

Potential Medicaid Delivery System Reforms

White Paper

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Background

Over the past few years, health care delivery system reform increasingly has been viewed as the key to slowing the growth in health care spending.

These reforms have included a number of concepts – all designed to improve care coordination, promote wellness and prevention and improve the quality of care. They will not produce instant savings, but, over the long term, are designed to bring greater value to health care spending. They include:

- **Medical homes**, in which a primary care provider manages all the care of a population of patients. Public programs such as Medicare and Medicaid and private insurers are currently developing medical home projects in Montana.
- **Value-based purchasing (VBP)**, which seeks to shift the emphasis from the quantity of services provided to the quality of care provided. Under the Medicare VBP program, a certain amount of a provider's payment is withheld and redistributed based on whether providers' meeting certain thresholds for quality of care or improving their quality of care by a certain percentage.

The threat of losing a portion of their payment incentivizes providers to focus on improving the quality of care. Improved quality of care should translate into reduced spending for medical services, hence greater value for every dollar spent.

Hospitals have been reporting their performance on more than 30 quality indicators since 2004 in a "pay-for-reporting" program – i.e. failure to report results in a hospital losing a portion of its Medicare payment. Physicians currently can choose to participate in a voluntary reporting program, with a mandatory VBP program looming in 2014(?) Skilled nursing facilities and home health agencies also will move to a mandatory VBP program over the next five years.

Private insurers also are exploring VBP programs for commercially-insured individuals.

- **Payment Bundling**, under which one entity receives the payment for all the services associated with an episode of care regardless of where it is provided.

For example, in the case of a knee replacement, an entity would receive one payment for all the physician services, the surgery, the hospital recovery, the rehabilitation services and any long-term care rehab required. That entity would have to manage that care in such a way that the

payment covers the cost of the services provided. Hence, the provider is incentivized to make sure the care is delivered efficiently and that complications are minimized.

Implications for Medicaid

Implementation of each of these models could improve the efficiency of the Medicaid delivery system.

- **Medical home.** The Insurance Commissioner is already working with a number of stakeholders to implement a medical home model in the state. There may be a need for statutory changes to provide protection against anti-trust issues and to determine which state agencies have oversight responsibilities.
- **VBP.** The Department of Public Health and Human Services testified at the January SCEG Medicaid subcommittee that it currently does not have the capability to collect quality data, which is the first step toward implementing VBP programs.

The U.S. Department of Health and Human Services recently released a list of 26 quality measures it considered appropriate to measure quality of care for the Medicaid population.

To Do:

- Legislation authorizing DPHHS to begin development of a Medicaid VBP demonstration project for hospital, physician, skilled nursing facility and home health Medicaid providers.

This legislation also could direct the department to report to the 2015 Legislature on how to convert the demonstration to a full component of the Medicaid reimbursement system.

- Appropriate funds to be used by DPHHS to collect quality measure data from the providers listed above.

- **Payment Bundling.**

To Do:

- Legislation authorizing DPHHS to develop a payment bundling demonstration project for certain procedures.
- Appropriate funds for the development of the payment bundling demonstration.