

Introduction

As state Medicaid programs emphasize a focus on value-based payment, they are increasingly requiring their Medicaid managed care organizations to implement alternative payment models (APMs). With these new requirements, it is important for states to develop ways to ensure that their MCOs are complying with the APM requirements within their contract, and monitoring the progress and challenges with the implementation of APM strategies with Medicaid providers.

The [full brief](#) focuses on different ways in which states may set standard APM definitions to a) track MCO progress toward meeting state APM goals, and b) support comparison of APM implementation within a state and nationally. It includes a review of APM definitions developed by the [Health Care Payment and Learning Action Network](#) (HCP-LAN or LAN), [Catalyst for Payment Reform](#) (CPR) and two individual states (Massachusetts and Rhode Island), and describes how states have used these different frameworks for reporting purposes.

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The Strengths and Challenges of Each Approach

As in other MCO contractual and reporting requirements, states should consider the administrative burden on plans and the Medicaid agency, and how the data will be used when developing APM requirements. Each approach has strengths and weaknesses states should evaluate before adopting an approach, or modifying an existing approach.

Table 1. Strengths and Weaknesses of APM Frameworks

Model	Strengths	Weaknesses
LAN ¹	<ul style="list-style-type: none"> National approach, being used by Medicare and leading commercial insurers Plans and payers may have familiarity with the approach Allows for comparison across states and marketplaces Provides detailed information on percentage of payment linked to value States can modify LAN reporting and still make some comparisons to national data 	<ul style="list-style-type: none"> Voluntary (unless a state makes it mandatory) Does not require reporting of how APM is linked to quality, only that it is Does not measure the portion of payment tied to an incentive (just that some amount is tied to it) Categorization does not recognize that many APMs are implemented simultaneously with a particular provider Does not assess the extent to which risk is shared
CPR ²	<ul style="list-style-type: none"> Developed by a leader in defining and monitoring APMs Includes opportunity to provide narrative to explain APMs Includes both impact in terms of percent of payment and percent of membership covered by models Includes quality measurement as part of reporting 	<ul style="list-style-type: none"> Proprietary tool Current quality measurement is limited to readmission Does not measure the portion of payment tied to an incentive (just that some amount is tied to it) Categorization does not recognize that many APMs are implemented simultaneously with a particular provider Does not assess the extent to which risk is shared

Model	Strengths	Weaknesses
State-Based Approach	<ul style="list-style-type: none"> • Opportunity to individualize to the state's specific needs • Use more refined APM definitions, allowing for more precise measurement of change in marketplace • Can provide state with opportunity to create combination APM categories • Depending on how it is structured, may have other strengths similar to LAN or CPR 	<ul style="list-style-type: none"> • Harder to compare to other Medicaid programs • If approach does not include other state payers, may not be able to compare in state • Depending on how it is structured, may have other weaknesses similar to LAN or CPR

Conclusion

In deciding which approach to take, states should consider what their ultimate APM goals are and how the definition and reporting process can help the state to meet its goals. Those goals will vary based on state size and geography, health outcomes, APM penetration in marketplaces and provider readiness for change. This focus will help the state to consider both how to define different models and options, what information is most important to monitor, and how to measure progress.

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ABOUT BAILIT HEALTH

This brief was prepared by Beth Waldman, Michael Bailit and Mary Beth Dyer. Bailit Health is a health care consulting firm dedicated to ensuring insurer and provider performance accountability on behalf of public agencies and private purchasers. For more information on Bailit Health, see www.bailit-health.com.

Endnotes

1. The strengths and weaknesses of the LAN noted here are based on the LAN definitions and data reporting tool, and not any changes made by specific states which may address some or all of the weaknesses included here.
2. The strengths and weakness of the CPR scorecards are based on Scorecard 1.0; the CPR scorecards are in the process of being updated and may address some or all of the weaknesses included here.