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Use of Alternative Payment Models In Colorado

5/3/2021
Please note: Due to feedback from partners, CIVHC is currently updating the data shown for integrated payer-provider systems in this report. Data on APM spending for integrated payer-provider systems will be changed in the final version.

Use of Alternative Payment Models

in Colorado

2017-2019

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Issue Brief | April 2021

The COVID-19 pandemic has further exposed the deep cracks in the current health care system, increasing urgency in payment reform that incentivizes care delivery changes in the U.S. that will support innovative ways to provide access to high value care. The drastic decrease of in-person services at the onset of COVID-19 has had a significant financial impact on providers, and care was not accessible in the same way, making it clear that modifications in how we provide access to care and how we pay for it is essential to support the infrastructure of our health care system to reduce existing disparities in health and health care.

The effects of the pandemic have punctuated the need for systemic change in how we pay for health care, with an emphasis on harnessing ingenuity to advance a system that values more optimal, accessible, holistic, barrier-reducing car

For many years, the general consensus among payers, providers, consumers, and other stakeholders is that traditional **Fee-For-Service** (FFS) payment systems, which incentivize volume of services over quality, are a barrier to this value-based care. **Alternative Payment Models** (APMs) have evolved quickly in response to the realization that moving away from FFS models is necessary to achieve more efficient, person-centered, cost-effective health care reform.

KEY FINDINGS

- *APM payments comprise approximately 18% of all medical payments and 56% of total payments to primary care in Colorado*
- ***APM payments have increased** marginally in each year from 2017-2019*
- *The majority of APM payments are in **the most ideal, advanced stage** (HCP LAN, Category 4C)*

Adoption of APMs has been identified as a key driver of innovation in the health care industry, with well-designed models showing strong potential to drive down costs while improving quality of care — and investment is accelerating nationally. The Health Care Payment Learning and Action Network (HCP LAN), which provides guidance and tracks the transition to APMs, finds that over one third of U.S. health care payments already flow through APMs.

In September 2019, the Center for Improving Value in Health Care (CIVHC) began receiving alternative payment model information from health insurance payers for the first time. This data, coupled with traditional Fee for Service claims being submitted to the Colorado All Payer Claims Database (CO APCD) enables important insights on Colorado's movement towards adopting APMs in an effort to lower health care costs and improve care.

This issue brief provides a high-level explanation of APMs and their role in health care reform, explores CIVHC's findings in Colorado's progress toward APM use, and gives an overview of how various stakeholders can advance adoption of APMs to improve Coloradans' health outcomes. This document supplements an Excel file and interactive Tableau report containing more data and information available at www.civhc.org.

WHERE COLORADO STANDS

Colorado continues to trend above the national average in health care costs, an ongoing challenge even before the COVID-19 pandemic. In 2019, one in five Coloradans said they had trouble paying medical bills or reported foregoing a doctor, specialist, or prescription due to cost. This makes advancing new payment models that lower health care costs and improve quality of care for Coloradans more important now than ever. However, Colorado's position of having a higher number of payers than other states adds barriers in aligning payment reform efforts and advancing statewide adoption. Additionally, many large payers in the state that have a national or multi-state presence have indicated that adopting new payment models for one state alone is not feasible because it would take an overhaul of all their payment systems and contracts. In spite of the ongoing challenges in adopting new payment models, payers in the state are ahead of the curve in APM adoption compared to other states and continue to make incremental progress through state and nationally-led programs.

APMs in Colorado

Responsive to unique state challenges, Colorado payers and providers have been transitioning to APM models for a number of years. Several innovative programs such as the Colorado Multi-Payer Patient-Centered Medical Home Pilot, Comprehensive Primary Care and Comprehensive Primary Care Plus Initiatives, and Hospital Transformation Program have in some instances proved the effectiveness of advancing APMs in Colorado and paved the way for more comprehensive transition.

With APMs steadily growing in number and variety, state leaders recognized the value in monitoring spending to identify the types most effective in achieving goals of improving quality and reducing costs. In 2019, Colorado became one of the few states tracking APM usage under the direction of the Department of Health Care Policy and Financing (HCPF). In 2018, a change to the rules governing the CO APCD Data Submission Guide required payers to begin submitting APM information in 2019 to CIVHC as the administrator of the CO APCD.

The CO APCD database is the state's most comprehensive claims database, reflecting approximately 65% of insured lives in Colorado, over 40 commercial payers, Medicaid, and Medicare (Advantage and FFS). Reflecting over 4.5 million covered lives in Colorado, CO APCD data provides valuable insights for researchers, policy makers, providers, payers and other stakeholders to find opportunities to track progress towards lowering costs, and improving the quality of care and health of Coloradans.

WHY APMs MATTER

APMs are, broadly, payments that incentivize higher quality and more coordinated, cost-efficient care. By focusing on value of services over volume, APM models bring more holistic, efficient, person-centered care into focus. Understanding how they differ from traditional Fee for Service (FFS) systems is crucial to drawing the road map to better health costs and care across Colorado. \

FFS vs. APMs

Fee for Service (FFS) vs. Alternative Payment Models

Fee For Service (FFS)	Alternative Payment Models (APMs)
• Volume of services provided is incentivized	• Value of services provided is incentivized
• Providers are paid based only on number of services provided	• Providers are held accountible for quality of services provided
• Patient wellness outcomes are not considerd a metric for healthcare success	• Payers are rewarded for issuing care based on quality assessments *i.e. care that is affordable, cost-effective, coordinated, centered on patient and caregiver needs, etc.*
• May lead to excess/unnecessary services to the potential detriment of patient experience	• Eliminates excess or unnecessary services for patients

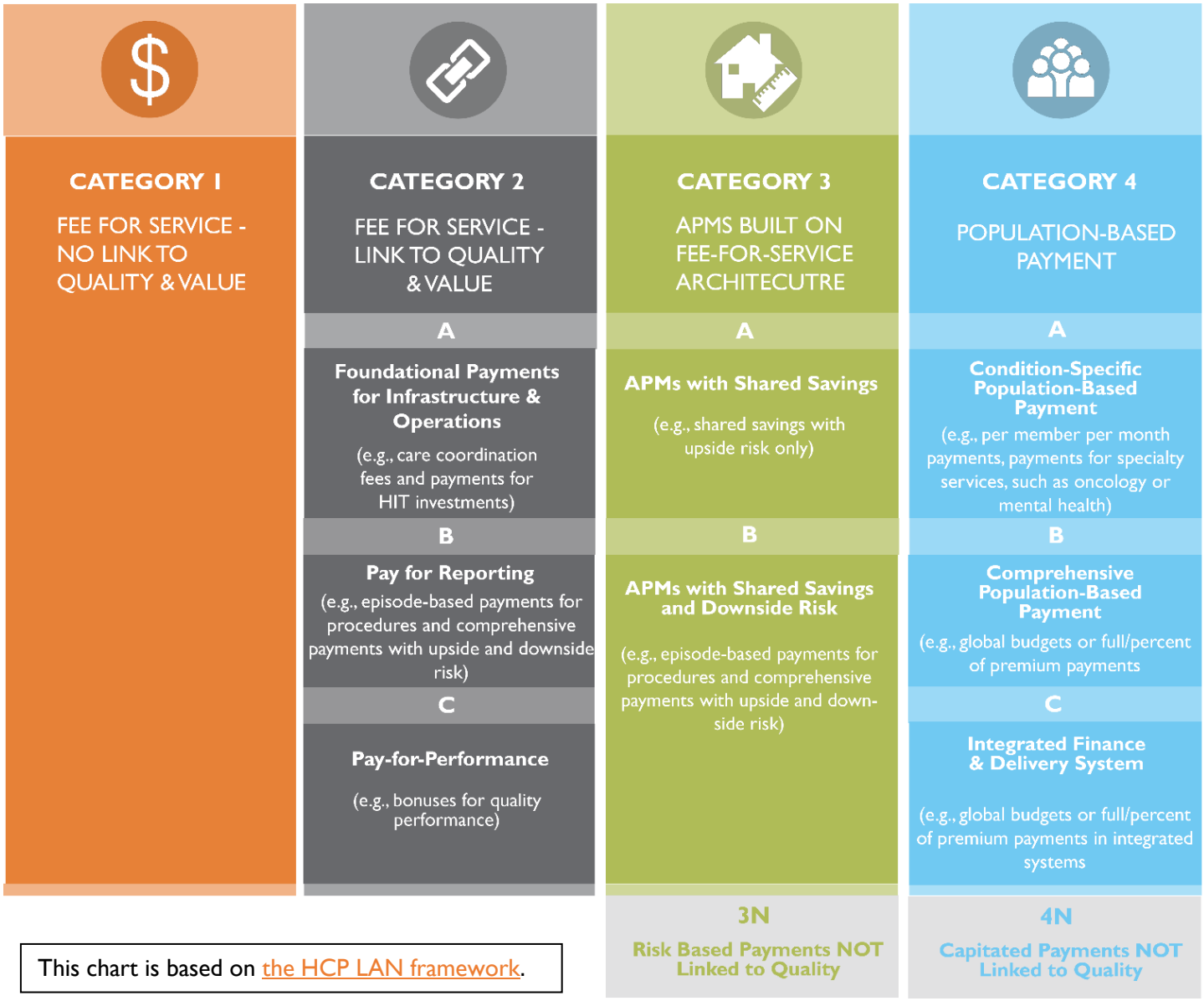
APM Types

The Health Care Payment Learning and Action Network (HCP LAN) outlines a national standard classification system for APMs in four stages of implementation. This framework evaluates the level to which models reward value of services over volume of services. In 2020, CIVHC updated APM data collection in the DSG to fit this categorization under the advisement of the Primary Care Payment Reform Collaborative led by the Colorado Division of Insurance.

These categories represent the various types of APMs with level one being traditional FFS. The broad goal is to use category 2 to bridge providers into categories 3 and 4. Categories 3 and 4 most incentivize decreasing costs and promote quality care evaluation and are the ultimate destinations for payers and providers.

Category 4 are considered the most advanced payment models as they shift to a focus on population health and divert completely from FFS, therefore giving providers the greatest flexibility while maintaining accountability for quality standards. Individual providers will have to evaluate their own limitations and readiness before shifting models.

Detailed guidelines of this framework are described in detail in HCP LAN's refreshed 2017 APM Framework white paper.



This chart is based on the HCP LAN framework.

WHO IS USING THIS DATA?

Use of APM data is already supporting policy change efforts towards more effective health care spending and lower access to care barriers in Colorado.

In 2019, the Colorado General Assembly approved House Bill 19-1233 to increase investments in primary care in Colorado and ultimately improve access and lower costs. The bill established the Colorado Primary Care Payment Reform Collaborative to evaluate the current landscape of health care and give recommendations that steer towards a primary care-focused model. The Collaborative quickly identified that successfully advancing primary care is intertwined with further adoption of APM models and developed goals to support transitions across the state.

Data reported by CIVHC in annual progress reports on primary care and APM spending support the Collaborative's work to analyze the current field of health care spending and create informed

recommendations. The Collaborative's annually published recommendations guiding primary care spending are based on evaluation of CIVHC's reported data. CIVHC will continue to partner with the Collaborative to provide insight on APM and primary care spending to help determine a pathway to make investments that will improve outcomes and lower costs for Coloradans.

WHAT WE FOUND

Data on APM spending as a percentage of total medical spending for 2017, 2018, and 2019 by line of business (Commercial, Medicaid, and Medicare Advantage) shows interesting trends and information highlighting progress on APM adoption in Colorado. All results are based on APM data submitted to CIVHC using the criteria of the current LAN categories.

It is important to note that while CIVHC worked closely with the payers to ensure a common understanding of the LAN categories, individual payers may have allocated similar APMs in different categories according to their own definitions. For more information, please reference the complete methodology document.

Takeaways in the findings include:

➡ In 2019, roughly 18% of all medical spending was paid though value-based APM arrangements and varied by payer type, with Commercial (50%), and Medicare Advantage (35%) outpacing Medicaid (16%).

➡ APM payments have increased 32% from 2017-2019 ($2.2 billion in 2017 to $2.9 billion in 2019).

➡ Investment in primary care APMs is increasing steadily. From 2017 to 2019, primary care APM spending rose from $44 million to $298 million (excluding integrated payer-provider systems), an increase of over 500% .

➡ The highest payed LAN category is the most advanced category of integrated finance & delivery systems (4C), which paid $4.9 billion from 2017-2019. However, these payments can be attributed almost entirely to integrated payer-provider systems. With them removed, the highest spending category is Capacitated Payments Not Linked to Quality (4N) at $1.5 billion from 2017-2019.

Impact of Integrated Payer-Provider Systems

When reviewing use of APM data in Colorado reported through the CO APCD, it is imperative to be aware of the effect of integrated payer-provider systems on overall data.

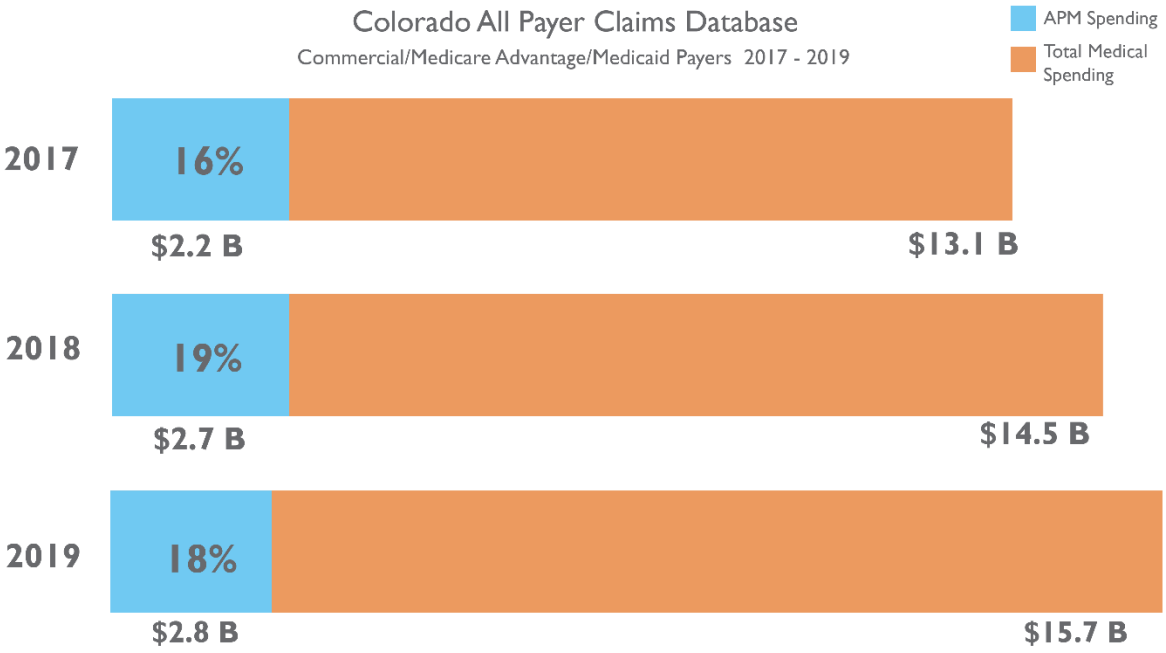
Several Colorado payers are uniquely structured as integrated payer-provider systems, which provide a vertical continuum of services and uniquely act as both payer and provider for members. This model is considered a Category 4 APM.

These payers represent around a quarter of the commercially insured lives in Colorado but drive a large proportion of APM payments compared to other state commercial payers.

Because of these models' heavy influence on APM spending, they are reflected inordinately in CO APCD data compared to other state payers. To give a picture of APM spending that is representative of Colorado's payer mix, some noted data in the following findings will be presented with integrated payer-provider systems separated.

DATA HIGHLIGHTS

Alternative Payment Model Spending as % of Total Medical Spending (FFS + APMs) With Kaiser Permanente Included



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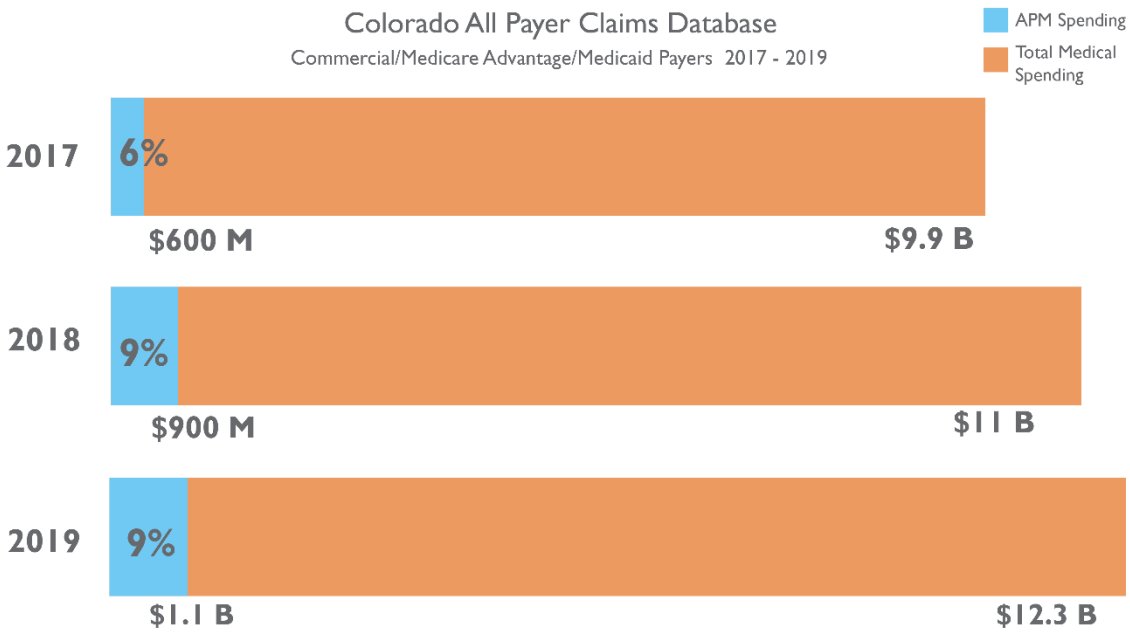
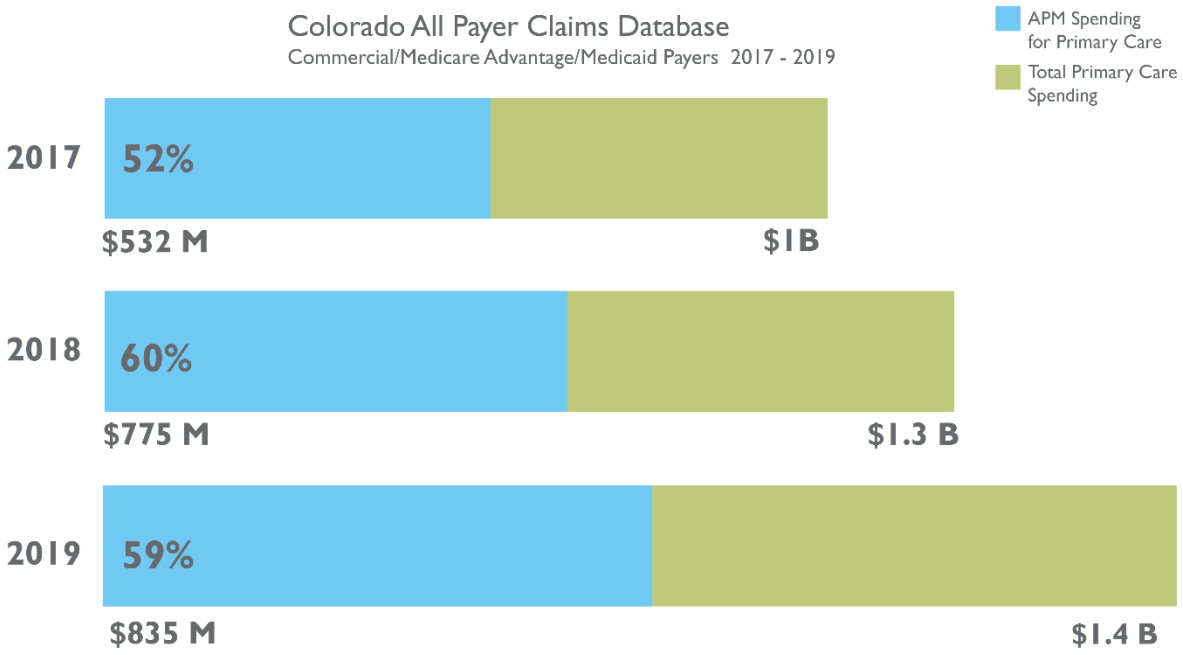
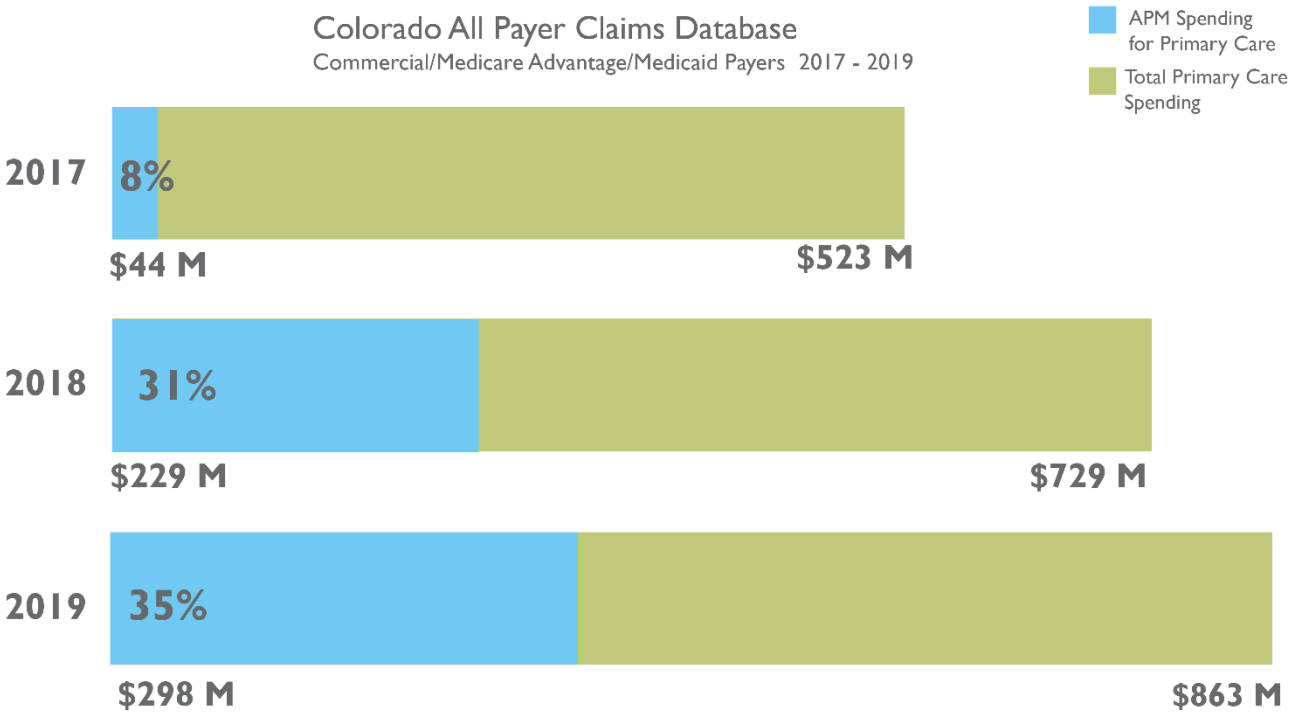
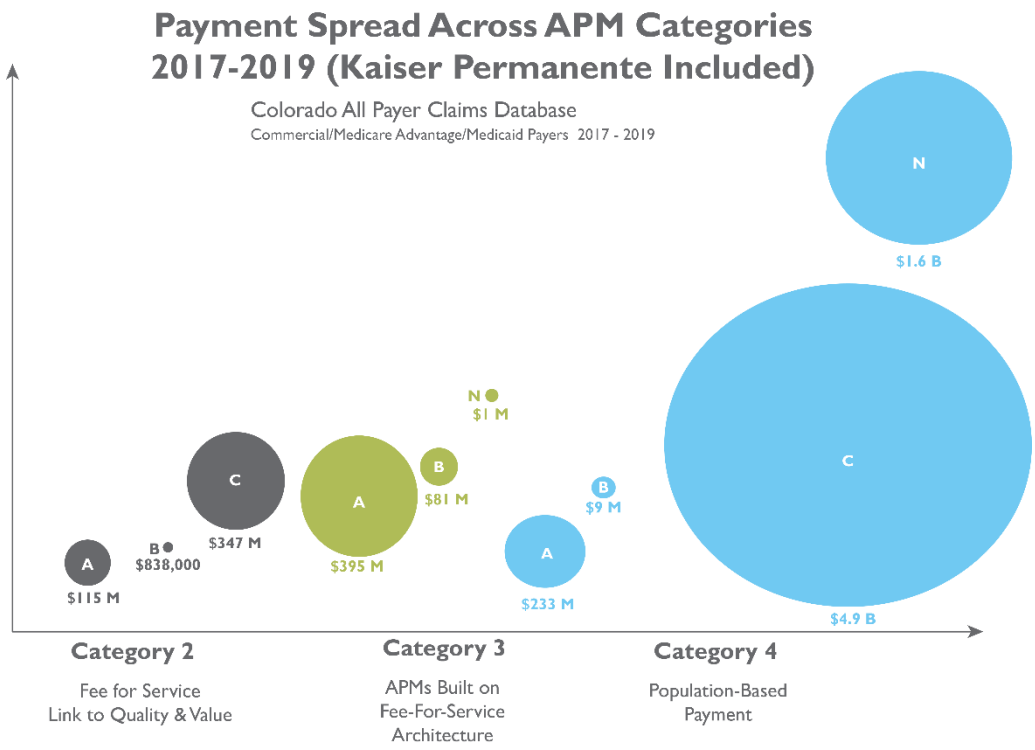


Alternative Payment Model Spending as % of Total Primary Care Spending (Including Kaiser Permanente)

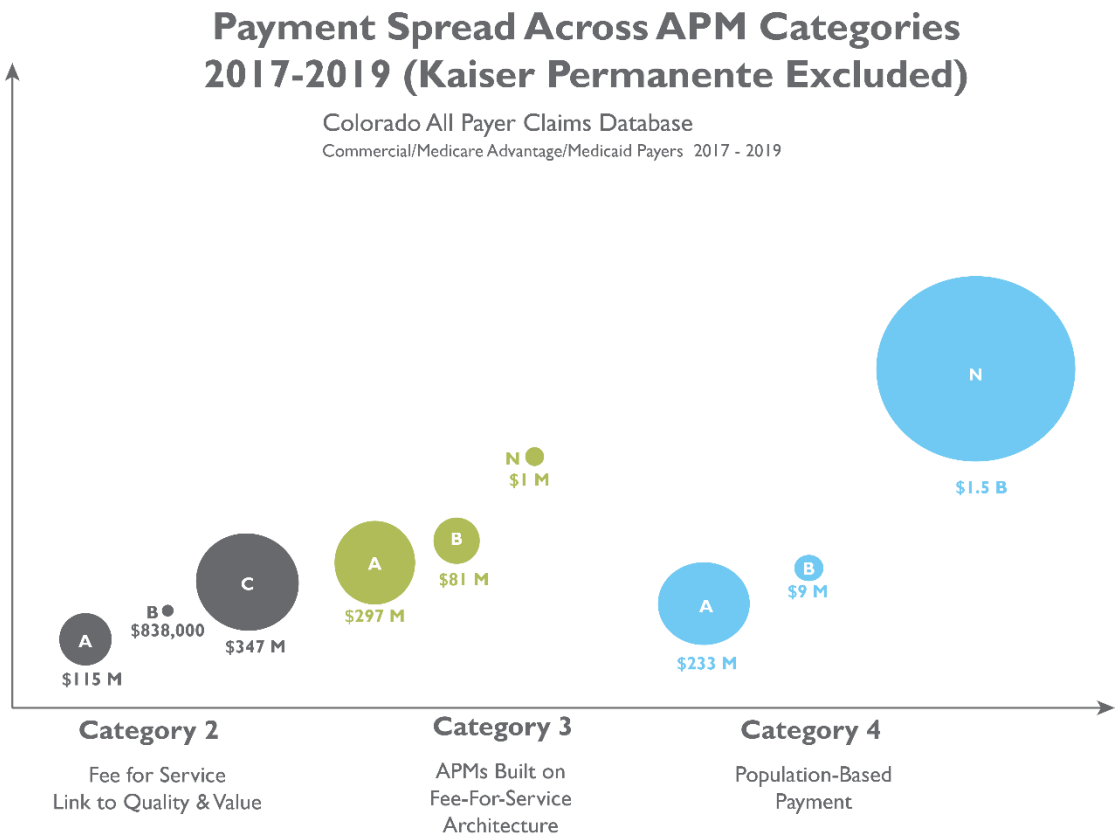


Alternative Payment Model Spending as % of Total Primary Care Spending (Excluding Kaiser Permanente)





Fee-For-Service: $35.6 B



Fee-For-Service: $30.6 B

WHAT COMES NEXT?

Further integration of APM models to achieve meaningful reform will require a massive investment from payers, providers, and other stakeholders. Each will have a role to play in leveraging APM use towards robust systematic change.

- **Payers:** Payers will have to reach a critical mass on alignment in approaches and performance metrics of APMs to establish a coordinated, innovated delivery system.

- **Providers:** Providers, including health systems, facilities and practitioners, can use this data to understand the types of reforms underway and evaluate their current position and changes that may support long term sustainability under newly adopted models.

- **Employers:** Employers who purchase health care can begin engaging with their TPAs and ASOs to understand how they begin developing APMs to drive down costs and improve care.

- **Policy Makers and Advocacy Organizations:** Legislators, policy makers and advocacy organizations can use this information to track progress on legislation and other initiatives aimed at increasing the adoption rates of APMs in Colorado.

Reconfiguring of payments from volume-based to value-based, while not an encompassing solution, lays the groundwork for necessary transformations in health care. Payers will benefit from a system that provides high value services. Providers receive incentives that encourage flexibility in how they care for their patients, and continued innovation in person-centered care, which has been shown to increase job satisfaction and reduce strain on health care providers. Meanwhile, consumers experience more accessibility, coordinated and affordable care, and receive the tools and support they need to live a healthy life.

In spite of the inherent challenges Colorado faces with adopting APMs, our state is well-positioned to continue as a leader given statewide programs and initiatives. Current state efforts to encourage payment reform have identified APMs as a crucial mechanism of larger systemic change with backing at the legislative level. As we move forward as a state, this data on current APM spending in Colorado is being used to map the route to continued transformation and can be used by multiple stakeholders identify how payers and providers are engaging in payment reform.

To view the full interactive APM report and access the detailed methodology, please visit www.civhc.org.