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HHS SETS AGGRESSIVE TIMELINE FOR SHIFT FROM VOLUME TO VALUE-BASED PAYMENT SYSTEMS

Earlier this week, US Health and Human Services (HHS) Secretary Sylvia Mathews Burwell announced the implementation of an aggressive timeline for the shift from volume-based to value-based payment systems under the Medicare Program. The trend toward value-based payment systems has been underway for several years, and has been accelerated by the Affordable Care Act. However, this is the first time that HHS has set clear goals, with a specific timeline, for this transition.

HHS's first stated goal is for 30% of all Medicare provider payments to be made under alternative payment models that are tied to quality of care rather than volume of services provided. Secretary Burwell stated that this 30% goal should be achieved by the end of 2016, with a further goal of 50% of payments coming from quality-of-care payment models by the end of 2018. Examples of such alternative payment models include Accountable Care Organizations, Patient Centered Medical Homes and "Bundled Payment" models.

HHS's second stated goal is for most fee-for-service (FFS) payments to be tied to quality and value. Specifically, HHS intends that 85% of such FFS payments be tied to quality and value in 2016, increasing to 90% for 2018. Secretary Burwell restated HHS's goal of moving away from the "more you do, the more you get paid" model to models linking nearly all payment to quality and value in order to ensure that the Medicare Program is "spending smarter."

Secretary Burwell also stated HHS's desire to continue and build upon its work with state Medicaid programs, private payers, employers, consumers and other partners in achieving these value-based goals. She further recognized that HHS's partners in the private sector, such as private payers and employers, have the opportunity to be even more aggressive in achieving the shift to value-based payment, and suggested HHS's support for such measures. Finally, HHS announced the creation of a Health Care Payment Learning & Action Network to help expand alternative payment models beyond the Medicare Program. The Network will hold its first meeting in March 2015.

The implied goal of this transition is that, by moving away from "more payment for more services" models to value-based payment models, the quality of patient care can be improved while, at the same time, reducing the cost of providing such care. Secretary Burwell also stated her belief that this transition will benefit patients, doctors, businesses and the country as a whole, in that:

- Patients will benefit as, thanks to better coordination, they will be more likely to get the right tests and medications and be provided with other appropriate information.
- Doctors will benefit through simplification of the business model and alignment of the practice of medicine with its core ideals.
- Businesses will benefit through a reduction in the rate of growth of healthcare costs.
- The country will benefit through increased savings to taxpayers and improved care to all Americans.

HHS's proposed timeline presents a significant challenge to both regulators and providers, and it remains to be seen whether the goals set by Secretary Burwell can be achieved. Many providers know all too well the challenges associated with transitioning to value-based payment systems, such as ACOs. Nevertheless, HHS's recent pronouncement underscores its determination to fundamentally transform how the nation pays for healthcare services.

Squire Patton Boggs lawyers have significant experience advising payors, hospitals, physicians and other stakeholders regarding regulatory and business issues associated with the transition to value based payment models. For more information on how we can help you, please contact your Squire Patton Boggs lawyer or one of the individuals listed in this publication.

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