IAP | Medicaid Innovation Accelerator Program

Value-Based Payment and Financial Simulations

In July 2014, the Centers for Medicare & Medicaid Services (CMS) launched a collaborative between the Center for Medicaid and CHIP Services and the Center for Medicare & Medicaid Innovation (CMMI) called the Medicaid Innovation Accelerator Program (IAP). The goals of IAP are to improve health and health care for Medicaid beneficiaries and to reduce costs by supporting states in their ongoing payment and delivery system reforms. The Value-Based Payment and Financial Simulations functional area began in September 2016. IAP is also working with states on other health care delivery system reform efforts in data analytics and program areas such as reducing substance use disorders, improving care for Medicaid beneficiaries with complex care needs and high costs, promoting community integration via long-term services and supports, and supporting physical and mental health integration.

Value-Based Payment (VBP) and Financial Simulations Technical Assistance

In August 2018, IAP began supporting a second cohort of nine Medicaid agencies for a 12-month period (2018-2019). This support included hands-on technical assistance to help advance state VBP approaches (i.e., payment models that range from rewarding for performance in fee-for-service (FFS) to capitation, including alternative payment models and comprehensive population-based payments). IAP collaborated with these states in designing, developing, and implementing VBP approaches and conducting financial simulations and forecasts that analyze the impact of these VBP strategies. The participants (the District of Columbia, Massachusetts, Oklahoma, Rhode Island, South Carolina, Virginia, Washington, Wisconsin, and West Virginia) had access to a range of resources—peer-to-peer calls, materials on VBP issues, tailored technical support—and to subject matter experts from the Office of the National Coordinator for Health Information Technology. Technical assistance from IAP helped the Medicaid agencies plan VBP reforms and lay the groundwork for more effective reform in future implementation efforts.

DISTRICT OF COLUMBIA

As part of the first cohort of IAP VBP technical assistance (2017-2018), the District of Columbia (DC) Department of Health Care Finance (DHCF) sought help redesigning DC's community-based long-term services and supports (LTSS) waivers and programs, focused on personal care aide (PCA) services. For the second cohort of IAP technical assistance (2018-2019), DHCF had two requests. The first request was to explore a partial capitation model for its Dual-Eligible Special Needs Plan (D-SNP) enrollees, and the second request was for strategic guidance on establishing LTSS contracts with managed care organizations (MCOs). For DHCF's first request, IAP provided a comprehensive set of descriptive spending statistics about LTSS used by dual-eligible beneficiaries overall and by sub-population. These descriptive analyses allowed DHCF to better understand variability in spending within and across demographic groups, to inform a future partial capitation model for D-SNP enrollees. To address the second request, IAP shared examples of MCO LTSS contract language. IAP also hosted a series of VBP discussions with DC and other states with managed LTSS; these states shared insights on how to select a model, structure MCO contracts, and work with MCOs when introducing a new product. DC plans to use these resources with internal and external stakeholders as it incorporates VBP approaches into a recently approved five-year plan for LTSS reform.

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MASSACHUSETTS

Massachusetts was part of the first cohort of states that received IAP VBP technical assistance (2017-2018). For the second cohort of IAP technical assistance (2018-2019), MassHealth, Massachusetts' Medicaid agency, sought support to continue development of an LTSS service-specific financial simulation modeling tool to assess the financial impact of a payment withhold on both the state and its LTSS providers. IAP developed the tool using two years of quality and financial data and produced four different versions, each representing a different LTSS program population: adult foster care, day habilitation, adult day health, and a combination of day habilitation and adult foster care populations. An important feature of the simulation model is its flexibility, in that it allows the user to apply the model to other LTSS programs; change the quality measures being used; adjust the performance years; and test different withhold approach specifications such as measure weights, withhold percent, and performance thresholds. MassHealth plans to continue to use the tool to advance VBP approaches within its LTSS program by modeling other LTSS programs and adding new measures or additional performance years. In addition, for the state's LTSS provider report card, MassHealth is considering adding new measures that are good indicators of provider performance based on its simulation results.

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OKLAHOMA

Oklahoma's Department of Human Services - Developmental Disabilities Services Division sought technical assistance from IAP on two requests: to outline possible VBP arrangements to include in a 1915(c) waiver for Supported Employment (SE) services for individuals with intellectual and developmental disabilities (I/DD) and to formulate a stakeholder engagement strategy for including employment providers serving I/DD beneficiaries in the rate restructuring process. IAP developed an environmental scan and PowerPoint presentation that details other states' strategies for incorporating VBP models into SE programs. IAP also developed a stakeholder engagement plan that includes resources and guidance to support Oklahoma in developing and implementing a VBP approach in the state's I/DD SE program. Starting in August 2019, Oklahoma used the resources developed under IAP to guide a series of stakeholder engagement meetings. The state team plans to incorporate recommendations from these meetings into a VBP proposal to the state legislature, specifically to enhance the payment model for SE services in order to better incentivize competitive integrated employment for individuals with I/DD.

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RHODE ISLAND

The Rhode Island Executive Office of Health and Human Services had two requests for IAP technical assistance. The first was to explore how to incorporate a downside risk VBP arrangement into the state's existing Accountable Entities (AE) program, the state's name for its Medicaid Accountable Care Organization (ACO) program. The second request was to explore LTSS VBP options for the state's Medicare-Medicaid dual-eligible enrollees. To inform the state's decision making on downside risk, IAP provided an options paper highlighting other states' approaches to implementing downside risk arrangements and implementation challenges in their respective Medicaid ACO programs. Based on the options identified in the paper, IAP conducted a financial simulation to forecast the potential financial impact of various downside risk specifications on the AEs, the state's managed care programs, and the state. In addition, IAP produced a VBP options memo on LTSS approaches for Medicare-Medicaid enrollees, including the regulatory authorities and pathways needed to execute these options and key implementation considerations. Rhode Island plans to use these resources to develop downside risk contract specifications and possible LTSS VBP approaches for discussion with state leadership and stakeholders.

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SOUTH CAROLINA

The South Carolina Department of Health and Human Services sought IAP technical assistance to learn more about options for advancing a VBP approach within its managed care program. IAP provided information on VBP options and specific state examples that could be pursued in South Carolina, with examples of how states defined distinct VBP categories in their MCO contracts. IAP also developed other technical resources for the state: one on using VBP approaches to address key health concerns and the second on how to use managed care contract language to address social determinants of health (SDOH). Informed by these resources, South Carolina requested IAP assistance in developing an MCO survey, to better understand current VBP arrangements with providers and MCO capacity to implement future state VBP initiatives. IAP leveraged survey examples from other states, and feedback from South Carolina, to develop a survey that the state will use to focus and advance its VBP work with MCOs.

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VIRGINIA

As part of the first cohort of IAP technical assistance (2017-2018), the Virginia Department for Medical Assistance Services sought assistance to understand potential VBP approaches to address priority issue areas and achieve the state's payment reform goals. For the second cohort of IAP technical assistance (2018-2019), Virginia sought to identify key decision factors for implementing VBP approaches within its managed care program, with the aim of designing a VBP approach for MCOs that would achieve state goals. To address this request, IAP prepared an environmental scan and options memo describing how states have required or encouraged MCOs to implement VBP arrangements with their network providers. Informed by these resources, Virginia expressed interest in understanding ways states are using non-monetary incentives, specifically auto-assignment algorithms, to influence MCO performance. IAP prepared a second environmental scan, on how states have incorporated quality and other performance measures into auto-assignment algorithms to incentivize MCO performance. State staff have used the second scan to brief state leadership about potential options to advance managed care VBP approaches, in anticipation of implementing VBP policies.

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WASHINGTON

Washington State Health Care Authority's first IAP request was to explore strategies for designing and implementing bundled payment arrangements. IAP provided Washington with examples of other bundled payment programs from across the country, as well as a list of key questions and considerations for selection and prioritization of bundled payment models. Second, IAP conducted a financial simulation of an acute asthma exacerbation bundled payment model, based largely on Tennessee's bundled payment framework and using Washington's Medicaid claims data. In response to the state's third request, IAP provided technical assistance on strengthening stakeholder engagement and provider readiness for VBP models within the state's Accountable Communities of Health (ACH). Finally, the state received IAP support on methods to address SDOH within VBP arrangements, which included an environmental scan of other states' approaches to addressing SDOH within Medicaid managed care and options for how the state could consider incorporating SDOH initiatives within planned or existing VBP programs. The state has used the IAP deliverables to plan for a number of initiatives: for example, the SDOH environmental scan for broad-based planning and the financial simulation findings to plan for a bundled payment model at the state level. In addition, Washington is using the stakeholder engagement materials as part of early planning for updates to the Health Care Authority's Value-Based Roadmap.

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WISCONSIN

The Wisconsin Department of Medicaid Services sought IAP technical assistance to redefine VBP arrangements for the state's managed care contracts and to explore shared savings/shared risk options for advancing VBP models in the state. IAP developed an environmental scan examining a range of state definitions of VBP, including VBP targets and the incentive structures for Medicaid managed care plans. IAP presented these findings to health maintenance organizations (HMOs) in Wisconsin serving the Medicaid population. IAP also conducted a financial simulation of a shared savings/shared risk payment arrangement between the HMOs and providers to help the state explore the impact of various VBP specifications on participation rates and state Medicaid costs. Finally, IAP convened a meeting between Wisconsin and experts from CMMI to discuss CMS's criteria for qualifying as an Other Payer Advanced Alternative Payment Model and how the criteria could inform the specifications of Wisconsin Medicaid VBP models. Based on the support IAP provided, state staff are discussing VBP options with Medicaid agency leadership to advance VBP arrangements through HMO contracts.

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WEST VIRGINIA

The West Virginia Department of Health and Human Resources sought IAP technical assistance to explore MCO VBP strategies to improve health outcomes for the state's Medicaid managed care population, as well as the population served by foster care-specific MCOs. The state was also interested in using VBP strategies to improve care for its LTSS population in long-term nursing facilities. To address the first request, IAP provided strategic advice on adding VBP language to the state's general managed care contract and a foster care-specific managed care contract. For West Virginia's second request, IAP provided support to specify and model an appropriate approach for incentivizing VBP arrangements through a quality withhold arrangement for the state's nursing facilities. IAP developed a financial simulation tool that allowed West Virginia to simulate the move from a cost-based nursing facility payment system to a prospective payment system. Combining federal CMS Nursing Home Compare data with the state's nursing facility expenditure data, the financial simulation tool analyzed the impact of implementing nursing homes payment withhold arrangements. IAP also provided West Virginia with a stakeholder engagement plan to support its VBP efforts with nursing facility providers. West Virginia plans to continue its ongoing efforts to transform its nursing facility payment methodology using the financial simulation tool, and the state has incorporated VBP language into its general MCO contract and its RFP for a foster care-specific MCO program.

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Additional information on the IAP Value-Based Payment and Financial Simulations program, including materials from national webinars, is available on the IAP Value-Based Payment and Financial Simulations webpage.