

OPTIMIZING VALUE-BASED PAYMENT STRATEGIES
WHILE MITIGATING FINANCIAL RISK



Session 4 in a 4-Part Series
June 27, 2024



THE NACHC MISSION

America's Voice for Community Health Care

The National Association of Community Health Centers (NACHC) was founded in 1971 to promote efficient, high quality, comprehensive health care that is accessible, culturally and linguistically competent, community directed, and patient centered for all.









NACHC Speakers





Cheryl Modica, PhD, MPH, BSNDirector, Transformation & Innovation



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Optimizing Value-Based Payment Strategies



Learning Objectives:

- ✓ Outline contracting strategies to mitigate financial risk and enhance the prospect of success in risk arrangements.
- ✓ Discuss strategies for developing a FQHC primary care capitated alternative payment methodology for Medicaid.

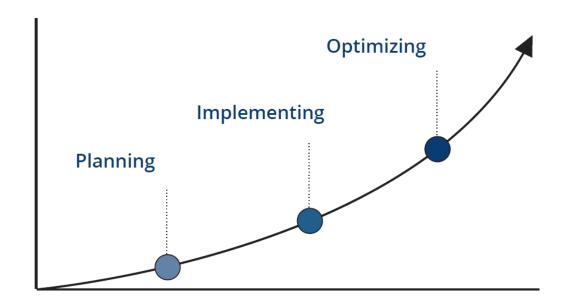
Q&A

Value-Based Payment Readiness

Planning: Health centers in the *Planning* stage are aware of the importance of value-based care and working to increase knowledge in this area and prepare for value-based payment arrangements. Reliant on prospective payment system (PPS) with little or no participation in pay-for-performance (LAN2).

Implementing: Health centers in the *Implementing* stage are reliant on PPS payments though may participate in one or more alternative payment models, such as pay for performance (LAN 2) or an upside shared savings model (LAN 3a). Developing capability and legal structures to allow clinical and financial integration with external partners. Exploring or moving toward risk arrangements.

Optimizing: Health centers in the *Optimizing* stage are in upside and downside risk arrangements (LAN 3a-4). Includes strategies to transform care and services and working to deliver on the Quintuple Aim and value-based care metrics important to payers.



Learning Objective: Mitigating Financial Risk

Outline contracting strategies to mitigate financial risk and enhance the prospect of success in risk arrangements.

Featured Speaker



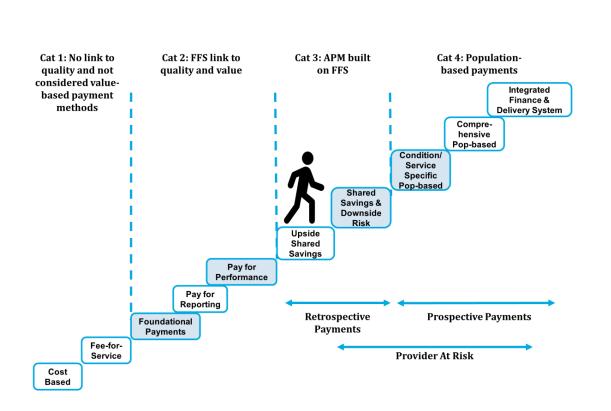


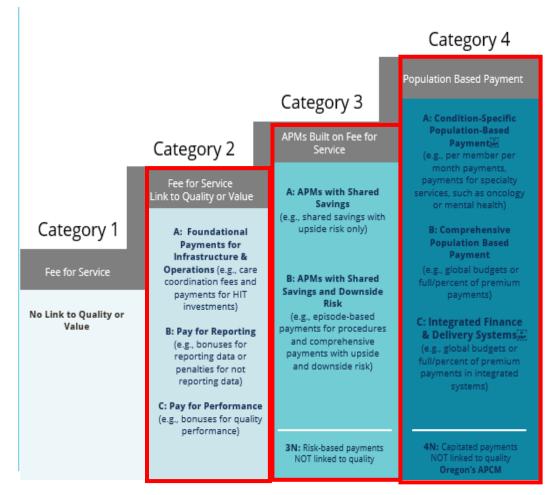
Art Jones, MD Chief Clinical Officer, Medical Home Network Principal, Health Management Associates

Art Jones, M.D. has 27 years of experience as a primary care physician and CEO at a Chicago area community health center that has adopted advanced alternative payment models since 1987. He was one of the founders and continues to serve as the Chief Clinical Officer for Medical Home Network (MHN) and MHN Accountable Care Organization (ACO) comprised of thirteen FQHCs and three health systems serving 180,000 Chicago area Medicaid recipients. MHN is completely delegated for care management and successfully operates under a global risk arrangement on total cost of care. MHN supports 64 FQHCs in ACO REACH or MSSP.

Dr. Jones is also a principal at Health Management Associates where he focuses on helping FQHCs and their clinically integrated networks succeed in advanced alternative payment models.

Alternative Payment Models: Health Care Learning Action Network Categories





Health Care Learning Action Network (HCPLAN) Alternative Payment Model (APM) Framework



Why Would a Provider Agree to a LAN 3B or 4 APM?



- To secure a greater share of savings generated.
- To increase organizational attention on the pursuit of value-based care.
- In response to payer requirements to stay in a value-based care arrangement.
- To support a model of care that improves member access to care, enhances member experience, improves performance on quality metrics, and reduces low-value services and total cost of care.



Risk Mitigation Strategies



- 1. Create a separate legal structure that holds the financial risk but offers me equity.
- 2. Include potentially preventable emergency department visits, hospitalizations and rehospitalizations as metrics when you are only in a pay-for-quality program.
- 3. Demonstrate ability to generate shared savings before progressing to shared risk.
- 4. Assure panel size is adequate to minimize the impact of statistical variation in performance.
- 5. Negotiate a risk-adjusted medical loss ratio (MLR) that reflects your historical experience and fix it for at least the next three years.
- 6. Assure individual member stop loss charges against the savings pool are actuarily sound.



Risk Mitigation Strategies (cont'd)



- 7. Use the quality component of the deal to mitigate downside risk comparable to its impact on limiting earned savings.
- 8. Consider clinical and financial integration with health care partners who complement your service area and/or service offerings but only if they can be trusted to be accountable for their performance and outcomes.
- 9. Only take risk for services you can reasonably impact (medical risk vs. Insurance risk).
- 10. Build an adequate reserve pool and negotiate a cap on losses limited to that pool.
- 11. Take a uniform multi-payer approach in negotiations.
- 12. Act as if you were already taking downside risk even before you do.



Individual Member Stop Loss



- Reinsurance for catastrophic cases that are usually beyond what the health care provider can influence.
- Built on actuarial experience of a health plan's membership in a specific product line.
- Charged as an expense when calculating surplus or deficit in a provider's pool.
- The expense varies by probability that it will be used, the attachment point, and the percentage of expense insured once the attachment point is reached.







	Reinsurance Premium (PMPM)				
Reinsurance Attachment Point	\$250,000	\$500,000	\$1,000,000		
Medicaid Eligibility Category					
TANF/CHIP	\$14.00	\$6.52	\$3.14		
Medicaid Expansion	\$15.45	\$6.79	\$2.78		
Special Needs Children	\$26.81	\$12.09	\$5.27		
Aged, Blind, Disabled	\$92.47	\$44.15	\$20.64		

- Lower attachment point reduces risk but at a greater cost to the savings pool.
- Stop loss costs rise as the risk and cost of the population increases.

Using Your Quality Performance to Mitigate Risk



Shared Risk Deal: 50:50 split with the health plan

Example	Savings Generated \$200,000		Losses Generated \$200,000	
Provider Initial Split		\$100,000		(\$100,000)
			Percent of Provider	
Composite Quality	Percent of Provider Portion	Savings	Responsibility for Percent of	Provider
Score	of Savings Retained	Earned	Losses	Payback
100%	110%	\$110,000	50%	(\$50,000)
95%	105%	\$105,000	50%	(\$50,000)
90%	100%	\$100,000	50%	(\$50,000)
85%	85%	\$85,000	55%	(\$55,000)
80%	80%	\$80,000	60%	(\$60,000)
75%	75%	\$75,000	65%	(\$65,000)
70%	70%	\$70,000	70%	(\$70,000)
65%	65%	\$65,000	75%	(\$75,000)
60%	60%	\$60,000	80%	(\$80,000)
55%	55%	\$55,000	85%	(\$85,000)
50%	50%	\$50,000	90%	(\$90,000)
<50%	0%	\$0	100%	(\$100,000)

Better scores on quality metrics should reduce potential downside risk payments.

Plan to Progress from Shared Savings to Shared Risk



- Agree with the payer on a vision to progress to downside risk with a defined timeline.
- Let the payer make an initial offer for shared savings progressing to shared risk.
- Negotiate the same upside portion in the shared savings contract that will be in the shared risk agreement in the future.
- Reserve the difference between the portion of savings that the payer initially offered, and this enhanced amount to build your risk reserve pool.
- As you assume downside risk, cap your risk at the amount in the reserve pool.
- Stop funding the reserve pool once you reach the level the payer initially required in the initial shared risk arrangement.



Learning Objective: Capitated APM for Medicaid

Discuss strategies for developing a FQHC primary care capitated alternative payment methodology (APM) for Medicaid.

Featured Speaker





Craig Hostetler Owner and Principal Hostetler Group

Craig Hostetler is a consultant focused on aligning payment reform with practice transformation, particularly for vulnerable populations. He is nationally recognized as a pioneer in evolving FQHC payment to support holistic, team-based care. In his previous job, he was the executive director of the Oregon Primary Care Association (OPCA) for 15 years. Under his leadership, OPCA designed a Medicaid capitated Alternative Payment Methodology (APM) for FQHCs, removing the incentive to produce billable visits. Craig has been a consultant for over 6 years, working with FQHCs, PCAs, NACHC, and other organizations supporting health centers on understanding VBC and capabilities FQHCs need to be successful, developing VBC strategies that takes the current environment into account, developing and implementing FQHC capitated APMs for Medicaid, understanding and addressing SDoH barriers, and facilitating staff/board member strategic planning retreats.

Before coming to Oregon, Craig has worked in Washington, DC and overseas in London, England and Sydney, Australia as a health care manager.

WHAT is a FQHC Capitated APM for Medicaid?



- Federal law allows states to implement an alternative to FQHC PPS rates (Social Security Act 1902(bb)(6)).
- Converts an FQHC's PPS rate and utilization to a capitated per member per month payment.
- Reimbursement has to be at least as much as what an FQHC would have received under PPS.
- CMS has to approve a State Plan Amendment (SPA).
- Each participating FQHC has to agree to implement a capitated APM (i.e., it's voluntary).
- It's not that the payment is innovative
 - 9-9

With the majority of patient service revenue off the visit, you can get innovative with the care model.



FQHC Capitated APMs



Should be unique to an individual FQHC's rate and utilization.

• Why? It has to be reconciled to PPS.

Rates should reasonably reflect costs.

- Otherwise, you're memorializing a negative operating margin.
- Make sure the capitated APM is trended forward by Medicare Economic Index (MEI) or other market basket indicator & can account for increases in FQHC costs from changes in the intensity, duration, amount, and types of services offered in future years.
- Utilization of services included in developing the initial capitated rate should be stable (e.g., consider excluding mental health services in the beginning if FQHCs plan to significantly expand the breadth of these services).



FQHC Capitated APM is Different than other Primary Care Capitation





- Based on individual FQHC Medicaid rates and utilization.
- Can work with individual health center care model strategies,
 addressing the unique needs of populations they serve.
- It can work in rural and urban areas if the underlying FQHC rate reasonably reflects FQHC costs.
- Health centers have to receive at least as much as they would have received under PPS.

WHY Develop a FQHC Capitated APM?



Fee-for-service has its flaws:

- Rewards volume without accountability to quality or cost
- Focuses work on the billable provider instead of the work of the team
- Doesn't reward continuity between the patient and provider
- Doesn't incentivize proactively managing patients
- Doesn't incentivize provider organizations to work together
- Doesn't incentivize efficiencies in the health care system
- Hasn't sufficiently supported primary care and behavioral health integration
- Didn't work during COVID: billable visits decreased significantly and less flexibility to pivot the care model



Common Purposes of FQHC Capitated APM?



- It's about the care model
 - Remove the incentive to produce billable visits
 - Provide flexibility to implement robust team-based care, including SDoH interventions
 - Increase focus on care coordination
 - Support integration of services
 - Improve health equity
- Use the capitated APM as a recruitment and retention tool
- Predictable cash flow state, FQHCs
- Control destiny on state VBP efforts





Accountability Plan: Can Demonstrate FQHC Value



Purpose of an accountability plan

- Demonstrate value as billable encounters decrease.
- Measure improvement in cost, quality, patient experience, and health equity.
- Show innovation efforts / how the care model can change.
- Gain stakeholder commitment to the APM.
- Align APM with state payment reform.
- Should evolve over time as VBP and care transformation evolve.



Care Transformation Examples (Under Capitated APM)





- Building care teams and workflows that are a reflection of the patients medical, behavioral, dental and social drivers of health needs.
- Reducing emergency room visits and unnecessary hospitalizations through implementing trauma informed approaches and care management for complex care needs.
- Documenting patients' social drivers of health needs through motivational interviewing, leading to the co-creation of treatment plans with the patient.
- Providing **alternative forms of access** (e.g., e-visits, telehealth, increase access to non-billable clinic staff, group visits).
- Focus data collection efforts for capitated APM clinics on cost, quality and patient experience metrics to show value as the health center generates revenue not connected to billable encounters.



Steps for Developing & Implementing a Capitated APM





- Moves away from volume-based pay
- State can get wide range of data under an accountability plan as clinics move off the visit: billable and non-billable access, cost, quality metrics, and even innovation work (e.g., testing SDoH interventions)
- Predictable cash flow
- A bridge to VBP that works with FQHC payment



MCO Benefits (under Capitated APM)





Helps align FQHC payment with MCO VBP initiatives.



FQHCs have more flexibility to help MCOs meet VBP goals that are in their contracts with the State.



Can work with a group of clinics on moving common metrics under the accountability plan.

Tip: *If Managed Care Organizations (MCOs)* are paying FQHC capitated rates, the cost of PMPM payments to FQHCs, not PPS equivalency, should be used when states set next year's MCO rates



Capitated APM Increasing Popularity



- Started in Oregon (first statewide), then WA, then CO, then MA
- NACHC APM Academy (2018-19): IA, LA, MT, TN, NY
- NACHC APM Academy (2019-20): AK, DC, FL, IN, ME
- Several other states are actively pursuing capitated APM implementation (e.g., CA, IL, MI)





State Medicaid Benefits (under Capitated APM)





Initial Steps/Clarify Your Purpose



Align Stakeholders/Payment Models



Assess FQHC Readiness



Discuss Key Decision Points



Model Financial Scenarios



Finalize Capitated APM model



State Plan Amendment (SPA) Approval



Build Capacity: PCA & FQHCs



Operationalize the Capitated APM



Oregon APM Strategy



- Built up the PPS rates.
 - Developed a strategy to increase PPS rates to be closer to allowable costs for HCs.
- Converted individual health center PPS rates and utilization to a capitated APM and made it budget neutral (based on PMPM, not PPS rate).
 - In today's environment, consider negotiating additional investments to support health equity (e.g., CMS models that increase investment in primary care for FQHCs).
- Strengthened the relationship with the State through building the APM and including them in the APCM Learning Community.
- Developed an accountability plan as a bridge to VBP and to show health center value to the State and MCOs.



How VBP and Capitated APMs Work Together



- Capitated APMs can still be considered separate from FQHC value-based pay (VBP) arrangements (i.e., VBP payments are in addition to APMs, similar to PPS).
- Or, you could directly link it to VBP as long as FQHCs receive at least as much as they would have under PPS.
- Metrics that are captured within the capitated APM program can be aligned with current and future VBP efforts.
- Capitated APMs offer flexibility to produce better health outcomes and to prepare for increasing levels of risk in VBP.
- The capitated APM financial model can be at the health center level, while VBP can take place at the network level.



Why Would a Health Center Implement a Capitated APM?



- Implement team-based care that supports the holistic needs of patients (medical, behavioral health, dental, SDOH).
- Reduce the focus on producing billable visits.
- Prepare for value-based pay.
- Improve care coordination.
- Use the APM as a recruitment and retention tool.
- Improve focus on data and data analytics for VBP metrics captured in the accountability plan.



Health Center Capabilities Needed in a Capitated APM?



- Patient-centered, team-based care is fundamental
- Finance Medicaid payor mix & finance department capabilities
- Population health approaches to care delivery, whole person care
- Integration of medical and behavioral health services
- Open access
- Evidence-based & innovation (e.g., testing SDoH interventions)
- Care coordination/care management, particularly for high-risk patients
- Tracking and moving cost, quality and access metrics
- Data & analytics capability, including SDoH data
- Culture of quality



WHY Should Your Health Center Implement a Capitated APM?



Does it align with HC goals?

- Overall mission
- Better care, health equity
- VBP strategy

Does the HC have capacity?

- Financial stability
- Capacity to run PPS and capitated APM methodologies
- Data reporting and data analytics capability
- Care transformation competencies (e.g., population health capabilities)

Does your FQHC Medicaid rate reasonably represent your allowable costs?

Can it address some of your health center pain points (e.g., recruitment/retention, financial)?





Craig Hostetler Owner and Principal Hostetler Group



Art Jones, MD
Chief Clinical Officer, Medical Home Network
Principal, Health Management Associates



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President
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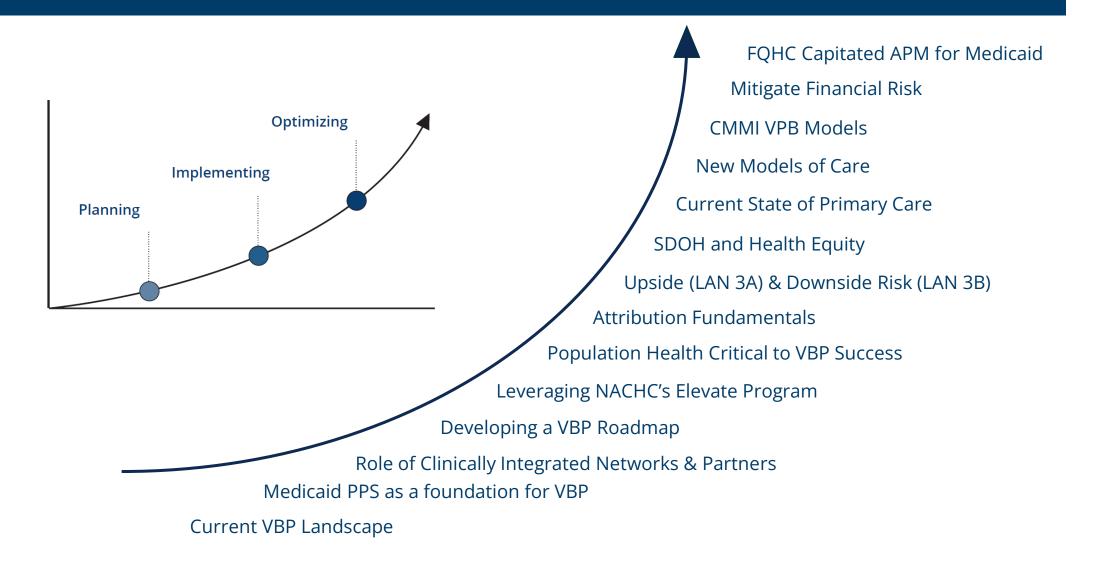
Questions & Discussion

Value-Based Payment: Next Steps

- Assess where you are.
- Know your costs, and patient spend throughout the system.
- Know your value.
- Start small.
- Find partners.
- Re-invest earned shared savings.
- Leverage the Health Center model of care to improve the patient and care team experience.
- Think long-term.
- The risk of standing still.
- Get in the water and start swimming!



Value-Based Payment Series



NACHC's Value-Based Payment Learning Series



Link to recorded module (10 mins)

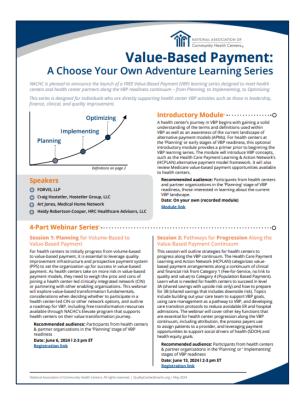
Session 1: Planning for Volume-Based to Value-Based Payment

Session 2: Pathways for Progressing Along the VBP Continuum

Session 3: Implementing High-Quality Primary Care within VBP Models

Session 4: Optimizing VBP Strategies while Mitigating Financial Risk

Registration Link: 4-Part Series



Supplemental Sessions!

- 1. FQHC VBP Financial Projection Tool
- 2. Total Cost of Care

Registration Link: Supplemental Sessions

NACHC: Value-Based Payment Resources



Value-Based Payment Readiness & **Financial Projection Tool**



This tool is provided to assist community health centers in evaluating their financial readiness for value-based payment models as well as estimates of projected revenues, costs and returns on investment for various alternative payment arrangements. To assess your organization's financial position, please review the following directions before completing the subsequent worksheets.

Please note: The workbook is meant to provide high-level financial projections using national averages and benchmarking information. Other factors influencing your organization's ability to assume value-based arrangements (i.e. geography, average salaries, cost of living, patient demographics, risk adjustment, etc.) would need to be evaluated separately

Additionally, the glossary worksheet contains helpful definitions and source data used for benchmarking purposes.

Directions:

Complete the following tabs

- 1. VBP Readiness Pulse Check: Answer each question in the "response" column to the best of your knowledge. When you have completed the assessment, a score will populate at the bottom of the page indicating high, medium or low financial readiness for VBP arrangements based on your responses. In this section, value-based payment contracts are defined as capitated payments, pay-for-performance contracts, care coordination payments as well as alternative payment models (bundled payments, capitated arrangements, etc.)
- 2. Projected Revenues: populate the following information for each of your current and/or potential future value-based payment contracts to generate total projected revenues. For definitions of the revenue categories, please reference the Glossary tab.

of lives included in contract

Contractual revenue (per member per month)

At-risk revenue (annual total)

- 3. Projected costs: populate the following information to view the total projected costs for your value-based care contracts
 - # of covered lives across all contracts
 - # of providers participating in VBP contracts

Annual salary+benefits for future FTEs lists associated with implementation of incremental value-based care services (optional; if salary is not known, then MGMA median salary will be used)

Annual costs of non-FTE related expenses

- 4. Projected ROI: view the projected return on investment by contract, calculated by taking the outputs from tabs #2 and #3
- Next Steps: review the high-level next steps based on your organization's phase in value-based payment adoption as well as the suggested NACHC resources.

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1. VBP Readiness Check 2. Projected Revenues 3. Projected Costs 4. Projected ROI



VALUE TRANSFORMATION FRAMEWORK

Action Brief



PAYOR DATA

is Payor Data Important?

Appropriate and timely patient data is a key factor to effective population health management and performance in value-based payment models. Health insurance plans ('Payors') often have access to patient health information that health centers may not, since payors receive claims (request for payment for services rendered) submitted by various health care providers including hospitals. emergency departments, urgent care centers, clinicians, and others. Health center access to payor data offers a view into the care and services patients may be receiving outside the health center. Providers can better understand changes in health status they may not have been informed of, where care is being received, utilization patterns, and in some instances, the cost of the care provided. Given the complex nature of health center populations, having a broader perspective on what is happening outside the clinic walls can be invaluable. While data from payors is often delayed (due to the time it takes to be processed before it can be shared) and often does not include robust social drivers of health information, it is still an



essential data source for health centers engaged in value-based payment models. Payor data can be integrated with the data a health center has within the electronic health record (EHR) and population health management systems.

As health centers advance through their value-based care and payment journey, and take on increasing accountability for their patient populations (see LAN Framework that offers a national vocabulary for categorizing payment models). it becomes essential for health centers to understand how payor data can be leveraged, how payor data is received. by the health center (and at what frequency), and the health information technology (HIT) infrastructure necessary to integrate and transform payor data into actionable population health management solutions

Data Do Health Centers Receive from Payors, and What Does It Look Like?

The volume of data and the specific values/metrics that a health center receives from a payor will depend on the type of value-based arrangements in which the health center is participating. In pay-for-performance, or quality arrangements, payors may share less data than a shared savings arrangement that looks at total cost of care for a population.

As health centers advance along the continuum of accountability (e.g., progress along the LAN continuum), payors will share additional data. Once health centers enter into LAN Category 3A and above, payors will share more than quality measure/gaps in care reports with providers. This additional payor data may include information on a

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Suite of Value-Based Payment Action Briefs:

Developing VBP Goals

Attribution

Attribution Thresholds

Payor Data

Value-Based Payment Readiness & **Financial Project Tool (2024 update)**



A Systems Approach to Transformation

Value Transformation Framework



- √ Supports systems change
- ✓ Organizes and distills evidence-based interventions
- ✓ Incorporates evidence, knowledge, tools and resources
- ✓ Links health center performance to the Quintuple Aim
- ✓ <u>Assess</u> health center transformation progress



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