

Guide to Healthcare Delivery System and Payment Reform: Planning and Design

Template for Helping States
Transform their Healthcare Delivery
Systems

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State Innovation Models Initiative (SIM)

PL 111-148, Patient Protection and Affordable Care Act (ACA) established the role and purpose of the Center for Medicare and Medicaid Innovation (CMMI). It can be summed up in the following directive in the Act to the Secretary of Health and Human Services: “The Secretary shall select a model to be tested from models where the Secretary determines that there is evidence that the model addresses a defined population for which there is a deficit in care leading to poor clinical outcomes or potential avoidable expenditures. The Secretary shall focus on models expected to reduce program cost under applicable titles (Medicare and Medicaid), while preserving or enhancing the quality of care received by individuals receiving benefits under such title.”¹

The intelligent design of healthcare delivery system reforms can accelerate community-integrated accountable care. There is evidence that providers organized into accountable care networks can more effectively improve cost, quality, and by extension, population health performance, when coupled with shared risk and reward reimbursement.² CMMI created the State Innovation Models Initiative in order to accelerate the formation of integrated and accountable health systems through innovative delivery system and payment model designs. Specifically, the SIM Initiative lays out a challenge for states to design health delivery system models that can achieve measurable reductions in Medicare and Medicaid healthcare costs, while improving quality and population health performance results. To support states in this effort, CMMI has awarded grants that give states the financial resources necessary to undertake the intelligent design and planning of these innovative health system and payment models.

For the purpose of the State Innovation Models Initiative, a *health system model* is defined as a system of care organized by healthcare providers who have common clinical leadership and mutual accountability for patient outcomes. The initiative encourages states to develop the next generation of health system models using the foundation of accountable healthcare systems.

Accountable care arrangements bring together groups of clinicians, providers, and at times, other community entities that accept clinical and financial responsibility for a defined beneficiary population. CMS requires accountable health care systems to share financial risks and rewards equitably among their participating providers. When effectively organized with strong clinical direction and managerial leadership, accountable healthcare systems can also have a profound impact on population health. The optimal configuration of accountable care health networks includes primary care medical homes and/or health homes as the core feature of its system of care. Community-based primary care medical/health homes extend the accountable care network reach and manage a diverse and distributed population of beneficiaries. Primary care medical homes and health homes are more effective when organized under the accountable care networks and common

¹ Public Law 111-148. 111th Congress, The Patient Protection and Affordable Care Act, Section 3021(2) A, amends Title XI of Social Security Act section 1115.

² RTI International, CMS Physician Group Practice Demonstration Performance Year 1 through Year 5, Summary Report, cms.gov.

clinical leadership. Participating in organized networks can maximize the medical/health homes care management potential by providing the health information technology (HIT) infrastructure necessary to effectively coordinate care and improve patient outcomes.

A *payment model* is a structured provider reimbursement or payment method. For the SIM Initiative, payment models must be based on health outcome value. The payment model should be aligned with the design of the healthcare delivery system, balancing financial risks and rewards between the payer and the health system. The initiative encourages states to design payment models that incentivize the efficient and effective use of healthcare resources and reward providers based on improved patient, population, and community health outcomes.

The Innovation Challenge

SIM presents states the following innovation challenge: *To design health system and payment reform models that show evidence that the delivery system models will reduce future Medicaid and/or Medicare healthcare costs, improve clinical outcomes and quality, and address the underlying behavioral, social, and economic factors that impact population and community health.* Engaging key healthcare stakeholders, states are expected to focus their model design planning on:

- organizing new systems of care processes;
- improving and expanding application of health information technology;
- employing new strategies for patient and provider engagement;
- integration of behavioral health and medical care services;
- creative use of healthcare workforce;
- developing and deploying new technologies and tools to support patients in self-management;
- integration of community and social service resources into health system model designs;
- analyzing health system performance data and developing new information system tools that support clinical and patient care outcomes; and
- designing innovative value-based payment methods that align risk and reward.

The model innovation process starts with the articulation of the innovation challenge. The innovation challenge defines the required measurable performance targets. The innovation challenge should inspire, energize, and focus the participating stakeholders. Table 1 provides examples of specific measurable performance targets.

| Table 1 Examples of Performance Targets | | | |
|--|--------------------------|--|---|
| Target Area | Target Population | Performance Measure | Model Performance Goal |
| Healthcare Cost | Medicaid | Annual Total Cost of Care for Complex Chronically Ill Medicaid Beneficiaries | 95% of 2012 Baseline for Total Cost of Care |
| Healthcare Cost | Medicaid & Medicare | Annual Healthcare Cost Trend | Consumer Price Index (CPI) Plus 1% |

| Table 1 | | | |
|--|--------------------------|---------------------------------|--|
| Examples of Performance Targets | | | |
| Target Area | Target Population | Performance Measure | Model Performance Goal |
| Patient Care | Medicaid | Readmission Rate | 7.5% All Cause Acute Care Readmission Rate |
| Patient Care | Medicaid & Medicare | Patient Experience Score | 90% Average Patient Experience score |
| Population Health | Medicaid & Medicare | Adult Immunization | 95% Immunization Compliance Rate |
| Population Health | Medicaid | 0 to 5 years Immunization Rates | 98% Immunization Compliance Rate |
| Population Health | Medicaid & Medicare | Activities of Daily Score | 105% of National Average |

The Purpose, Goal, and Outcome of the State Innovation Models Initiative

The broad purpose of the State Innovation Model Initiative is for states to develop and test innovative healthcare delivery system and payment models. The success of states in carrying out this initiative will also demonstrate that states can be the innovation laboratories for health system reform and continuous performance improvement. The initiative provides each state up to \$3 million to carry out the necessary planning and design work, and to develop a State Healthcare Innovation Plan and Model Test Proposal.

The Innovation Center will evaluate the level of success each state demonstrates engaging their key stakeholders in the development of their health system models. The Governor’s endorsement is required to participate in the SIM Initiative. This was done to assure that the highest levels of state leadership are committed and aligned with the state innovation plan, and that the private sector is engaged to carry the work through completion. Public and private sector leadership will be important to provide support for the final State Healthcare Innovation Plan and Model Test Proposal.

At the completion of the planning process, the Secretary of the Department of Health and Human Services may award grants to test the state’s proposed model design. Multi-payer model test proposals that demonstrate potential for reducing Medicaid and Medicare health care costs and improve quality and population health will have the highest priority for model test funding.

State Grants for Model Design Planning

States are allowed to use their grant funds to:

1. Support project management and management reporting.
2. Cover the cost of stakeholder engagement and project governance cost.
3. Perform data mining, collection, and health system performance analysis.
4. Carry out best practice research and support learning networks.
5. Perform environmental scans.

6. Facilitate planning and design meetings and tasks.
7. Employ subject area experts.
8. Create modeling, simulation, and graphical visualizations of model design performance.
9. Perform financial analysis to project healthcare cost trends and model design impact.
10. Develop the State Healthcare Innovation Plan and Model Test Proposal.
11. Execute rapid cycle evaluation and process improvement.

Whether states are the right partners to plan and design broad healthcare delivery system and payment reform will be demonstrated by how well they carry out the planning and design work. Through the SIM projects, states will discover new and best practices. They will learn the best approaches to engage stakeholders in collaborative planning. Together CMS and states will harvest lessons learned to share with other states and federal agencies.

Health Care Delivery System and Payment Innovation

The strategic imperative of the initiative is to design the next generation of high-performing health system models and aligned payment methods in advance of healthcare coverage expansion. The state's model design process should foster a level of creative energy, focus, and a sense of urgency. In order for states to propel innovation, the process needs to involve the following:

1. The articulation of an innovation challenge that inspires the key stakeholders to action.
2. The unfettered exploration of new ideas, strategies, and approaches that are anchored by a common vision and specific improvement outcomes.
3. A planning environment that facilitates the discussion of solutions rather than special interest agendas.
4. Critical systems thinking and questioning of historic beliefs and assumptions about the root causes of poor health system performance and high healthcare costs.
5. Timely and relevant state-specific performance data.
6. Research and discussion of evidence-based health system design.
7. An effective process for distillation of ideas and solutions.

Stakeholder Engaged Collaborative Planning

Collaborative planning is the foundation of the SIM innovation process. SIM provides states the unique opportunity to innovate and develop new collaborative planning techniques that create a productive dialogue between key stakeholders and lead to broad stakeholder support of the State Healthcare Innovation Plan. States that are successful developing a repeatable, collaborative planning and model innovation process will have a framework to support continuing and sustainable health system design innovation.

Infrastructure of Model Design and Payment Reform Innovation

To carry out model planning and design, the state must develop a supportive infrastructure that will also be valuable during the model testing phase. Therefore, the infrastructure requirements to support and sustain model design planning include:

- model design planning governance
- collaborative planning processes and learning networks
- data mining, collection, standardization, storage, analysis, and performance reporting
- technical and subject area expert support
- model simulation, graphic visualization, analytical tools
- rapid cycle evaluation

The infrastructure and processes developed as part of the planning and design process are intended to build the state’s ongoing capacity to carryout model testing and continue the implementation of the State Healthcare Innovation Plan.

Model Planning and Design

The model planning and design is a structured process that leads to stakeholder consensus around a common health system model and payment method. To assure that stakeholders can engage and effectively participate in the planning process, it is important to provide orientation to the process at the beginning of the planning project. The process must have well-defined action steps, tasks, and timelines to complete the required deliverable within the six month planning cycle. Effective project management will assure that work is completed on time and within budget. Table 2 presents a summary of the action steps involved in model design planning.

| Table 2 Model Design and Planning Action Steps | | |
|---|------------------------------------|---|
| Order | Action Step | Description of Tasks |
| 1 | Getting Started | Initiate the model design process by organizing the stakeholder kick-off or call to action event(s), establish the project governance structure, and identify stakeholder participants. Start the environmental scan and performance data collection. |
| 2 | Innovation Challenge | Develop and approve the specific performance improvement measures and targets that will be the focus of the model design effort. |
| 3 | Model Design Specifications | In collaboration with the stakeholders, develop the initial high level model design specifications and requirements that will guide model design development. |
| 4 | Environmental Scan | Complete an environmental scan describing the healthcare ecology, healthcare eco-systems and systems of care. |
| 5 | Health System Performance Analysis | Collect and analyze health system performance data, and complete the environmental scan. This information is used to document the “AS IS” state. |
| 6 | The “As Is” Healthcare Eco-system | Describe the current healthcare eco-system attribute characteristics, behaviors, and performance outcomes using stakeholder input, the environmental scan, and performance analysis. |

| Table 2 Model Design and Planning Action Steps | | |
|---|--|--|
| Order | Action Step | Description of Tasks |
| 7 | The “To Be” Future Healthcare Eco-system | Describe the future “TO BE” healthcare eco-system attribute characteristics, behaviors, and performance outcomes. Includes model performance simulation and graphic visualization. |
| 8 | Gap Analysis | Evaluate the “AS IS” performance and health system design and describe the gaps between the current healthcare eco-system and the “TO BE” healthcare eco-system. |
| 9 | State Health System Model Design | Evaluate model options and finalize the detail description of the model design and transformative change strategies to address identified gaps. |
| 10 | Payment Model and Reforms | Develop an aligned payment model that supports the delivery system design. Payment model should be value based and support the desired model design characteristics, behaviors, and performance outcomes. Determine what policy changes and operational requirements are needed to implement the model and payment reform. |
| 11 | State Healthcare Innovation Plan and Model Test Proposal | Using the documentation developed throughout the model design planning process, finalize the State Healthcare Innovation Plan and Model Test Proposal. |

1. Getting Started

How the state innovation planning process is initiated is important. A well-organized project kick-off can stimulate stakeholder interest, participation, excitement, and commitment to the project, which is a critical first step. Choosing a neutral venue for the kick-off can eliminate the perception of special interest influence; the atmosphere of the kick-off should create energy and establish a clear sense of importance and urgency. During the kick-off it is important to answer the most obvious questions posed by stakeholders, which might include:

- Why is this project important?
- Why now?
- What resources will be provided to support this effort?
- Who will be asked to participate in the project?
- How will this effort integrate with other initiatives underway?
- Who will govern the process and approve the final model design?

Producing a viable, well-conceived model design will be challenging for stakeholders. Stakeholders will more likely participate and engage in the initiative if they know it is supported at the highest levels of state government. SIM encourages states to creatively use video conferencing, blogs, webinars, crowd sourcing, and other social media tools to facilitate broad stakeholder engagement and participation.

2. Innovation Challenge

The innovation challenge is the statement of the performance imperative’s goals, expectations, and outcomes of the model design work. The innovation challenge should mobilize the stakeholders to action. It should be seen as directly related to keeping public healthcare coverage sustainable and health insurance affordable. The challenge should support the strategic aims of the state and CMS. The initiative’s focus is on improving care and population health, and reducing healthcare costs through continuous performance improvement (see Table 1 for examples of performance targets).

3. Developing Model Design Specifications and Requirements

Developing cogent model specifications may be the most challenging part of planning and design work. The model design specifications and requirements are descriptive statements of the desired health system characteristics, behaviors, and performance outcomes. Specification statements describe the health system provider roles, care processes, interrelationships, interactions, and accountabilities. These descriptive statements are important because they will provide the necessary detail to build a health system model. If the statements are written at too high a level, they will not be measurable. The statement should be written at a level of detail that allows for it to be observed or measured by consumers, payers, and providers.

Stakeholders should organize their model design specifications into major categories and establish a common nomenclature. This will facilitate the comparison of the “AS IS” state with the “TO BE” state later in the planning process. For example, using the statements that describe health system characteristics, behaviors, and performance outcomes organizes the model design specifications into useful categories. The collaborative planning process should result in a cohesive set of model specifications that are consistent with a common vision of the future health system. Table 3 provides an example of an organizing convention for model design specifications.

| | |
|---------------------------------|---|
| Attribute/Characteristic | Observable experience or a quality of relationship that occurs as a result of the patient and health system providers’ relationships and interactions. A specific process of the health system. Example: <i>An attribute of the health system is that it is “patient-centered.” Or</i> Pertaining to, constituting, or indicating the particular desired value or cultural norm of the health system. Example: <i>A characteristic of the health system is that it is “outcome-oriented.”</i> |
| Behavior | The manner in which the health system acts or reacts. Example: <i>A behavior of the health system is continually seeking to improve performance.</i> |
| Performance Outcome | Specific, observable, and measurable outcomes or results from the processes, operations, services, treatments, or products produced by the health system. Example: <i>The health system has achieved 98% elderly participation in adult immunization programs. Or health care</i> |

premiums remain affordable at CPI plus 1%.

4. Environmental Scan

A key component of the model design process is an environmental scan of the state’s unique healthcare environment. The healthcare environment can be viewed from three levels:

- the highest level: the state healthcare ecology
- within the healthcare ecology: healthcare eco-systems
- within the healthcare eco-systems: systems of care

Healthcare Ecology: The environmental scan should start with an assessment of the healthcare ecology. The state’s healthcare ecology is comprised of various internal and external environmental actors. These actors impact or influence the other levels of healthcare environment. The state healthcare ecology includes all of the interrelationships, processes, policy and regulatory factors, health systems, payers, consumers, and providers that define that state’s health care environment. A well-organized and properly functioning healthcare ecology will facilitate sustainable health system transformation. Table 4 provides some of the typical environmental actors that can impact the state’s overall healthcare environment.

Table 4: State-Level Healthcare Environmental Ecology

| Key Attributes | Healthcare Cost Trend | Human Resource | Regulatory & Health Policy | Healthcare Coverage | Economic Trends | Health Care Delivery System | Market Distribution |
|--------------------------------|--------------------------------------|--|--|--|------------------------------|--|--|
| Population Growth | Medical Cost Trends by Coverage Type | Primary Care Providers per 2,500 | Health Facility Planning and Capital Investment | Medicare FFS | Business Sector Distribution | Level of System Integration | Growth and Share of Medicare in the Market |
| Age Distribution of Pop. | Utilization Rates | Specialist per 10,000 | Health Insurance Exchange | Medicare Advantage, Part D, and SNP | Personal Income | Level of Hospital Provider Consolidation | Growth and Share of Medicaid |
| Health Status Indicators | Categories of Unnecessary Cost | Registered Nurses | Federal and State Medicaid Policy | Medicaid Acute Care | Business Growth Areas | Health System Distribution | Growth and Share of Private Insurance |
| Geographic Distribution | Geographic Variance | Geographic Distribution | Professional Licensure | Medicaid Long-Term Care | Economic Changes | Health System Capacity | Growth and Share of Uninsured |
| Sex and Ethnicity Distribution | Population Disparities | Level Production (Training) of Essential Health Manpower | GME, Dispro-share, UPL, Local (IGT) and Other Supplemental Fund Policies | Private Insurance Coverage Individual, Small Business, Large Group | State and Local Tax Base | Health System Cost Drivers | % Total Public Including VA |
| Other | High Cost Pop. | Allied Professionals | Public Health | Uninsured | Unemployed | Uncompensated | Total Private |

Healthcare Eco-systems: At the next level, healthcare eco-systems operate to serve various beneficiary populations and service areas within the state’s healthcare ecology.

State Healthcare Eco-Systems



In many states there is a dominant healthcare eco-system that serves specific types of beneficiaries or insured patients. For example, Medicaid beneficiaries are often served by one healthcare eco-system, and privately insured patients are served by a different healthcare eco-system. This is also true for states that separate medical care eco-systems from behavioral health eco-systems. It is not unusual for Medicare and Medicaid long-term care beneficiaries to be served by different healthcare eco-systems. Whether this is good or bad or is to the benefit of the patients and consumers is for the stakeholders to determine. What is important is that the environmental scan identifies and assesses each of these unique healthcare eco-systems.

Systems of Care: Within the nucleus of each healthcare eco-system are one or more systems of care. For example, a healthcare eco-system can have a fee-for-service system of care and a managed care system of care. A system of care is comprised of the organizational processes, interrelationships, interactions of healthcare providers, and service delivery systems in the production of patient care outcomes. Similar to the healthcare eco-system, a system of care's structure, organization, and cohesiveness is influenced by payers, reimbursement methods, health policies, licensure and regulations, and other factors present in the healthcare ecology. There is often an observable and measurable difference in the way systems of care are organized, operate, and perform to serve publicly versus privately-insured patients and health plan beneficiaries. The heart of the multi-payer strategy is to reduce the measurable differences in the performance of systems of care. This is expected to reduce the maldistribution of healthcare resources in an eco-system, and ultimately reduce health disparities and poor health outcomes.

Payment methodologies influence the structure, capacity, and capability of each system of care within the healthcare eco-system. The economic drivers created by payment methods have a significant influence on health system behavior and resource allocation. Understanding the relationship of payer reimbursement and healthcare eco-system performance behavior is an

important part of the environmental assessment, and will facilitate alignment of payment to promote delivery system design based on value.

In addition to identifying the key conditions present in the state's broader healthcare ecology, the environmental scan should include specific impacts caused by each environmental actor. The assessment should also evaluate the aggregate impact on health system performance, capacity, and capability. It is important that model design planning account for any known changes in environmental conditions that will occur in the next three to five years; for example, forecasting the impact of new environmental actors that will be present in 2014 after the expansion of healthcare coverage, e.g. health insurance exchanges.

The environmental scan should also describe any cause and effect correlations between each of the environmental actors. For example, it is important to evaluate the impact of expanding health care coverage on health workforce shortages and how these shortages are distributed among the healthcare eco-systems. Understanding the interrelationship between various environmental actors assists in the development of the model designs. Using the same example of the relationship between expanding coverage and workforce shortages, states have the opportunity to address potential workforce shortages by developing innovative regulatory and workforce strategies as part of its model design. A timely environmental scan and informed environmental analysis can support the model design planning process. A comprehensive and well-developed environmental scan provides the insights necessary to design an ecologically adaptive health system model.

5. Health System Performance Analysis

There are many sources of state and federal data that can be used to produce relevant health system performance reports. Timely and accurate data are necessary for health system model analysis. The most important data sets for model design are:

- multi-payer claims and encounter data
- clinical data derived from the EHR
- quality performance data
- beneficiary demographics
- provider registration and practice data
- community health data

These data sets are extremely important for both the model design work and the development of the State Healthcare Innovation Plan. Constructing useful performance reports requires analytical and information system support with capacity for:

- multi-payer claims and encounter data mining
- data storage
- cleaning and standardizing data sets
- applying analytic software tools
- performance report development
- cost, quality, and population health graphic visualization

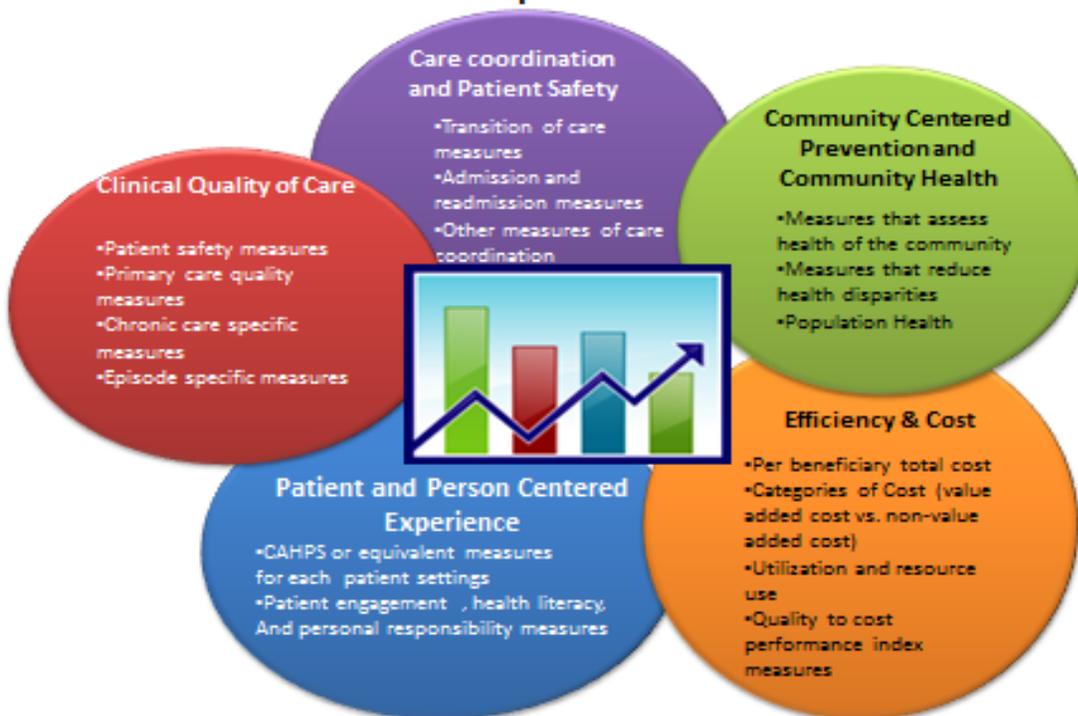
- expert analysis and model design projections

Because of the tight planning timeline specified in the SIM, data collection, standardization, and analysis should begin immediately. As the model design process proceeds, there will be a need for multiple iterations of the performance data and various configurations of performance reports. The data collected will also be used to support model design simulation and performance visualization. Lessons learned about the performance data will inform future uses of the performance information by providers, consumer, policy makers, and others.

Subject area experts can help analyze and translate performance information into useful, actionable findings and model design recommendations. Converting performance information into model design strategies and health system improvements is at the core of information-driven model planning and design.

The illustration below provides examples of target performance improvement measures that are at the heart of the SIM Initiative. The Innovation Center regards the performance domains illustrated below as a high priority.

The Targets of State Model Innovation: Five Performance Improvement SIM Domains



6. Description of the “AS IS” State of Health System Performance

This task involves developing a reasonably descriptive “model” of the current healthcare ecosystems utilizing information from the environmental scan and current health system performance

analysis. It may be necessary to describe multiple healthcare eco-systems. This description should be comprehensive in addressing such issues as the level of integration of services for behavioral health, substance abuse, developmental disabilities, elder care, community health, and home and community-based support. As HIT is critical to the integration of the healthcare system, the “AS IS” description should also include an assessment of the level of HIT adoption and development of the Health Information Exchanges (HIE). Using the same terminology and specification categories used to describe the initial model specifications will facilitate development of the “AS IS” description.

The “AS IS” model of the health system will be used to develop the gap analysis later in the planning process. The “AS IS” model describes the current interaction, processes, and impact of various environmental actors on performance, capacity, and capability. Once the draft description of the “AS IS” state of the health system is completed, an opportunity should be given to stakeholders to review and comment on the document before it is finalized.

7. Developing the “TO BE” Future State

The description of the “TO BE,” or future multi-payer healthcare eco-systems, should be developed from stakeholders’ model specifications and requirements document developed earlier in the process. Using the same nomenclature employed in the “AS IS” description will greatly facilitate the next step of gap analysis. Addressing the target performance improvements in the innovation challenge should focus and guide the development of the “TO BE” model design.

8. Gap Analysis

The gap analysis can be performed once the “AS IS” and the “TO BE” states of the healthcare eco-system(s) have been finalized. The gap analysis describes the deficits, or process gaps, that represent the difference between the “AS IS” and the “TO BE” states of the health system. The State Healthcare Innovation Plan should provide a roadmap that addresses the deficits and gaps over time, and leads to health system transformation and the emergence of the desired healthcare eco-system.

The gap between the “AS IS” and the desired “TO BE” state also represents the “*innovation opportunity*.” The identified gaps and performance deficiencies should be the focus of the innovation process. By this time in the planning process, the stakeholders should be ready to engage in a discussion of innovative solutions and approaches to address the performance gap in the current health system model.

9. State Health System Model Design

The description of the health system model design and the strategies and changes necessary to transform the delivery system are the key elements of the State Healthcare Innovation Plan. The State Healthcare Innovation Plan should describe the changes necessary to improve patient care relationships, processes, and accountability, as well as the application of HIT, use of performance reporting and data analysis, and the effective use of provider-to-consumer communication technologies.

The final health system model design should represent a broad consensus by the stakeholders. This will give the model design a great deal of credibility and provide evidence of stakeholder support for the State Healthcare Innovation Plan. This should also make it easier to get multi-payer participation in the Model Testing Proposal.

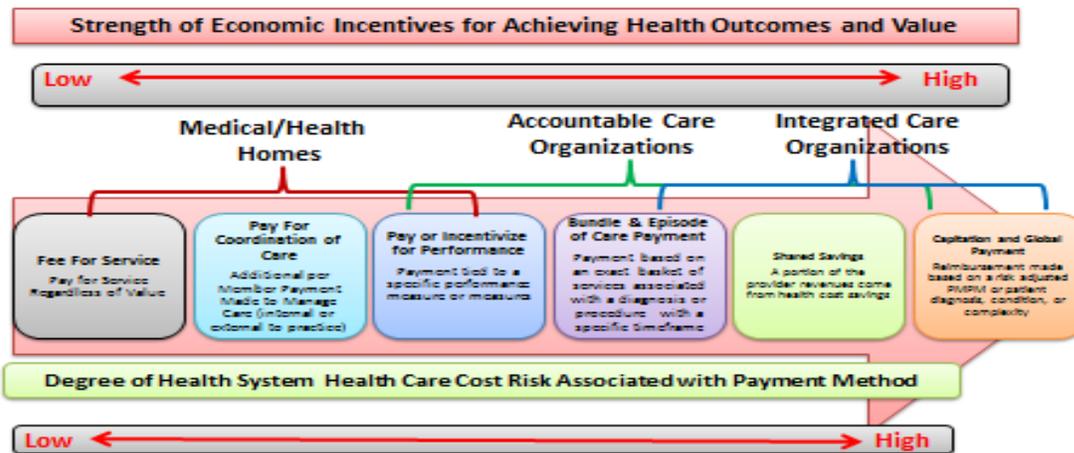
10. Payment Models and Reforms

Once the delivery system model is finalized, the next task is to construct a payment method that will support the redesigned healthcare eco-system. Appropriately aligned provider payment methods will create economic drivers to support health system transformation. The financing of the payment reform will require a reassessment of all the current sources of healthcare funding, including disproportionate share and supplemental federal payments, graduate medical education (GME), and state and local healthcare financing. Many current healthcare financing mechanisms and supplemental payments were created as a result of insufficient healthcare coverage insurance. In 2014, healthcare coverage will expand to cover nearly all eligible citizens. This change in healthcare coverage should be taken into account when modeling payment reform and financing healthcare. There is significant evidence that embedded economic and financial drivers in various payment methods can have a positive or negative impact on health system and provider behavior, and ultimately patient outcomes. Typical provider payment methods include:

- fee-for-service
- special fee adjustments or PMPM payments for care management of patients
- bundled payments
- episode of care payments
- shared savings, with or without pay for performance bonuses for quality
- partial capitation
- full capitation

The follow illustration describes the alignment of various payment methods with health system models.

Health System Models and Aligned Payment Methods



Since a healthcare system responds to the embedded economic drivers in provider payments, a reimbursement model should be based on outcome value. The payment methods should be modeled to support the redesigned healthcare eco-system. Providers must believe that reimbursement will be sufficient and allow investments in infrastructure development, support, and the necessary reforms in systems of care. For the health system providers to be willing to share risk for their healthcare cost, quality, and population health performance, providers must have the adequate risk management and tools for robust analysis of health information. In addition to common clinical and managerial leadership, the health system must have adequate reserves and/or risk caps and risk adjustment to protect providers from adverse selection associated with high-risk populations.

Simulating the model design performance in combination with payment methodologies will validate the best alignment between model design and payment methodology. The model performance simulation will provide the evidence to support model design testing.

11. State Healthcare Innovation Plan and Model Test Proposal

State Health Innovation Plan: The development of the State Healthcare Innovation Plan and Model Test Proposal should be relatively straight forward since the majority of the critical thinking has already been accomplished through the collaborative planning process. The financial projections and detailed healthcare financial worksheets should be developed from the model simulation. The plan document should include the following:

1. A vision statement for health system transformation.
2. Description of the state's population demographics including public and private payer populations.
3. Description of the state's population health status including issues or barriers.

4. Description of the healthcare eco-system's "AS IS" and "TO BE" states. This should include the level of integration of services for behavioral health, substance abuse, developmental disabilities, elder care, community health, and home and community-based support.
5. Documentation of barriers or challenges to adoption of Health Information Exchanges and meaningful use of electronic health record technologies by various provider categories, and potential strategies and approaches to improve use and deployment of HIT.
6. Description of health care delivery system performance current "AS IS" and future "TO BE" performance measures.
7. Description of delivery system payment methods of both the current "AS IS" and future "TO BE" payment methods.
8. Description of the current health care cost performance trends and factors affecting cost trends (including commercial insurance premiums, Medicaid and CHIP information, Medicare information, etc.).
9. Description of the current quality performance by key indicators (for each payer type) and factors affecting quality performance.
10. Description of the population health status measures, social/economic determinants impacting health status, high-risk populations, current health status outcomes, and other factors impacting population health.
11. Description of the specific special needs populations (for each payer type) and factors impacting care, health, and cost.

Health System Design and Performance Goals:

1. Description of the future healthcare eco-system model design in terms of attributes, characteristics, behaviors, and performance outcomes. Description of performance targets for cost, quality, and population health.
2. Provide a summary of the innovation challenges and the long-term goals for improving care, population health, and reducing health care cost.
3. Description of the model design options, approaches considered, and the model performance simulation data.
4. Description of the payment methods, approaches considered, and the payment model's simulation data.

Roadmap for Health System Transformation:

1. Describe the healthcare eco-system transformation timeline and assumptions made about achievement of milestones.
2. Describe each milestone, opportunity, and risk inherent in the change strategy.

Model Test Proposal: The model test proposal should be organized as follows:

| Multi-Payer Model Test Proposal | |
|--|---|
| Executive summary | Summary of the key elements of the proposal. |
| Introduction | Used to describe the Governor’s, stakeholders’, and public and private payers’ support for the model design, and explain the reason why health system transformation is important for the state. |
| Purpose and objective of the model test | Should articulate the broad purpose and rationale for health system transformation and how the model test will fit into that broad purpose. The objectives of the model test should be described in measurable results expected from the model test. |
| Description of the model design and the intervention that will drive improved performance | Describes the elements of the model design and how these elements create the interventions that will improve overall health system performance. |
| Scope of the model test | Describes the scope of the model test. Will it be statewide, regional, focus on a specific population, involve specific payers, or provider networks. |
| Description of how providers and beneficiaries will be recruited to participate | Provides the strategies and approaches to identify and recruit beneficiaries, providers, and communities to participate in the model test, as well as define how the control group will be identified. |
| Description of the broader target population | Describes the broader population and how the model test population cohort is representative of the broader state population. |
| Describe the value proposition for model design and payment method | The value proposition provides the cost-benefit value of the model design change. It should be described in terms of improved care, population health, overall economic value, and healthcare affordability. |
| Description of the innovation center funding requirements and other payers or sources of non-federal funding | Describes the required investment of the Innovation Center, other payers, and financing sources that will be used to finance the model test. |
| Three year total expenditure projections by source | This is a spreadsheet that delineates major categories of public and private expenditures to support the model test. This should include in-kind resources as well. |
| Describe the knowledge discovery process and future collaborative learning opportunity | Describes what is expected to be learned and the opportunity for knowledge discovery; describes what is innovative about the model design. |
| Describe the rapid cycle evaluation and model performance improvement process | Describes the proposed process to rapidly evaluate model performance during the test period and make modifications to model test design to improve performance. |
| Description of how the model test project management will support the Innovation Center’s summation evaluation | Describes how the Innovation Center’s summation evaluation requirements will be supported. Also describes any state summation evaluation process that will also be a part of the project. |
| Description of integration or interaction with other CMS and HHS initiatives | Describes how the model test will interact and/or integrate with other Innovation Center, CMS, or HHS initiatives occurring in the healthcare eco-system. |
| Description of model test operations and implementation process | Describes the model test operational requirements, business process maps, IT system requirements, and how the model test operations and pre-implementation activities will be carried out. |
| Description of assumptions, risk factors, and risk mitigation strategies | Describes the major assumptions and risks that are inherent in the model test roll out. For example, not being able to recruit enough participants. Risk mitigation strategies are the actions that will be taken to reduce the risks or secondary plans if an assumption does not hold to be true. |
| Description of model success, future deployment, and scale-up strategies | Describes the success factors that will determine if the model should be broadly deployed, or scaled statewide or nationally. |
| SIM budget and justification | Provides the model test budget; the CMS budget form must be completed. |
| Project plan, timeline, milestones, and roles and accountabilities | This describes the model test project plan, timeline, phases, organizational structure, roles, and responsibilities. |

Summary

This guide provides an organized approach to the model design planning process. The SIM Initiative gives states grants to accelerate accountable care and create the next generation of the health system model design. The model design process is an information intensive process that will require a significant investment in collecting and analyzing health care data and performance information. With the support of CMS, states have the opportunity to design community-integrated healthcare system models that are capable of addressing the underlying social/economic determinants of health. SIM provides states an opportunity to connect all of the reform authorities in the ACA and mold a comprehensive and cohesive health reform strategy, which will benefit all stakeholders.

Author

Tony D. Rodgers, Principal, HMA

A veteran healthcare executive in the public and private realms, Tony's leadership has delivered results in various settings including hospitals, health systems, health plans, and state and federal health agencies.

During his more than 30-year career, Tony has made an indelible impact on local, state, and federal healthcare agencies, providing Medicare and Medicaid policy and program leadership and strategic planning, and directing execution of those plans.

He works with clients interested in strategic and long-term business planning, health insurance market reform and health insurance exchange operations, delivery system redesign and network development, payment reform strategies, and development of healthcare information and health analytics infrastructure and performance reporting.

Most recently, Tony Rodgers was the Deputy Administrator at CMS and worked with the Innovation Center to design and develop the State Innovation Models Initiative. As the CMS Deputy Administrator, he had access to the CMS Administrator and Secretary of Health and Human Services executive leadership. In this capacity, Tony also had the opportunity to work with HRSA, AHRQ, and CDC on broad, integrated policy initiatives focused on maximizing the policy authorities provided in the ACA.

Prior to CMS, Tony worked as the Arizona Medicaid Agency Director, the General Manager for WellPoint Health Networks (now Anthem Healthcare), and the CEO that started the LA Care Medicaid health plan in Los Angeles. He spent the first part of his career as the executive leader of major health systems, including the Maricopa Integrated Health System in Phoenix, Arizona, Olive View Medical Center Sylmar California, and H. Claude Hudson Comprehensive Health Center in Los Angeles, California. Tony started his career with the LA County Department of Health Services and developed their first strategic facilities master plan. He has also worked with organizations such as the Commissioner's Office for Major League Baseball and the 1984 Los Angeles Olympic Organizing Committee to develop athlete drug testing protocols and processes.

Tony has a Master of Science in public health and a Bachelor of Arts in economics and political science from UCLA. Both degrees have enhanced the expertise and experience he brings to clients, especially when consulting on strategic restructuring, delivery system redesign, managed care conversions, or working with clients preparing to implement health insurance exchanges and coverage expansion.

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Health Management Associates (HMA) has amassed a wealth of on-the-ground experience that is important to share more widely as the nation undergoes the dramatic changes anticipated over the next several years. To that end, it is forming the Accountable Care Institute (ACI). The ACI will:

- provide a venue in which to share experiences and best practices from across the country related to the development of community-specific integrated delivery systems, new financial strategies to incentivize value, and innovative partnerships between providers and payers to ensure effective care for the unique populations they are both trying to serve;
- develop and offer resources to others to help spread lessons learned in the development of these new approaches to the delivery of accountable care;
- facilitate the training of new leaders in health system change; and
- translate delivery system lessons learned on the ground into policy and policy into change at the delivery system level, whether financial, legal, clinical or organizational.

Over the past decade, HMA has been assembling a growing practice of senior health care clinicians and administrators, finance experts, behavioral health professionals, managed care leaders, long term care innovators and others committed to developing new approaches to delivering health care services, particularly to populations and communities that have traditionally been underserved. HMA has worked for large health systems, consortia of providers, individual hospitals and ambulatory providers, states and counties, foundations and managed care plans to assess current delivery of care, plan new approaches and assist in implementation. This work has been growing in volume as the country has started to seriously grapple with how to assure access and quality—and the improvement of health status—while rolling back the cost trajectory which is universally agreed to be unsustainable. Expertise in integrated and accountable care as it applies to the delivery of care to those funded by public dollars is in demand; it is anticipated that the ACI will provide a vehicle for meeting that demand.