Medicare Makes a Move from Volume to Value

Hedy S. Rubinger and Douglas M. Hance

The Department of Health and Human Services ("HHS") announced new goals and a timeline for moving Medicare away from traditional fee-for-service health care and towards payment for value on January 26, 2015.[1] HHS set a goal of tying 30 percent of fee-for-service Medicare payments to quality or value through alternative payment models by the end of 2016.[2] These alternative payment models include Accountable Care Organizations ("ACOs"), primary care medical homes, and new bundled payment arrangements. HHS also set the objective of tying 50 percent of payments to these models by the end of 2018. HHS Secretary Sylvia M. Burwell stated that another goal is for "virtually all Medicare fee-for-service payments to be tied to quality and value; at least 85% in 2016 and 90% in 2018."[3] This would be in contrast to the traditional fee-for-service model, in which a provider receives payment for each individual service regardless of whether the service helps or harms the patient.

HHS has has set out to implement these goals not only for Medicare, but also the health care system at large. Secretary Burwell announced the creation of a Health Care Payment Learning and Action Network (Network) to facilitate what would be a public-private sector partnership. The Network will allow HHS to work with private payers, employers, consumers, providers, states, and state Medicaid programs, as well as other partners, to expand alternative payment models. The Network's first meeting will be in March 2015. Secretary Burwell also noted HHS' recognition that the private sector has the opportunity to be even more aggressive in implementing these changes.[4]

Support for the changes came from the American Academy of Family Physicians, America's Health Insurance Plans, CEO Council on Health and Innovation, and the National Partnership for Women & Families. Debra L. Ness, the president of the National Partnership for Women & Families, stated:

> Today's announcement will be remembered as a pivotal and transformative moment in making our health care system more patient- and family-centered . . . This kind of payment reform will drive fundamental changes in how care is delivered, making the health care system more responsive to those it serves and improving care coordination and communication among patients, families and providers. It will give patients and families the information, tools and supports they need to make better decisions, use their health care dollars wisely, and improve health outcomes.[5]

The new models for health care provision, including ACOs, primary care medical homes, and new bundled payment arrangements, provide those working in health care with financial incentives to coordinate care for their patients. ACOs, for example, are groups of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high quality care

1 *Better, Smarter, Healthier: In historic announcement, HHS sets clear goals and timeline for shifting Medicare reimbursements from volume to value,* HEALTH AND HUMAN SERVICES (Jan. 26, 2015), http://www.hhs.gov/news/press/2015pres/01/20150126a.html.

2 Sylvia Burwell, *Progress Towards Achieving Better Care, Smarter Spending, Healthier People*, HEALTH AND HUMAN SERVICES (Jan. 26, 2015), http://www.hhs.gov/blog/2015/01/26/progress-towards-better-care-smarter-spending-healthier-people.html.

3 *Id.*

4 *Id.*

5 *Better, Smarter, Healthier: In historic announcement, HHS sets clear goals and timeline for shifting Medicare reimbursements from volume to value*, HEALTH AND HUMAN SERVICES (Jan. 26, 2015), http://www.hhs.gov/news/press/2015pres/01/20150126a.html.

to their Medicare patients. This arrangement allows for more opportunities to avoid unnecessary duplication of services and prevent medical errors, both of which can be very costly.[6] Beyond the financial perspective, HHS also states that implementing these changes will keep people healthier longer, allow providers to spend more time with patients, and result in fewer employees taking sick days.[7]

These alternative payment models have already seen promising results from a cost savings perspective. CMS has seen total programs savings of $417 million to Medicare due to existing ACOs.[8] Other indicators, such as the number of hospital readmissions, have seen similar successes. The announcement from Secretary Burwell suggests these numbers will only continue to improve as the focus continues to shift increasingly toward value.

---

6 *Accountable Care Organizations (ACO)*, CENTERS FOR MEDICARE AND MEDICAID SERVICES (Jan. 6, 2015), http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ACO/index.html?redirect=/aco/.

7 *Fact sheets: Better Care. Smarter Spending. Healthier People: Why It Matters*, CENTERS FOR MEDICARE AND MEDICAID SERVICES (JAN. 26, 2015), http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-01-26-2.html.

8 Sean Cavanaugh, *ACOs Moving Ahead*, THE CMS BLOG (Dec. 22, 2014), http://blog.cms.gov/2014/12/22/acos-moving-ahead/.

Authors and Contributors

Hedy S. Rubinger
Partner, Atlanta Office
404.873.8724
hedy.rubinger@agg.com

not *if*, but *how*.®

About Arnall Golden Gregory LLP

Arnall Golden Gregory, a law firm with more than 150 attorneys in Atlanta and Washington, DC, employs a "business sensibility" approach, developing a deep understanding of each client's industry and situation in order to find a customized, cost-sensitive solution, and then continuing to help them stay one step ahead. Selected for The National Law Journal's prestigious 2013 Midsize Hot List, the firm offers corporate, litigation and regulatory services for numerous industries, including healthcare, life sciences, global logistics and transportation, real estate, food distribution, financial services, franchising, consumer products and services, information services, energy and manufacturing. AGG subscribes to the belief "not if, but how.®" Visit www.agg.com.

Atlanta Office
171 17th Street NW
Suite 2100
Atlanta, GA 30363

Washington, DC Office
1775 Pennsylvania Ave., NW,
Suite 1000
Washington, DC 20006

To subscribe to future alerts, insights and newsletters: **http://www.agg.com/subscribe/**