Podcast series: Value-Based Care

Episode 15: Introduction to Alternative Payment Models

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 15 is Introduction to Alternative Payment Models.

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

- The health care system is in the midst of a paradigm shift—away from the fee-for-service payment structure, in which providers are rewarded solely by the volume of services provided, and toward a structure that holds providers accountable for patient outcomes and costs.
- This move to value-based care is intended to advance the goals of health care’s "triple aim”—improving the patient experience of care, bettering the health of populations, and reducing the per-capita cost of health care.
- A value-based payment model is often referred to as an Alternative Payment Model, or an APM. An APM is a payment approach that offers incentives to providers to collaborate to provide high-quality and cost-efficient care.
- APMs can apply to a specific clinical condition, a care episode, or a population.
- An APM is a payment model that rewards health care providers for the quality of care they provide, rather than the volume of services they furnish to patients. APMs are one way that insurers are moving toward a value-based payment system and away from the traditional fee-for-service system.
- The transition to value-based care is a priority of both the private sector and the federal government. Many commercial payers have adopted APMs. Medicare also is committed to shifting Medicare payments from volume to value, having set a goal in 2015 of tying 50% of Medicare fee-for-service payments to quality or value through APMs by 2018.¹
- There is a growing array of APMs, including accountable care organizations, or ACOs, bundled payments or episodic payments, and global capitation.
- An ACO is a group of doctors, hospitals, or other providers that form a network that shares financial and medical responsibility for providing coordinated care. An ACO can contract with Medicare and/or a commercial payer. The ACO is designed to limit unnecessary spending and incentivize care quality over quantity. ACO participants agree to be held accountable for improving the quality of care for patients they serve while reducing health care spending. ACOs that improve quality and reduce spending receive a share of the savings achieved.
- Bundled payment models may cross providers, allowing hospitals, physicians, and other providers to partner with different types of facilities, including physical therapy clinics, skilled nursing facilities, and home health agencies. A participating provider, such as a hospital, is paid the fee-for-service rate for their services. At the end of the year, the episode of care is compared with an established spending target. Depending on the quality of care and overall spending, the participating provider may either receive an additional payment from the payer or be required to repay the payer for a portion of the
episode spending that exceeded the target. A provider that exceeds the prearranged amount for the episode bears financial responsibility for overages.

- Capitation is a fixed amount of money that is assigned to each patient. The payer makes this payment to the clinician in advance for the delivery of health care services. As a result of receiving 1 fixed payment, providers are incentivized to increase efficiency and reduce costs.

- Each of these models takes an innovative approach to delivery of care by bringing together a variety of providers to ensure greater efficiency in the delivery of services and to encourage better patient outcomes.

This has been Episode 15 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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