

TRANSITIONING TO VALUE-BASED PAYMENT IN PENNSYLVANIA

IMPLEMENTATION PLAN

Background

The current health care system in Pennsylvania does not adequately meet the health care needs of its residents. While urban areas have high concentrations of providers, the commonwealth's rural areas face challenges due to a disproportionate lack of providers thereby limiting access. Portions of fifty-five of the 67 counties in PA are federally designated Health Professional Shortage Areas (HPSAs) or Medically Underserved Areas (MUAs). Pennsylvania has the third largest rural population of any state, with more than 20% of its residents living in rural areas. Approximately 50% of Pennsylvania's doctors practice in only three counties (Philadelphia, Montgomery, and Allegheny), even though the remaining 64 counties have almost 75% of the state's total population.

In addition, Pennsylvania faces higher health care costs, with no better quality, than the rest of the United States. In 2009, health care expenditures as a percent of gross domestic product (GDP) were 17% for Pa., compared to 14.5% nationally. Pennsylvania also has high emergency department utilization rates, especially for non-urgent conditions; a relatively high rate of hospital readmissions; and significant racial, ethnic, and economic health disparities.

To achieve the goal of better care, smarter spending, and healthier people, the U.S. health care system must substantially reform its payment structure to incentivize quality health outcomes and value over volume. Such alignment requires a fundamental change in how health care is organized and delivered and requires the participation of the entire health care system. The current fee-for-service system where providers are paid for each service performed does not promote quality of care and ensure services provided are of high value. In an effort to change this culture, the U.S. Department of Health and Human Services (HHS) has set a goal of achieving 30% of U.S. health care payments in alternative payment models (APMs) by 2016 and 50% by 2018.

The Health Innovation in Pennsylvania (HIP) plan, completed in June 2016, is a comprehensive, multi-stakeholder, statewide initiative to improve the health of all Pennsylvanians by redesigning the way we pay for, deliver, and coordinate health and health care services. The plan will include strategies to advance population health, health information technology, and workforce development.

Overview

Pennsylvania will join HHS' efforts to increase the percentage of health care spend in value-based payments by establishing a four-year goal similar to targets set for increasing percentages of Medicare fee-for-service payments (i.e., 30% by 2016 and 50% by 2018) in alternative payment models. To achieve this goal, Pennsylvania's value-based payment strategy will include both advanced primary care and episode-based payment models. Advanced primary care is based on principles of the Patient Centered Medical Home and builds upon delivery models that prioritize care coordination across different settings and providers. Next generation models for advanced primary care seek to further improve the delivery of patient-centered care and population health.

An "episode-based payment" is a single price for all of the services needed by a patient for an entire episode of care (e.g., pregnant woman would have prenatal care, labor & delivery, and post-partum follow-up care all in one episode of care). An episode payment system reduces the incentive to overuse unnecessary services and gives healthcare providers in collaboration with patients, the flexibility to decide what services should be delivered related to that particular episode. Both approaches have been pursued in other states, often with positive early results. Pennsylvania's approach emphasizes building on existing work already underway between payers and providers testing different value-based payment models and identifying targeted areas where the commonwealth can accelerate model development, deployment, and effectiveness.

Vision

Pennsylvania will promote the transition from fee-for-service, volume-based health care to value-based payments that reward quality outcomes that matter to patients, families, and communities. The move will test mechanisms to encourage more comprehensiveness in primary care delivery; to improve the care of complex patients; to facilitate robust connections to the medical neighborhood and community-based services; and to move reimbursement from encounter-based towards value-driven, population-based care.

Scope of Work

Goals

Pennsylvania will promote the transition from fee-for-service, volume-based health care to value-based payments that reward quality outcomes.

Strategies and Tactics

Strategy A: Define a percentage goal for alternative and value-based payment models for the commonwealth

Tactic(s):

1. Establish a baseline scorecard (being created by Catalyst for Payment Reform)
2. Work with stakeholders to define a percent to achieve the transition to value-based payment methods by 2019

Strategy B: Drive a standard definition and measures for advanced primary care (APC)

Tactic(s):

1. Convene stakeholders to identify a standard definition for APC in the commonwealth
2. Convene stakeholders to identify common core measures to collect for APC

Strategy C: Pursue multi-payer episode-based payments to create common elements of an episode approach across all payers

Tactic(s):

1. Convene stakeholders to define episodes of care that can be agreed upon across all payers
2. Work with stakeholders to implement agreed upon episode-based payments

Strategy D: Pilot a global budget model for rural hospitals as part of a larger effort to redesign rural health

Tactic(s):

1. Create the Rural Health Redesign Center that will assist participating rural hospitals with data analysis and practice transformation
2. Begin implementation of a global budget model at X number of rural hospitals starting January 1, 2018

Governance

Health Innovation in Pennsylvania is a governor-led initiative. In addition to Governor Wolf, the Governor's Policy Secretary, Sarah Galbally is actively engaged in the implementation of the plan. The Governor's office is briefed biweekly on the work to accelerate health transformation in Pennsylvania. Multiple state agencies,



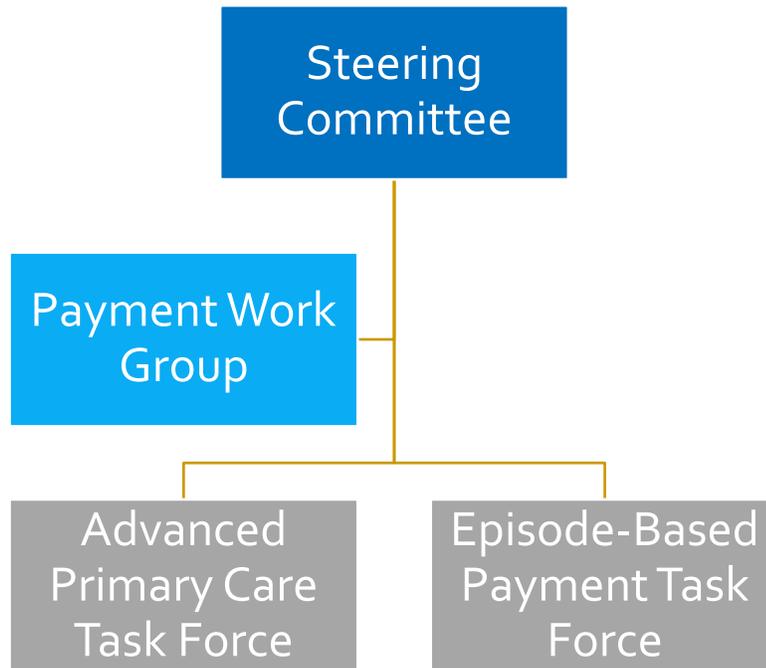
coordinated by the Department of Health, will work together to move Pennsylvania towards payment reform.

The daily operations of the work to transition Pennsylvania to value-based payment will be spearheaded by the Health Innovation Office within the Department of Health. The Health Innovation Office is led by the Deputy Secretary for Health Innovation and includes a Director of Population Health and Health Innovation Analyst. The Secretary of Health provides direct oversight to the Health Innovation Office.

Stakeholder Engagement

Pennsylvania's plan to transition to value-based payments requires significant and ongoing stakeholder engagement, input, and leadership to ensure that transformation initiatives will be aligned and effective. Governor Wolf has convened a Steering Committee to lead health care innovation across the commonwealth. The Committee is comprised of diverse stakeholders across Pennsylvania from health care systems and hospitals, health care providers, public health professionals, consumers, business leaders, private insurers, foundations, and academic institutions. Also serving on the Steering Committee are the Secretaries for Health, Human Services, and Aging; Deputy Secretary for Health Innovation, and the Insurance Commissioner. The Steering Committee is tasked with providing oversight for the implementation of the Health Innovation in Pennsylvania (HIP) plan.

In addition to the Steering Committee, Pennsylvania will re-convene a payment work group that will further develop recommendations to accelerate transition to value-based payment models, as well as two sub-task forces for: advanced primary care and episode-based payments. This is depicted graphically below. Members will be representative of payers, providers, hospitals, population health experts, academic professionals, state officials, employers, consumers, foundations, associations, and community-based organizations.



Timeline for Implementation

The work to advance alternative payment models is slated to begin in February of 2017 and go through January 2019.

Strategy	Begin Date	End Date
Advanced Primary Care	February 2017	January 2019
Episode-Based Payments	February 2017	January 2019

How We Will Define Success

Pennsylvania will measure success in the following ways:

- Creation of a state scorecard identifying a baseline measure for value-based payments
- Definition of a percentage goal based on results from the state scorecard for alternative and value-based payment models for the commonwealth
- Commitment by stakeholders to provide/receive a single payment for each episode of care around pre-defined health condition(s)
- Established clear linkages between primary care and other clinical care and community-based social services (e.g. patient navigation programs and/or continuum of care connections)
- Statewide movement towards population-based payments (PBPs) to support the infrastructure needed for advanced primary care, create incentives for



innovation in care delivery, and promote accountability for costs and quality of care, including consideration of appropriate mechanisms to assign beneficiaries to unique practices