

Policy Recommendation -- Harmonize Public and Private Payer Innovation Efforts to Facilitate Effective Payment Reform

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Current healthcare legislative proposals contain many provisions to develop, rapidly test, and spread new payment models *within* the Medicare/Medicaid programs to replace current payment methods that largely reward volume. These efforts are vitally important to fostering delivery system reform, but must be harmonized *across* the public and private sectors to most effectively reward outcomes and value.

More specifically, policies should promote the harmonization of public and private health care payment strategies with a goal of alignment, in order to promote improvement, innovation, efficiency and the meeting of national health priorities. Overall, reform efforts should seek to improve fairness across payers and promote “best practices” in care delivery – regardless of source of payment (public or private) – with the goal of fostering the expansion of such policies across the nation.

Harmonizing and aligning public and private sector payment innovations would:

- Amplify the power of effective incentive approaches by sending the same signals about what is valued across different payers;
- Simplify administrative complexity and reduce burden associated with existing payment methods and minimize administrative burden for providers faced with responding to these new, innovative methods; and
- Reduce the likelihood of payment distortions across payers and/or regions.

By encouraging the rapid adoption of new payment models across sectors and across the country, such an effort should help accelerate achievement of the key goals of health care reform, including enhancing quality, furthering evidence-based medicine and care coordination while simultaneously making health care more affordable.

Action Items:

Specific policies to assure the harmonization of public and private health care payment strategies should:

- Broaden the charge of the CMS payment innovation center to specifically address the need to harmonize and align public and private payers (suggested name: “The CMS Delivery System and Payment Innovation Center”).
- Ensure that such a Center have sufficient authority, flexibility, direction, and financing for its payment reform charter to support rapid cycle testing and then broadly implement payment models that reward outcomes and better value.
- Direct the Center and the Secretary of HHS to consider in the design and evaluation of all payment reforms:
 - The extent to which payment innovations are fair and reasonable for the efficient delivery of services for all payers and providers;

- The actual degree to which innovative payment programs succeed in aligning across private and public sectors and the impact of such programs on private payers, private and public health care consumers and local delivery systems; and
 - The extent to which such programs promote reductions in the administrative burden faced by providers (e.g., payment simplification, streamlining of administrative processes).
- To reduce barriers to the implementation of this harmonization recommendation, there should be explicit “safe harbor” provisions to protect participants from legal or regulatory impediments to appropriate multi-payer and provider collaboration.
 - CMS also should foster Medicare and Medicaid participation in local payment pilots designed by other payers and providers that are responsive to state/regional community needs, as well as support pilots designed and developed by Federal officials that involve the private sector and state payers (e.g., participating in both “bottom up” and “top down” innovation efforts).
 - The Secretary of HHS should work with private sector and state payers to facilitate the collection, sharing and public reporting of information focused on quality, efficiency and utilization of care. Such information should allow for comparisons of regions, service types, providers, and payer sources to inform payment design and innovation projects. This data collection and reporting mechanism should enable assessment of delivery system to ensure quality, access and efficiency across all public and private payer sources.
 - Finally, the Secretary of HHS should establish a formal advisory group, tasked with providing the Secretary advice and counsel over time on how best to pursue policies that align the incentives for patients and providers. This advisory group should include experts in delivery and payment reform, national payers and purchasers, patients, consumer and provider representatives, as well as state and regional stakeholders so that a wide range of perspectives can inform CMS’ implementation strategies.

Background/Sponsorship of Recommendations

These policy proposals grew out of discussions from a recent American Board of Internal Medicine Foundation Summer Forum, in which a group of policy experts gathered to discuss and recommend how to align public and private innovation efforts to facilitate effective payment reform. The participants included a cross-section of clinician, consumer, hospital, employer and policy experts. Their ideas, which served as the basis of the specific actions recommended, build upon proposals to create a Center for Medicare and Medicaid Payment Innovation and a CMS Chronic Care Management Innovation Center that are included in health reform provisions being considered by the House of Representatives and the Senate.