Podcast series: Value-Based Care

Episode 20: Taking on Financial Risk Under an Advanced APM

Welcome to APTA’s podcast series on value-based care, which explains how value is measured in the provision of health care, and describes different aspects of the Quality Payment Program, including the Merit-based Incentive Program, or MIPS, and Advanced Alternative Payment Models, or Advanced APMs. Episode 20 is Taking on Financial Risk Under an Advanced APM. To get the most from this episode, you may want to check out earlier episodes first.

I’m Kara Gainer, APTA’s director of regulatory affairs.

- One of the goals of value-based care is to transition financial risk away from taxpayers and health care payers and instead place the burden on providers to make smarter decisions about utilization of services.
- This means that providers are no longer paid for the volume of services they provide, but for how well they improve patient outcomes and reduce health care costs.
- This shift to value-based care requires providers to become more accountable for achieving cost and quality goals, especially since their reimbursement depends on it.
- Under APMs, providers become financially responsible for the care they provide as health care teams. Upside risk, or 1-sided risk models, allow participants to share in health care savings if their services make care delivery more efficient. If actual health care costs go over the budget, providers in upside-risk models do not receive any shared savings, but they are also not financially penalized.
- In downside risk arrangements, or 2-sided risk models, providers can also lose health care revenue if their care exceeds agreed-upon financial and clinical thresholds, or they may be required to refund the payer if they go over a set budget for a certain group of services.
- While accepting responsibility for potential shared losses may seem intimidating, taking on more financial risk can help drive better care quality and lower health care costs, as it gives providers a greater incentive to deliver care in the most efficient, cost-effective manner possible.
- Participating in financial risk arrangements also helps eligible clinicians earn incentive payments under the Advanced APM track in the Quality Payment Program.
- Eligible clinicians successfully participating in an Advanced APM earn a 5 percent Medicare Part B incentive payment and are exempted from MIPS.
- Among other criteria, to qualify as an Advanced APM a model must require APM entities to bear more than nominal financial risk. Under this criterion, an Advanced APM must meet 2 standards:
  1. The APM entity must bear risk for monetary losses of a certain magnitude.
  2. If the APM entity’s actual expenditures exceed expected amounts, the Advanced APM must either withhold payments for services to that APM entity or clinicians, reduce payment rates to that APM entity or clinicians, or require that APM entity to make payments to CMS.
The total amount an APM entity potentially owes to CMS or forgoes as payment is either benchmark-based or revenue-based.

Under the benchmark-based standard, the amount is 3 percent of the expected expenditures for which an entity is responsible under the APM.

Under the revenue-based standard, the amount is 8 percent of the average estimated total Medicare Parts A and B revenues of all participating APM entities.

While Medicare has developed several risk-based APMs that allow providers to accept some form of financial risk, private payers also are developing more risk-based reimbursement arrangements. The opportunities to participate in a risk-bearing APM will only continue to grow.

This has been Episode 20 of the podcast series on value-based care. To find all episodes of this series, go to www.apta.org/MACRA/. You also can find these and all APTA podcasts on iTunes by searching APTA Podcasts or by going to www.apta.org/Podcasts. Thanks for listening.

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