Value Based Care Advisory Services:

HMA and Wakely Put Analysis into Action

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VBC Market Update & Expectations for the Future

TODAY'S AGENDA

Brief level-set – *Where are we in the movement to value?*
- Industry APM adoption
- State of VBC policy and politics

Expectations for the future – *What areas are we watching?*
- CMS/CMMI Models
- Medicare Advantage Market
- Select VBC Participants
- States

How we can help – *How does HMA VBC Advisory Services support?*

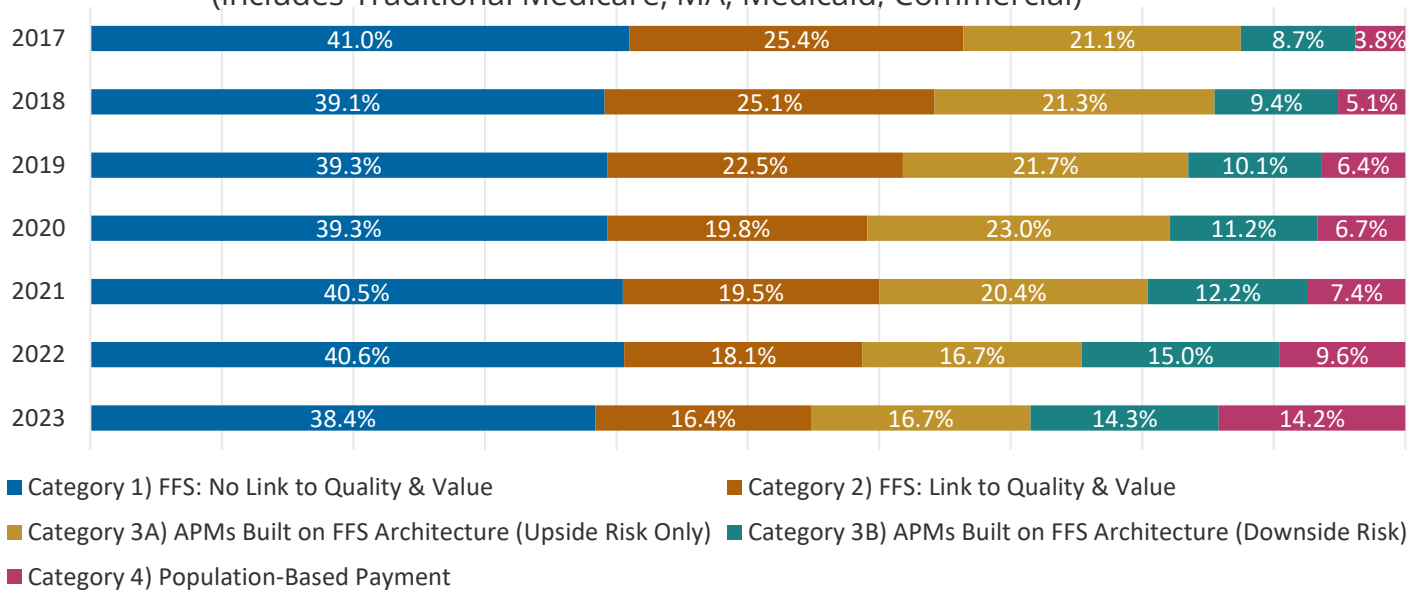
Key Market Trends

1. The value landscape is maturing among existing participants, but we have yet to reach a tipping point.
2. This maturation has been supported by (and is also fueling) a growing market of risk-bearing enablement entities.
3. Despite significant investments in recent years, adoption is still limited by persistent challenges.
4. Mounting industry headwinds create new pressures and opportunities for value-based payment will require new tactics.

Cross-Sector Adoption Across Payer Types

Year-over-Year Adoption by LAN APM Category

(includes Traditional Medicare, MA, Medicaid, Commercial)

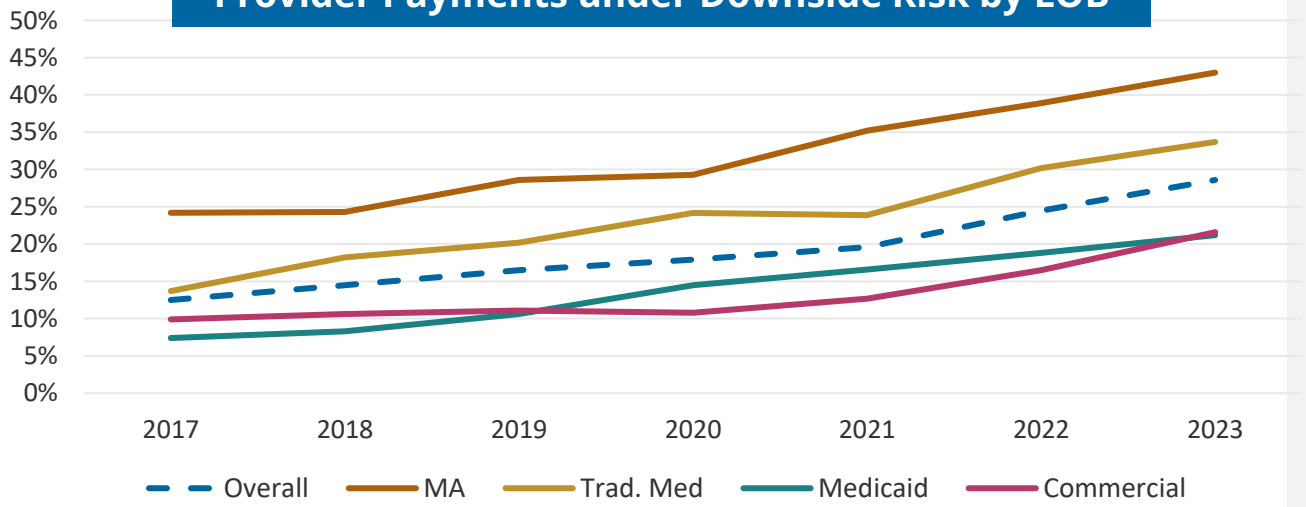


- **Existing APM participants are advancing to greater levels of risk**, and the share of payments flowing through FFS mechanisms—after a few years of stagnation—is again declining.
- Medicare (MA and Traditional) represent largest share of risk-based APMs, but **adoption in Medicaid and commercial has been growing**.

Signals from Public & Private Payers:

- **88% of states** now include APM targets or requirements for MCOs
- **76% of payers** expect APM activity will increase
- **Financial and operational headwinds necessitate greater alignment** with provider partners, particularly in MA and managed Medicaid.

Provider Payments under Downside Risk by LOB



Source: Health Care Payment Learning & Action Network 2024 APM Measurement Effort (2023 Data Year)

CMMI's Updated Strategy

On May 13, 2025, CMS published its highly anticipated **new strategic direction for the CMS Innovation Center (CMMI)**, providing high-level direction on the Trump administration's vision for the **next phase of value-based payment reform**. The strategy features three pillars built on a foundational principle of **protecting federal taxpayers by prioritizing models that drive net savings**.

	Promoting Evidence-Based Prevention	Empowering People to Achieve Their Health Goals	Driving Choice and Competition
What current and future models will do	Incentivize preventive care and health promotion by **embedding preventive care in all current and future model designs** and **better measuring the impacts** of preventive interventions	Connect patients to their health data and empower them to make informed health decisions by **providing patients and providers with relevant and usable data** and **aligning financial incentives with outcomes**	Provide **patient choice** in both coverage and sites of care, **improve opportunities for independent providers, rural, and new entrants** to engage in models, and **streamline value-based payment programs**
Future model features	• Incorporating lessons and elements from successful models and evidence-based functional and lifestyle interventions. • Allowing new beneficiary and provider incentives • Ensuring quality measures and model evaluation are focused on preventive health outcomes	• Using information and tools to encourage patient-driven disease management and healthy living • Publishing cost and quality data on providers and services • Providing patient incentives and flexibilities • Continuing to promote and advance global risk and total cost of care models	• Adding new models, tracks, and payment to support a wider variety of participating providers and practices • Promoting flexibility in care delivery • Standardizing model design features • Improving model predictability

Sources: Strategic Direction

CMMI Actions & Expectations

Actions Under 2nd Trump Admin

Changes to existing models:

- Rolled back MCP, ended PCF, ETC, and MD TCOC early[1]
- Moved forward with TEAM[2]
- Extended CKCC 1 year, ended KCF[3]
- Notable adjustments to AHEAD[4]
- Re-opening the Innovation in Behavioral Health (IBH) Model[5]

New models announced:

- Wasteful & Inappropriate Service Reduction (WISeR) Model[6]
- Ambulatory Specialty Model (ASM)[7]
- GENEROUS (GENErating cost Reductions fOr U.S. Medicaid) Model[8]

Other forthcoming changes:

- Expected announcement of ACO REACH successor model

Likely Future Model Focus Areas:

- *Drug spending*
- *MA reforms*
- *Continued focus on accountable care*
- *Bringing specialists into longitudinal care models*

[1]CMMI model announcement, [2]Final IPPS rule, [3]KCC PY26 updates, [4]AHEAD updates, [5]IBH Model reopening, [6]WISeR Model, [7]ASM, [8]GENEROUS, [9]2025 Unified Agenda

More on Known Upcoming CMMI Models

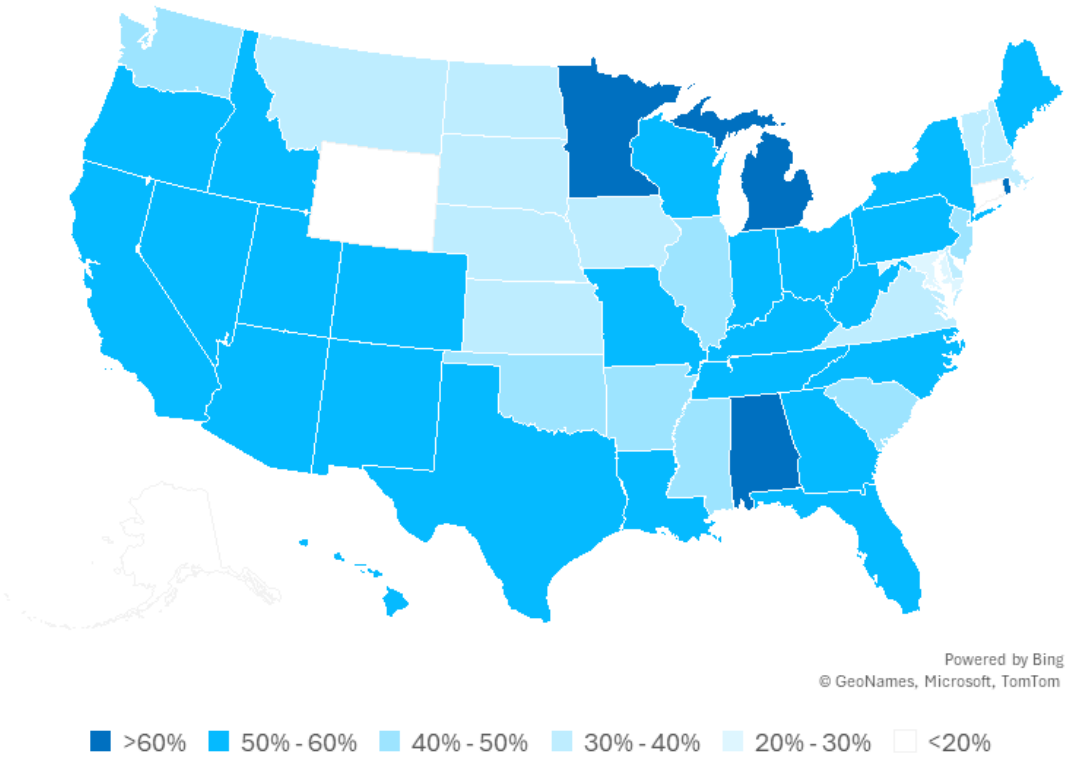
	ASM	Geo AHEAD	TEAM	WISeR
Purpose	Enhance chronic disease management and reduce unnecessary procedures in outpatient specialty care	Advance total cost of care accountability and population health through geographic alignment	Improve care coordination and outcomes for Medicare beneficiaries undergoing major surgeries	Reduce low-value, clinically unsupported services in Medicare
Design	Built on the **MIPS MVPs framework**	**ACO-like model** nested within the broader AHEAD model in selected states	**30-day bundled payments** for five surgical procedures	**Shared savings** when pre-authorization reduces the use of select low-value services
Participation	**Mandatory** for **specialists** treating low back pain or heart failure in select CBSAs	**Voluntary** for new participant type: **Geographic ("Geo") Entities** which can include non-provider organizations	**Mandatory** for over **740 acute care hospitals** receiving IPPS payments in select CBSAs	**Voluntary** for **tech vendors** in six states
Timeline	Jan 2027 – Dec 2031	Jan 2028 – Dec 2035	Jan 2026 – Dec 2030	Jan 2026 – Dec 2031

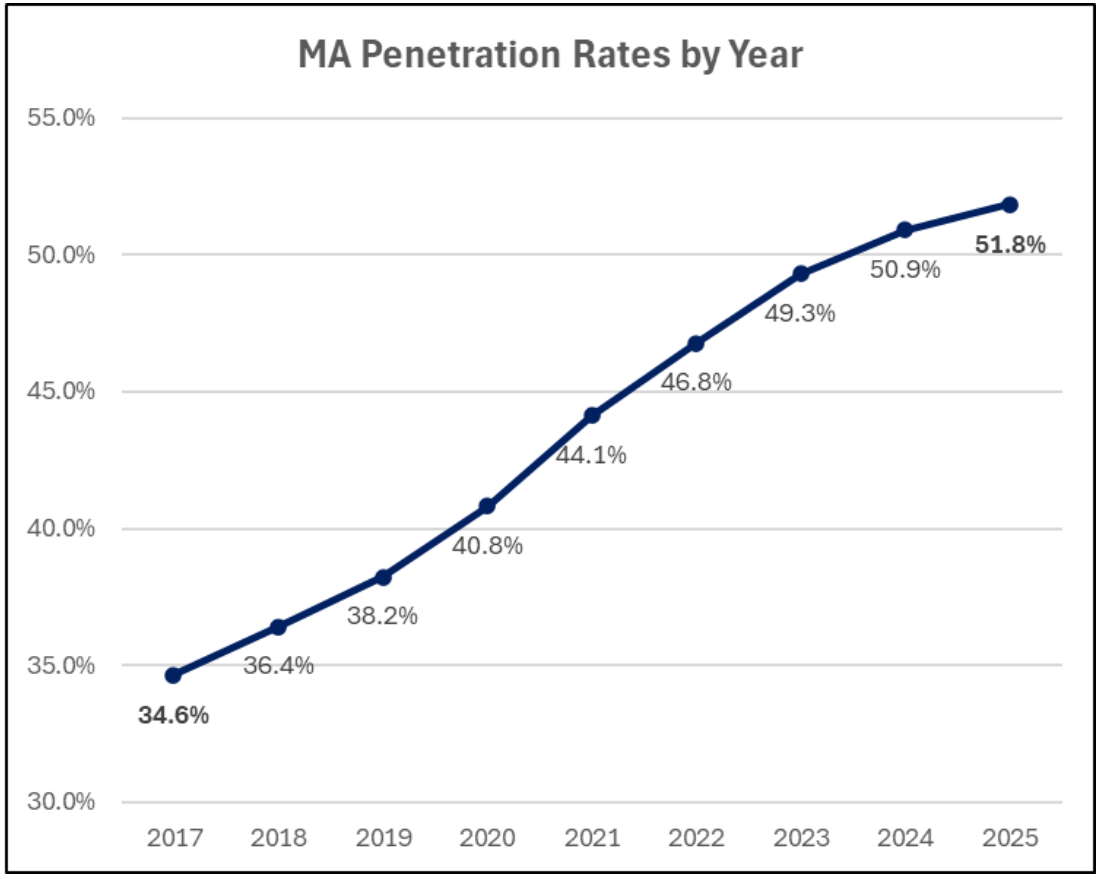
ASM: Ambulatory Specialty Model
AHEAD: Achieving Healthcare Efficiency through Accountable Design
CBSA: Core-based Statistical Area

IPPS: Inpatient Prospective Payment System
TEAM: Transforming Episode Accountability Model
WISeR: Wasteful and Inappropriate Service Reduction

Penetration of MA Likely to Flatten in this Environment

The 5-8% YoY growth that was observed between 2019 and 2023 has somewhat flattened. As **payers look to prioritize profitability over growth**, this trend is likely to continue which may impact the distribution of focus that risk-bearing provider organizations place on the various programs for Medicare beneficiaries.





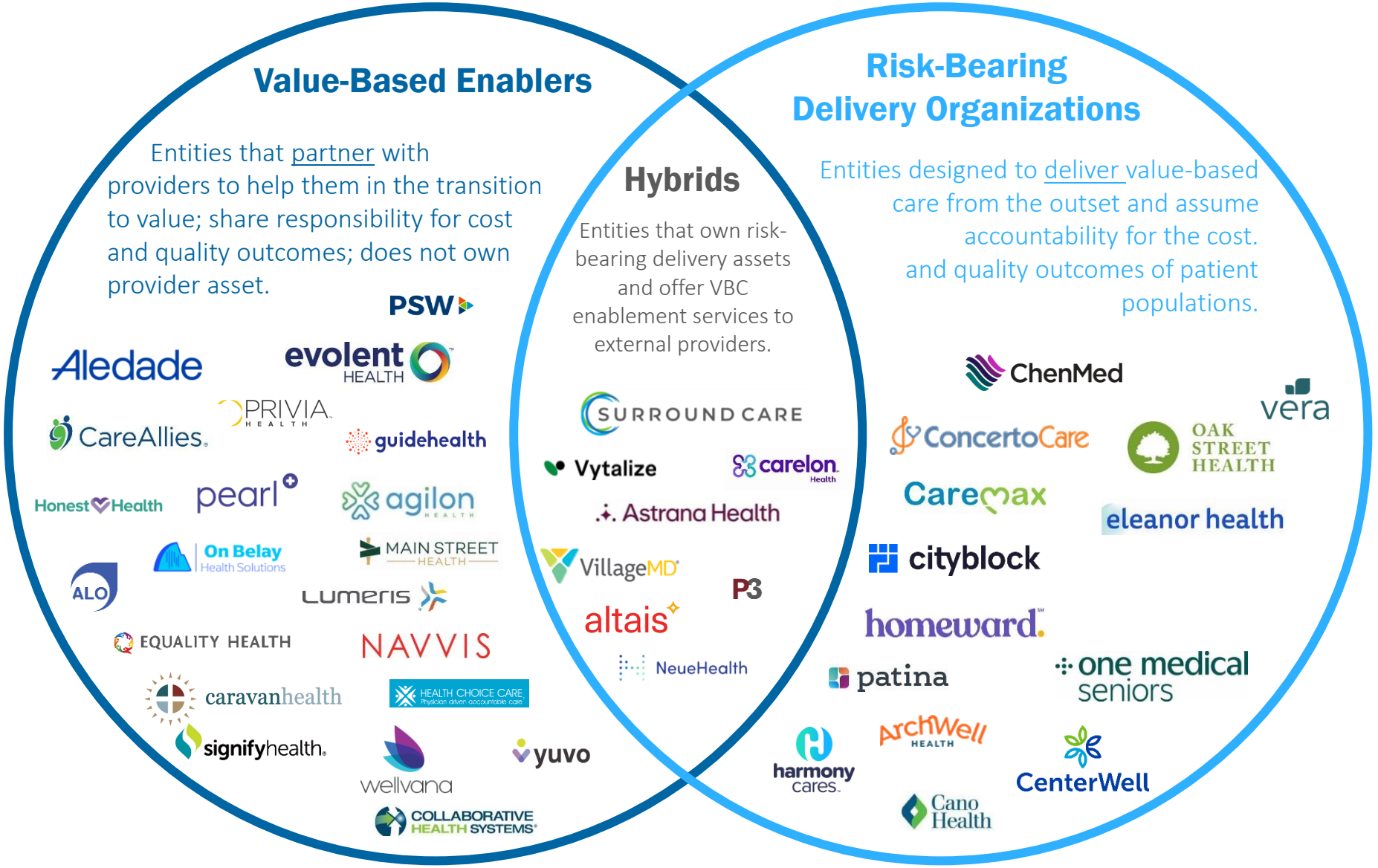
Source: *Wakely MA Competitive Advantage Tool*

MA Headwinds with Implications for Provider Risk-Sharing

Payers will differ in willingness to delegate risk in this environment. Those with **more experience in risk contracting (or those struggling financially) may be more willing to engage in risk-based arrangements** while others may seek to retain control. Providers may have **differing opinions about their ability to manage the risk** from the various headwinds.

Headwinds	Implications
Risk score and utilization pressures: Final transition year for v28 risk adjustment model and heightened utilization pressuring profitability	Payers prioritizing profitability ahead of growth, right-sizing supplemental benefits, product offerings, and footprints.
Scrutiny on upcoding: Widespread interest in cracking down on this practice, including a massive expansion of RADV audits and extrapolation across entire contracts and bipartisan interest in legislative and regulatory reforms	If not already included, risk-bearing providers should ensure that MA risk-based contracts include limitations on exposure to RADV audit risks (e.g., lack of extrapolation).
IRA impacts on Part D: These changes will increase plan liability and generate uncertainty related to funding sufficiency	Some plans are reluctant to delegate this risk; Risk-based provider contracts should ensure all Part D bid-related rebate dollars are included in funding and that risk corridor protections are passed through.
Quality threshold and Stars pressures: Fewer plans achieving 4 Stars and accessing the 5% QBP bonus and enhanced rebate dollars places potential upward pressure on MLRs and downward pressure on plan margins	Potential opportunity to enhance MLR targets through favorable performance on Stars (quality performance adjustments of +/- 2%).

Segmenting the Risk-Bearing New Entrants by Business Model



Source: "Analyzing the Expanded Landscape of Value-Based Entities: Implications and Opportunities of Enablers for the CMS Innovation Center and the Broader Value Movement"

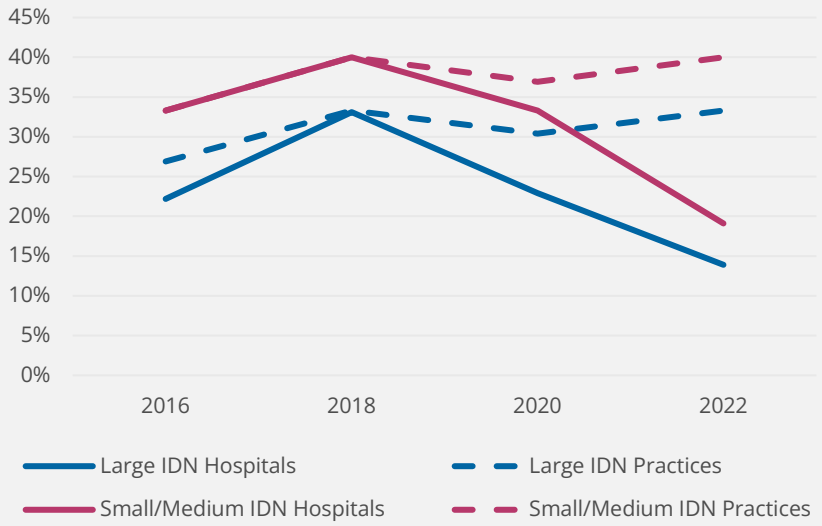
Payers & Retailers Have Been Investing Heavily, Payers More Successfully

Source: "Analyzing the Expanded Landscape of Value-Based Entities: Implications and Opportunities of Enablers for the CMS Innovation Center and the Broader Value Movement"

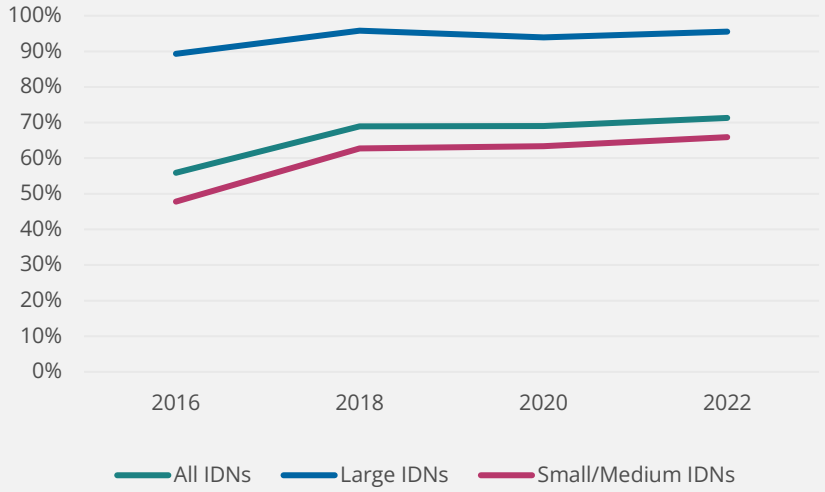
Health System VBC Trends

Participation and engagement by Integrated Delivery Networks (IDNs) in Medicare ACOs (and VBP more broadly) has stagnated, though TEAM presents the most ambitious effort yet to bring more hospitals into alternative payment models.

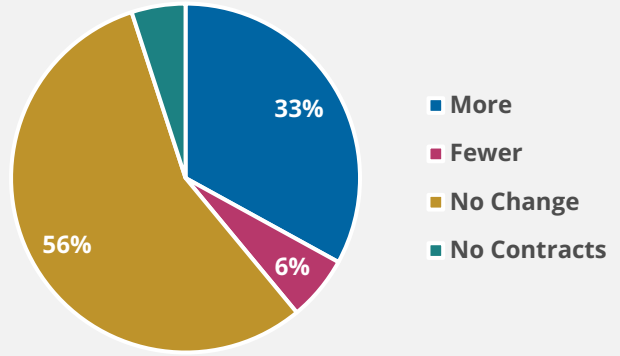
Median Engagement of Hospitals & Practices among IDNs Participating in Medicare ACOs[1]



Overall IDN Participation in Medicare ACO Models[1]



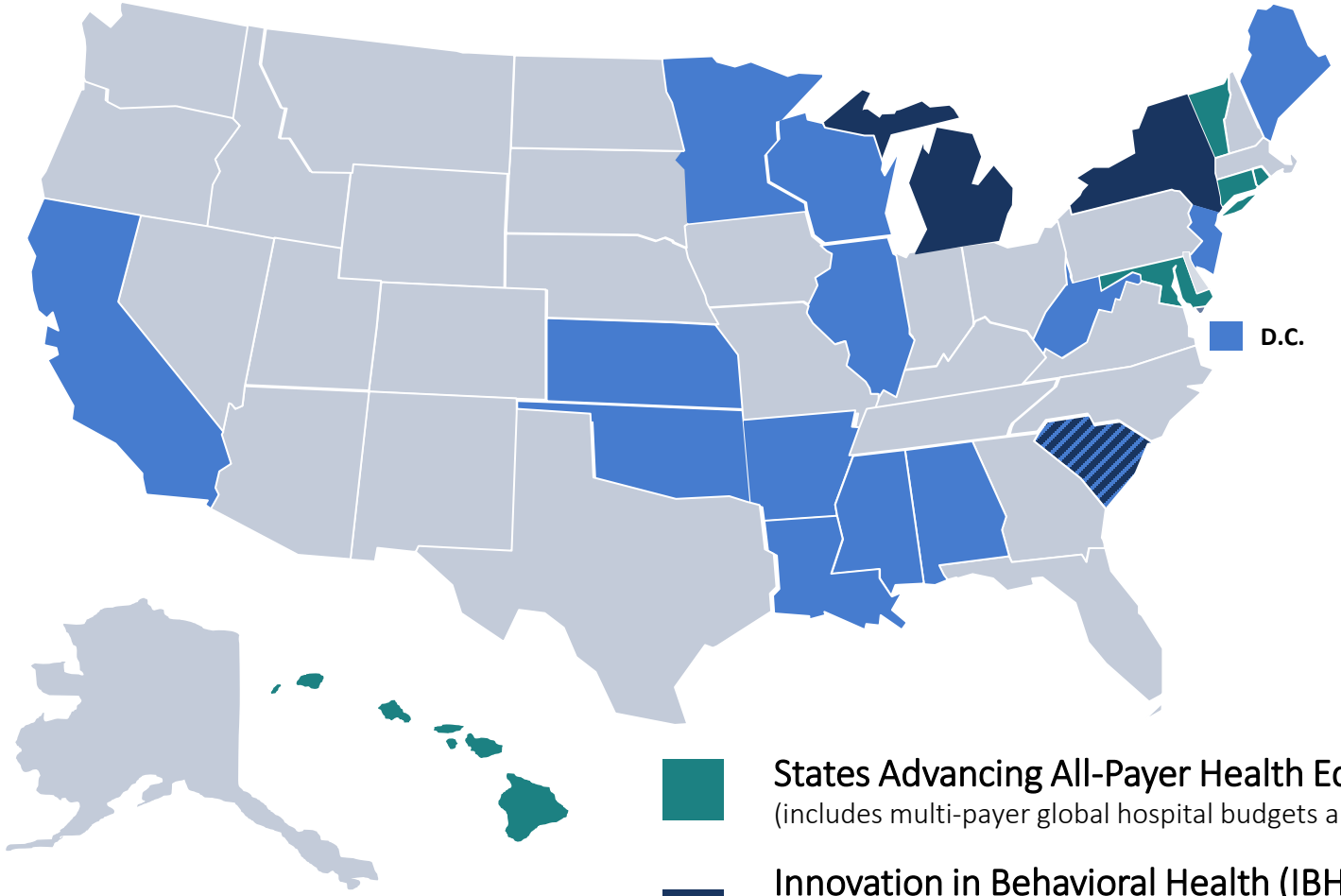
Expected Change in Health System Value-Based Contracts in 2025[2]



Sources: [1] PTAC, [2] VMG Health

PTAC's definition of Integrated Delivery System (retitled here as "IDNs") = An IDS is an organization that owns and/or manages a network of providers, including hospitals and physician groups, that are connected and have the capacity to provide comprehensive patient care.

State Engagement



CMMI's latest batch of models includes several state-based initiatives intended to better align regional stakeholders.

- CMMI has **reopened IBH** for additional state applicants and **plans to reopen AHEAD**
- CMMI leadership has said the agency **plans to pursue additional state-based models**
- Beyond CMMI activity, several states have indicated plans to use funding from the **Rural Health Transformation Program to advance APMs**

States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model
(includes multi-payer global hospital budgets and advanced primary care APM)

Innovation in Behavioral Health (IBH) Model*
(includes enhanced PBPMs and performance-based payments for community-based behavioral health providers caring for Medicare and/or Medicaid adults)

Transforming Maternal Health (TMaH) Model
(Medicaid-only; includes state-developed APM to improve maternal outcomes through whole-person care and augment workforce)

**OK will implement the IBH model statewide, and MI, NY, and SC will implement the model in designated sub-state geographic service areas.*

VBC Advisory Services: Who We Serve

*HMA's VBC clients represent the **full spectrum of health care organizations** interested in or impacted by the shift to alternative payment models (APMs).*

- **Entities engaged in APMs or looking to participate**
  - **Providers** (e.g., health systems, medical groups, CINs/ACOs, FQHCs, IPAs, BH)
  - **Payers** (all payer types and across lines of business)
  - **VBC Enablers**
- **Entities who serve/partner with VBC participants**
  - **Data and Technology Vendors**
  - **Digital Therapeutics/Care Management Solutions**
  - **Reinsurers**
  - **Life Sciences**
- **Entities who invest capital in the VBC market**
  - **PE / VC funds**
  - **Large incumbent players with investment arms**
- **Entities interested in advancing the broader movement to value**
  - **State and federal agencies**
  - **Associations**
  - **Foundations**

VBC Advisory Services: What We Do

*HMA's VBC-related service lines support clients at **all stages of their transformation journeys** and draw from **subject matter and functional experts** across strategy, policy, finance, actuarial services, quality, and operations.*

Example services included:

Understanding Value

- **Market & Model Intelligence**
  - Market monitoring and insights
  - Policy analysis and interpretation (federal and state)
  - Tailored education, trainings, curriculum development
  - Research and publications
- **Multi-Stakeholder Engagement**
  - Facilitated convenings (e.g., advisory groups, learning collaboratives)
  - Training and TA
- **Situational & Market Analyses for Strategic Growth**
  - Value proposition assessments
  - Market segmentation
  - Geographic market rankings
  - Due diligence

Engaging in Value

- **Readiness Assessments & Support**
  - Multi-domain gap assessments and recommendations tailored to model, population, provider type
  - Implementation support & TA
- **Organizational VBP Strategy**
  - Go-to-market strategies
  - Operating structure advisement
  - Partner evaluation
- **Model/Contract Evaluation & Entry**
  - Comprehensive assessment of model/contract options (e.g., regulatory, actuarial modeling, operations, etc.)
  - Application support
  - Contract negotiation support
- **APM Design**
  - Model framework development
  - Actuarial analysis
  - Stakeholder feedback & engagement

Optimizing Performance

- **Performance Monitoring**
  - Financial projections
  - Emerging experience reporting
  - Opportunity analysis
  - Benchmarking
- **Operational Assessments & Enhancements**
  - Operational roadmaps for needed population health capabilities (e.g., IT infrastructure needs, care model design, clinical workflows, physician engagement, etc.)
  - Recommended investment priorities and sequencing
  - Practice transformation support

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