Overview

- Background & context
- Medicaid payment reform
  - Key models
  - Challenges
  - Opportunities
- Takeaways for western state legislators
Background & Context
National Association of Medicaid Directors

- Bi-partisan, standalone association
- Represent 56 Medicaid directors, including DC and territories
- Our mission is to…
  - Be the consensus voice of state Medicaid Directors in federal policy process
  - Support sharing of best practices around key state priorities
Medicaid’s Structure

- Federal/state partnership
  - Jointly financed by states and federal government
  - Operated by states under broad federal rules
- Delivers comprehensive care for 74 million Americans
- Responsible for nearly 30% of state budgets

Source: Medicaid and CHIP Payment and Access Commission, Distribution of Medicaid, Education, and All Other Spending from Total State Budgets versus State-Funded State Budgets, SFY 2015
**Medicaid’s Role in States & Communities**

- Comprehensive health care for 74 million Americans
- Helps working families out of poverty
- Essential in battling opioid crisis
- Efficient & cost effective
- Primary payer for long-term services and supports for seniors & people with disabilities
- Keeps people as independent & healthy as possible
- Reduces the burden of uncompensated care on hospitals & providers

Essential in battling opioid crisis
Medicaid Payment Reform
Key Areas of Innovation

- Leveraging public-private partnership of risk-based managed care
- Behavioral health integration
- Re-balancing long-term services and supports
- Payment reform (focus for today)
Why payment reform?

- Rapid growth of health care costs in U.S.
- Fee-for-service payment at provider level = fragmented, uncoordinated care
- Medicaid responsible for most complex and costly populations
- Payment reform uses Medicaid’s purchasing power to drive coordinated health care & contain cost growth
  - It’s not an end, but a means to transforming care delivery
Medicaid Payment Reform Study

- NAMD/Bailit Health report on Medicaid alternative payment models (2016)
- Developed in partnership with The Commonwealth Fund
- Mixed methods approach
- Findings from 34 states and sample of 5 Medicaid MCOs
- Alternative Payment Models (APMs): a model that links provider payment to performance on quality and cost.
Overarching Findings

- Payment reform happening nationally in Medicaid
- How alternative payment models are being implemented varies by state
- Occurring through MCOs and direct contracting with providers
- Initial focus on primary and acute care; some states beginning to focus on long-term care and behavioral health
- States with State Innovation Model (SIM) grants and Delivery System Reform Incentive Payment (DSRIP) Programs tend to be further along
Alternative Payment Models in a Fee-for-Service Delivery System

Alternative payment models in this system are changing the way the state pays providers.
Alternative Payment Models in a Managed Care Delivery System

Alternative payment models in this delivery system are changing the way MCOs pay their providers.
Alternative Payment Models in Managed Care

- Many states require or encourage MCOs to increase use of alternative payment models
- State approaches in managed care models vary:
  - Promote use of alternative payment models by MCOs
  - Medicaid agency provides financial incentives for MCOs to use alternative payment models
  - Contractually require MCOs to implement MCO-defined alternative payment models
  - Medicaid agency designs an alternative payment model and contractually requires MCOs to implement it
Most Common Medicaid Alternative Payment Models

- **Additional Payments in Support of Delivery System Reform**
  - Per member per month on top of fee-for-service payments for care management/practice transformation
  - Often supports patient-centered medical homes and/or Health Homes
  - *Examples: Vermont, Idaho*

- **Episode-based Payments**
  - Provider financially accountable for a defined and discrete set of services over limited time (the “quarterback”)
  - *Examples: Arkansas, Tennessee, Ohio*

- **Population-based Payments**
  - Providers responsible for a comprehensive set of services for a patient population
  - Potential to share in savings/risk based on actual costs & quality
  - *Examples: Oregon, Minnesota*
Challenges & Opportunities in Medicaid Payment Reform
Challenges

- Complexity
- PPS for Safety-net Providers
- Data Sharing
- State Operational Capacity
- Quality Alignment
- Provider Readiness
Opportunities

- Multi-payer Alignment
- Long-term Services and Supports
- Social Determinants
- Behavioral Health Integration
Takeaways for Western State Legislators
Takeaways for Western State Legislators

- Medicaid Directors are driving payment reform to reduce fragmentation, improve quality & contain cost growth
- Medicaid innovations, especially alternative payment models, require significant state investment
- Will take time to evaluate new payment models, but early evidence is promising
- Multi-payer alignment is challenging, but increasingly important opportunity
Questions?

Lindsey Browning
Program Director
National Association of Medicaid Directors
Lindsey.browning@medicaiddirectors.org
202-403-8626