
Payment and Delivery System Reform through Medicaid

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What is everyone trying to affect?

The “Value Equation”



What is cost?



In Medicaid

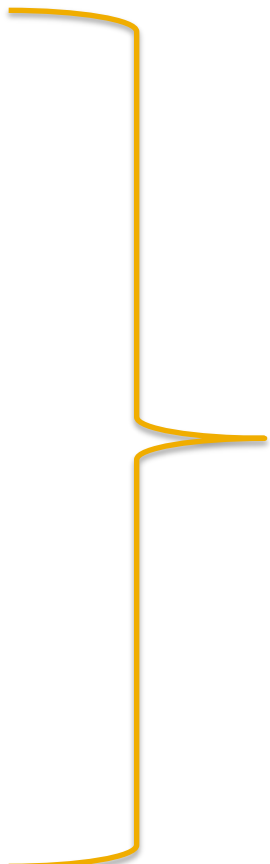


- Provider payment
- Rate of growth in payments

- Covered services
- Eligibility
- Utilization

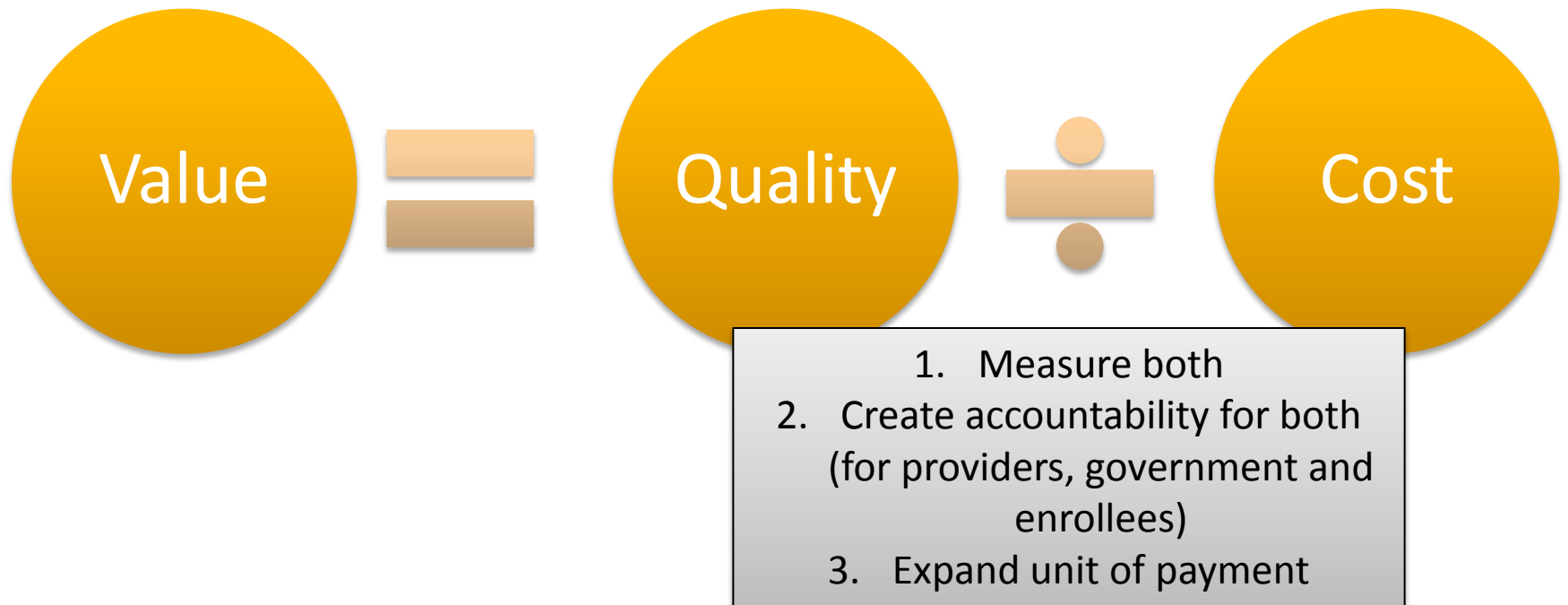
What is quality?

- Good clinical care
 - Measures of process
 - Measures of outcomes
 - Avoidance of unnecessary care
- Good patient experience
 - Patient satisfaction
 - Patient “engagement”
 - Patient-directed services
- Good health
 - Prevention of illness
 - Management of chronic conditions
 - Well-functioning people



These are not mutually exclusive

How can Medicaid affect cost and quality?



Example: episode/bundled payment for total joint replacement

CURRENT PAYMENT

- Many services, no accountability:
 - Primary care physician
 - Orthopedic physician
 - Orthopedic surgeon
 - Hospital services
 - Anesthesiologist
 - Rehabilitation
 - Nursing home
 - Home health
- All services paid for separately
- No comprehensive quality measurement
- No financial reward for provider quality or efficiency (in fact, the opposite)
- No constraint on overall costs



BUNDLED PAYMENT

- Scope of services usually associated with the “episode of care” is included in a bundled payment
- Group of provider agrees to take a lump sum payment for full episode OR shared savings for reduced **total costs** – financial reward for saving \$
- Financial rewards are modulated based on quality measures
- Providers have to work *across* organizations to perform better

Examples of Medicaid “value-based purchasing” from states

- Pay-for-performance (many states)
- Patient-centered medical homes or advanced primary care medical homes (many states)
- Bundled payments for episodes of care (AR and VT)
- Traditional Medicaid managed care (many states) – contracts with health plans
- Shared savings accountable care programs (seven states) – contracts with provider-based accountable care organizations

The federal government is supporting similar models

