systems have different effects on individual cost factors according to Harold Miller, Executive Director of the Center for Healthcare Quality and Payment Reform. Cost factors include:

- the prevalence of health conditions in the population;
- the number of “episodes of care” they require per condition;
- the number and types of health care services a person receives in each episode;
- the number and types of processes, devices, and drugs involved in each service; and finally,
- the cost of each individual process, device, and drug

# APM Objectives

APMs should support the following objectives:

- Reimburses based on health outcomes and quality measures instead of the volume of care;
- Holds providers responsible for the efficient delivery of care;
- Rewards good performance or creates shared responsibility across sites of care and provider types;
- Incentivizes the prevention and early identification and intervention of conditions that lead to chronic illnesses;
- Provides person-centered planning in the design and delivery of care, and uses PCPCHs.
- Incentivizes coordination across provider types and levels of care.

# Promising Types of APMs

CCOs are encouraged to consider the following APMs:

- Pay-for-performance (P4P) – Incentive payments built on a FFS base to reward structure, process, or health outcomes.
- Shared savings – CCOs may share savings if costs of care are kept low while maintaining or improving quality.
- Bundled or “episode” payments – Single payments for all services connected to an episode of care such as a hospital admission for a surgery and post-acute care.
- Primary care base payments – Payments to support primary care practices’ infrastructure, care coordination, patient engagement, and other activities not currently reimbursed.
- Accountable Care Organization models.

# Patient-Centered Primary Care Homes

CCOs must use payment methods in PCPCHs to reward traditionally undercompensated activities such as care coordination and health promotion.

- Tier-based enhanced payments - \$2, \$4, \$6 PMPM
- Additional PMPM for managing complicated patients (similar to Affordable Care Act payments).
- Numerous payers are testing enhanced payments for primary care medical homes through CMMI's Comprehensive Primary Care Initiative.

More information about PCPCHs at  
[www.PrimaryCareHome.oregon.gov](http://www.PrimaryCareHome.oregon.gov)

# RFA Request

## Section 5 - Payment Methodologies that Support the Triple Aim

**A.5.1. Demonstrate how Applicant's payment methodologies promote or will promote the Triple Aim and in particular, how the Applicant will:**

- **Provide comprehensive coordination or create shared responsibility across provider types and levels of care and creates incentives for using such delivery systems such as PCPCHs;**
- **Provide financial support, differentially based on the tier level achieved, to PCPCHs for meeting the PCPCH standards;**
- **Align financial incentives for evidence-based and best emerging practices.**

# Resources

More information on APMs and payment reform:

- Oregon Health Fund Board's Payment Reform and Provider Reimbursement Paper: [www.oregon.gov/OHA/OHPR/HFB](http://www.oregon.gov/OHA/OHPR/HFB)
- PCPCH payment incentives: [www.primarycarehome.oregon.gov](http://www.primarycarehome.oregon.gov)
- Oregon's State Innovation Plan: [www.oregon.gov/oha/OHPB](http://www.oregon.gov/oha/OHPB)
- Center for Medicare & Medicaid Innovation: [www.innovations.cms.gov](http://www.innovations.cms.gov)
- Center for Healthcare Quality and Payment Reform: [www.chqpr.org](http://www.chqpr.org)

**Oregon is creating a Transformation Center that will support learning collaboratives, identify and share best practices, and provide technical assistance.**

# Transformation Plan Expectations

CCOs are encouraged to use APMs, but it is understood they may require a phased-in approach. The following should be included in the CCO's Transformation Plan:

- **Baseline:** Current methodology
- **Transformative Activity:** Planned methodology
- **Improvement Metric:** Project plan
- **Measurement Methodology**

# Who to Contact with Questions

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*CCOs may also refer to their individual  
“Single Point of Contact” with questions.*

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