Expanding the use of value-based payment in Medicare

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Overview of the presentation

- The concept of value-based payment (VBP)
- The Commission's prior work on Medicare payment
- Improving Medicare Advantage (MA) and accountable care organizations (ACOs) to promote VBP
- To what extent could VBP replace the traditional fee-for-service (FFS) program?

The concept of value-based payment

- Commissioners have expressed interest in expanding the use of value-based payment (VBP) in Medicare
- VBP aims to create stronger incentives to control overall costs than traditional fee-for-service (FFS) payment while maintaining or improving quality
- VBP is a broad concept instead of a specific policy; there are many ways to expand its use in Medicare

The Commission's prior work on Medicare payment

- The Commission has a long-standing interest in moving Medicare away from the traditional FFS model
  - Reduce FFS incentives to use/deliver too many services
  - Make MA plans more efficient and improve data quality
  - Develop better ways to measure quality across sectors
- Our future work on VBP will follow the same fundamental principles that have long guided our work

MA and ACOs could provide a foundation for the broader use of value-based payment

- More than half of all Medicare beneficiaries are now enrolled in MA plans or assigned to ACOs
- These programs have more incentive to control overall spending than traditional FFS due to use of capitation (MA) and shared savings (ACOs)
- Both programs need to be improved to better support the use of VBP

Strengths and weaknesses in the current design of Medicare Advantage

- Compared to FFS, most MA plans can provide Medicare benefits at a lower cost and offer extra benefits
- However, Medicare pays 1-2 percent more overall for MA
- Added expense is due to rebates, quality bonuses, high benchmarks in some counties, and more intense coding
- Changes to MA benchmarks and the quality bonus program could lower program spending and improve incentives to provide high-quality care

Improvements to Medicare Advantage

- Commission recommendation to improve quality of encounter data
- Potential redesign of the quality bonus program

Strengths and weaknesses in the current design of accountable care organizations

- ACO model creates incentives to control overall spending that are absent in traditional FFS program
- However, ACO savings have been modest (roughly 1-2 percent in 2016, after 4 years of operation, not including the cost of shared savings payments)
- Program reforms could improve ACO performance but may not appreciably change overall savings

Improvements to ACOs

- Assign beneficiaries to ACOs on a prospective basis instead of a retrospective basis
- Waive certain regulatory requirements for ACOs that use prospective assignment and accept 2-sided risk

Strengths and weaknesses in the current design of traditional fee-for-service

- Beneficiaries have good access to care
- Administered prices can help constrain growth in spending
- Fee schedules used by many other health care payers
- However, no entity is responsible for overall costs, and beneficiaries and providers have incentives to use or deliver too many services
- Continued reforms to improve the program's value could be considered

To what extent could VBP replace the traditional FFS program?

- Supporters of VBP often describe it as a way to “replace” or “eliminate” fee-for-service payment
- It’s not clear what this would mean in Medicare, especially since MA and ACOs are closely linked to FFS
- We developed four illustrative scenarios to highlight some of the issues that would be involved
- Each scenario would expand the use of VBP, but they differ in how far they would go to replace the FFS program

Scenario 1: Medicare continues to operate the traditional FFS program

- Closest scenario to the current Medicare program
  - Traditional FFS program continues to operate
  - Voluntary participation in MA (for plans and beneficiaries) and ACOs (for providers)
- Pursue improvements in all three delivery systems
- Potential FFS reforms include bundled payments, site-neutral payment policies, refinement of existing quality incentives and development of new incentives

Scenario 2: Medicare requires all FFS providers to participate in ACOs

- Traditional FFS would no longer be an option
  - Providers must join ACOs to receive FFS payments
  - Medicare assigns all FFS beneficiaries to ACOs
  - CMS continues to pay claims for ACOs using FFS rates
  - Beneficiaries can still enroll in MA plans
- Could affect any-willing-provider policy and may have implications for beneficiary choice
- Ensuring universal access to ACOs could require higher spending in some areas (as in MA)

Scenario 3: Medicare stops paying providers directly

- MA plans and ACOs pay providers for all services
- CMS continues producing FFS fee schedules
- Replacing FFS claims data would be difficult
  - Calculation of benchmarks and risk adjustment would be major challenges for administering the MA and ACO programs
  - Premium support could be used to set benchmarks
- ACOs effectively become capitated health plans; this raises the question of whether beneficiaries would need to actively enroll in ACOs

Scenario 4: Medicare stops producing the FFS fee schedules

- Identical to prior scenario except CMS would not produce fee schedules
- Complete elimination of FFS program would fragment Medicare's purchasing power
- Providers could use their market power to force MA plans and ACOs to pay much higher rates

Some implications of our illustrative scenarios

	Beneficiary choice of any willing provider	Delivery model(s)	Implementation difficulty	Incremental costs/savings
1: Medicare continues the traditional FFS program	Yes in FFS or ACO	Choice of FFS, MA, ACO	Low to moderate	Depends on changes to models
2: Medicare requires FFS providers to join ACOs	Could be limited	Choice of MA or ACO	Moderate	Depends on changes to models
3: Medicare stops paying providers directly	No	Capitated health plan	High	Depends on changes to models
4: Medicare stops producing the FFS fee schedules	No	Capitated health plan	High	Significant costs due to higher provider rates

Note: FFS (fee-for-service), ACO (accountable care organization), MA (Medicare Advantage)

Discussion

- The Commission plans to prioritize work on VBP during the next meeting cycle
- We would like your guidance on how VBP would affect each of Medicare's delivery systems (traditional FFS, MA, and ACOs)
- We are particularly interested in your views on the illustrative scenarios and the extent to which VBP could replace traditional FFS coverage