

# Joint Medicaid Oversight Committee Staff Briefing: Progress Update on Value-Based Payments

John McCarthy, Medicaid Director

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*Making Ohio Better*

# MCP Provider Agreement (Appendix Q)

- Payment Innovation and Reform
- ODM's Expectations
- Obligations of the MCPs
- State Sponsored Value-Based Initiatives

# Payment Innovation and Reform

Improving the delivery of health care - including its quality, efficiency, safety, patient-centeredness, coordination, and outcomes, requires significant changes in existing payment structures and methodologies as well as the environment in which payments are made. The following innovations have been adopted by Ohio Medicaid:

- » Payment reforms should promote health by rewarding the delivery of quality, cost effective and affordable care that is patient-centered and reduces disparities;
- » Health care payments should encourage and reward patient-centered care that coordinates services across the spectrum of providers and care setting while tailoring health care service to the individuals patient's needs;

# Payment Innovation and Reform

- » Payment policies should encourage alignment between public and private sectors to promote improvement, innovations and meeting national health priorities, and to maximize the impact of payment decisions of one sector on the other;
- » Decisions about payment should be made through independent processes that are guided by what serves the patient and helps society as a whole, and payment decisions must balance the perspectives of consumers, purchasers, payers, physicians and other health care providers;
- » Payment policies should foster ways to reduce expenditure on administrative processes (e.g., claims payment and adjudications); and
- » Reforms to payment should balance the need for urgency against the need to have realistic goals and timelines that take into account the need to change complex systems and geographic and other variations.

# ODM's Expectations

ODM expects MCPs to support and advance initiatives to develop a health care market where payment is increasingly designed to improve and reflect the effectiveness and efficiency with which providers deliver care. In addition, ODM supports the development of MCP members that are engaged in managing their health, selecting their providers, and maintaining sensitivity to the cost and quality of services they seek. The MCP must use its best efforts to ensure that these commitments and initiatives apply to the benefits offered and services delivered under this provider agreement.

# ODM's Expectations

- » **Value-Oriented Payment.** MCPs shall design and implement payment methodologies with its network providers that are designed either to cut waste or reflect value. For the purposes of this Provider Agreement, payments that cut waste are those that by their design reduce unnecessary payment and unnecessary care (e.g. elective cesarean deliveries). Value is defined as the level of the quality of care for the amount of money paid to the provider. Payments designed to reflect value are those that are tied to provider performance so that they may rise or fall in a predetermined fashion commensurate with different levels of performance assessed against standard measures.
- » **Market Competition and Consumerism.** MCPs shall design contracting methodologies and payment options and administer the benefit package to members in a manner that enhances competition among providers and reduces unwarranted price and quality variation. To stimulate provider competition further, MCPs shall establish programs to engage members to make informed choices and to select evidence-based, cost-effective care.
- » **Transparency.** MCPs shall participate in ODM initiatives to design and implement member-accessible comparisons of provider information including quality, cost, and patient experience among providers in the plan's network. MCPs shall contribute to the program design, provide data as specified by ODM, and publish results in accordance with standards established by the Department.

# Obligations of the MCPs

MCPs shall implement payment strategies that tie payment to value or reduce waste. In doing so, MCPs shall provide ODM with its strategy to make 50% of aggregate net payments to providers value-oriented by 2020. In addition, MCPs must submit a quarterly progress report as specified by ODM that addresses progress towards meeting these obligations.

# Obligations of the MCPs

- » Pay providers differentially according to performance (and reinforce with benefit design);
- » Design approaches to payment that reduce waste while not diminishing quality, including reducing unwarranted payment variation;
- » Design payments to encourage adherence to clinical guidelines. At a minimum, MCPs must address policies to discourage elective deliveries before 39 weeks; and
- » Develop payment strategies to reduce unwarranted price variation, such as reference or value pricing (e.g., analysis of price variation among network providers by procedure and service types, pilot value pricing programs, encouragement of member value-based pricing information, center of excellence pricing, and rebalance payment between primary and specialty care).



# State Sponsored Value-Based Initiatives

- Ohio is committed to pursuing payment models that increase access to patient-centered medical homes and support episode-based payments for an acute medical event. The purpose of both models is to achieve better health, better care, and cost savings. Participation of the MCPs is critical to the success of both models.
- MCPs shall implement value-based initiatives in accordance with the following rules:
  - » Episode Based Payments, Ohio Administrative Code 5160-1-70; and
  - » Patient Centered Medical Homes Ohio Administrative Code 5160-1-71 and 5160-1-72.

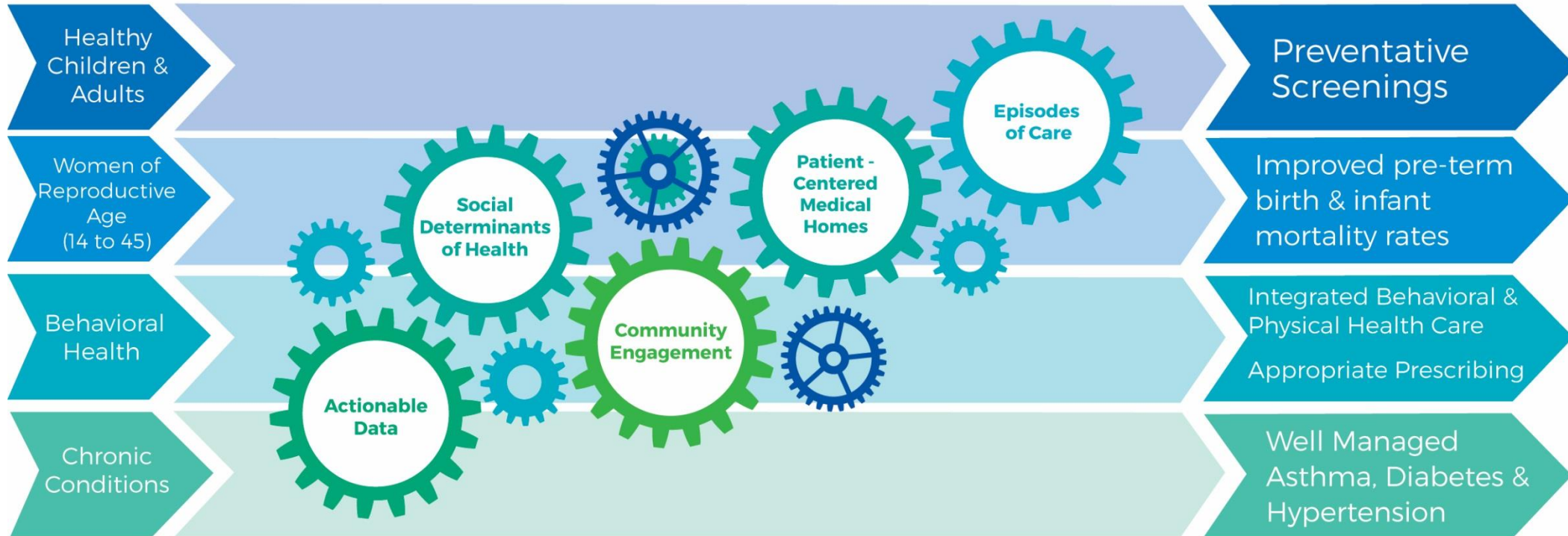
# Ohio Medicaid's Transformational Quality Strategy

## Making Ohio Better by improving the health of Ohioans.

Focus  
Populations

Design & Implement "Pay for Value"

Desired Health Improvements:  
Health Equity



SPECIAL INITIATIVES

Behavioral Health Redesign & Infant Mortality Reduction

**Ohio**

Department of Medicaid

John R. Kasich, Governor

John B. McCarthy, Director

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