

Arkansas Payment Improvement Initiative (September 2011)

Existing Activities in Arkansas

The Arkansas Health Care Payment Improvement Initiative is moving the health care financing system from fee-for-service to an episode-based bundled payment strategy, aligning payment incentives for delivery of high quality, coordinated care and active management of existing conditions while retaining the actuarial risk of new conditions with Medicaid/private insurance carriers. The strategy is intended to move the entire Arkansas delivery system to a new and sustainable model of health care financing and stimulate needed system reform.

This Arkansas-initiated multi-payor reform initiative has been created in the past nine months. Based upon historic experience and recent assessments, the opportunity for capitation of patient risk with providers through an accountable care strategy is unlikely to be successful. Due to the low population and provider density, actuarial risk for Arkansas (and many other rural states) requires risk segmentation. Arkansas's proposal retains actuarial risk with public and private sector payors while transferring clinical management risk to teams of providers. Development of episodes to delineate conditions, care expectations, and provider payments are underway. Medicare data access has been secured and purchased with integration of Medicaid and private payor data underway. Through public comment, nine prioritized areas have been identified with clinical evaluation underway to delineate types of treatment, episode definition, provider team components, and alternative payment approaches.

Four broad areas of identified opportunity exist:

- Prevention and wellness (e.g., pregnancy, child birth, and preventive care with episodes defined by standard of care and periods of time)
- Acute medical care (e.g., appendicitis, joint replacement, and congestive heart failure hospitalization with episodes defined from onset of treatment through post-acute care)
- Chronic medical care (e.g., diabetes management, hypertension management with episodes defined over a period of time)
- Supportive care (e.g., elder care inclusive of home health and nursing home with episodes proposed to time-specific for activities of daily living)

Work Required

Successful transformation on this scale requires concurrent work in a number of areas, including:

- Data Analytics: Analyze Arkansas data to assess utilization, current pricing, payment distortions, informal partnerships, regional variations, existing networks, utilization review rules, patterns of practice, etc.; analyze Arkansas claims data using Ingenix ETG software to identify episode treatment groups, identify patient risk stratifications, create pricing models, create partnership scenarios, etc.;

- Literature & Best Practices Review: research national models and best practices regarding episode treatment groups, bundled payments, pricing strategies related to ETGs, etc.; recommend modifications and scale to Arkansas needs;
- Payment and Regulatory Challenges: Assess state and program legal implications regarding topics such as partnership development, payment structures, legislative issues and timelines/approvals, need for waiver application(s), etc.;
- Stakeholder Groups and Local Expert Coordination: work with stakeholder groups and local experts in workgroup format; lead workgroup plans and strategy, provide data analyses for workgroup discussions, develop communication strategies; and
- Identifying Current System Strengths and Needs: identify and consider other statewide resources and system supports; identify utilities needed to support smaller practices and/or care for specified populations (medical neighborhoods, practice support, coordinated care, etc.).

Progress

Arkansas achievements to date in both refining the initiative and laying the ground work for development and implementation include the following:

- Productive, ongoing discussions with a CMS team, led by Diane Gerrits, have initially focused on gaining access to Medicare data to ensure that we have a complete picture of the health status and utilization patterns of Arkansans. A data-sharing agreement is now in place.
- Discussions have been ongoing and ideas submitted to the Center for Medicare and Medicaid Innovation regarding state payment reform efforts and The Innovation Centers' interest in, and capacity to support, those reforms.
- Meetings with more than 30 provider and advocacy organizations in Arkansas were held to discuss the initiative and gain their insights into how efforts can best be successful.
- Private sector payors have been included as full partners in the initiative. This includes weekly meetings with leaders of BlueCross BlueShield of Arkansas, UnitedHealthcare, and QualChoice of Arkansas to develop strategy, priorities and data-sharing agreements.
- The Arkansas Department of Health is working with the initiative leaders as well to ensure that prevention and wellness remain core components of our strategy.
- Considerable data analyses have been conducted and made available to stakeholders, including aggregate clinical data that describes Medicaid expenditures by diagnosis, provider type and clinical service. We believe that greater understanding of program data, in combination with the experience of other health care payors, will lead to a more accurate understanding of clinical need and allow us to model different concepts of episodes, profile service delivery, and examine practice variation.
- We examined existing payment reform approaches considered and underway across the U.S.
- The intellectual consulting services of McKinsey & Company, Inc. have been secured. This includes an eight-member, on-the-ground team in Arkansas supporting concept design and implementation.

Future Plans

We have now identified a number of priority areas that appear to hold significant potential for early success and impact in moving from fee-for-service to episodic payments. These priorities, which we are targeting for implementation in July 2012, include pregnancy and neonatal care, attention deficit hyperactivity disorder, type 2 diabetes, back pain, cardiovascular disease, upper respiratory infections, developmental disabilities, long-term care and prevention.

Roll-out of the bundled-payment episode model in Arkansas is being sequenced as indicated below.

Wave 1

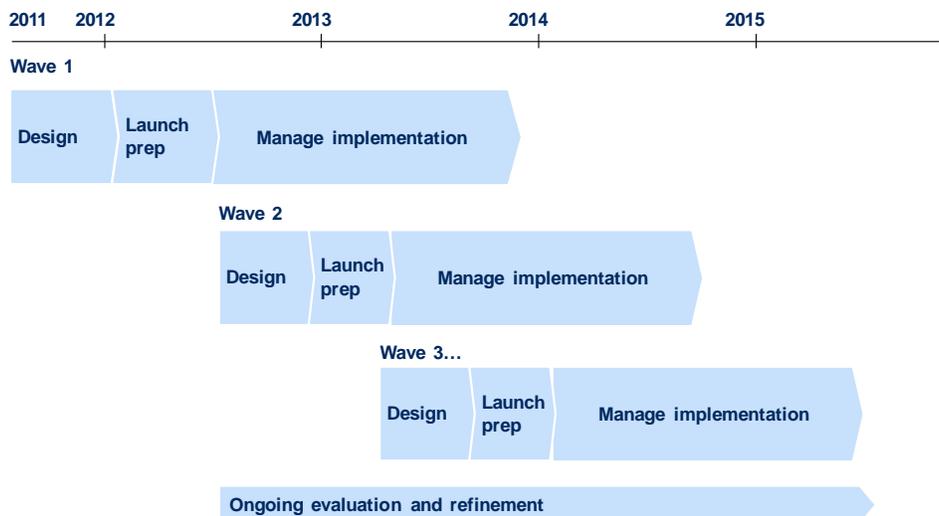
- Foci
 - Focus on ~5 initial episodes (diversity across types of episodes, e.g., acute, chronic)
 - Multi-payor, statewide
- Goals
 - Demonstrate value and impact of episode model in Arkansas
 - Refine design of episode model (what works in Arkansas)

Successive Waves

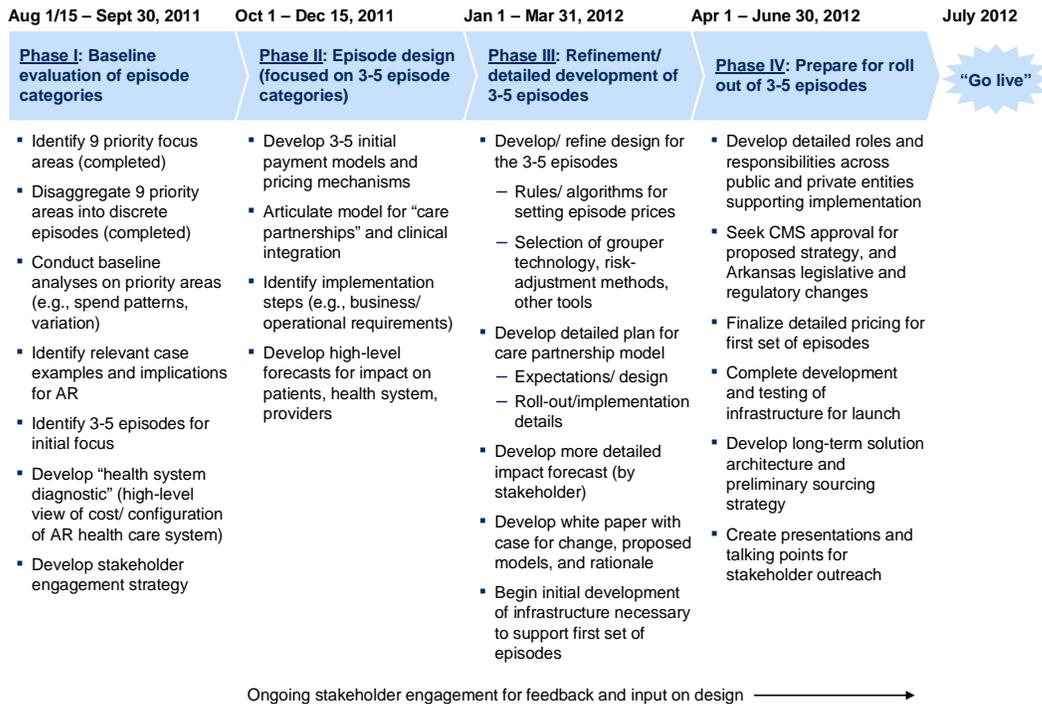
- Foci
 - Expand sequentially to more episode categories (aim to cover all spending)
 - Develop v2.0 model
 - Multi-payor, statewide
- Goals
 - Transition Arkansas to episode model
 - Demonstrate system-wide impact

Sequenced Roll-out

Sequencing of roll-out in Arkansas over the next 3–4 years is anticipated to occur on the following timeline.



Overall workplan for first wave of episodes



Funding and Potential Resources Required

To support Medicaid, SCHIP, and Medicare payment reform and system transformation in Arkansas, we suggest a federal support level to the state of \$30-50m over a 3-5 year period. This funding could be split into planning and implementation phases. However, in wave roll-out as described throughout this document, once implementation of Wave 1 was initiated, planning and development of subsequent waves should be included within implementation funding. We anticipate Arkansas will be at the implementation phase by the first of calendar year 2012.

With respect to considered distribution of funds, we believe the following would be critical components for successful implementation in Arkansas:

- Public and provider engagement
- Implementation set-up and transition
- Provider support and utility development
- Research design and analytic support
- Data management and surveillance

Additional components may be identified as Arkansas experience dictates. We would anticipate no more than 5-10% being considered in the conceptual design and planning phase, with the majority of funding being associated with implementation and operational support.