Updates to Medicare Direct and Medicare Shared Savings Programs and How they Fit in Your Overall Value-based Payment Strategy

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Introducing Our Presenters

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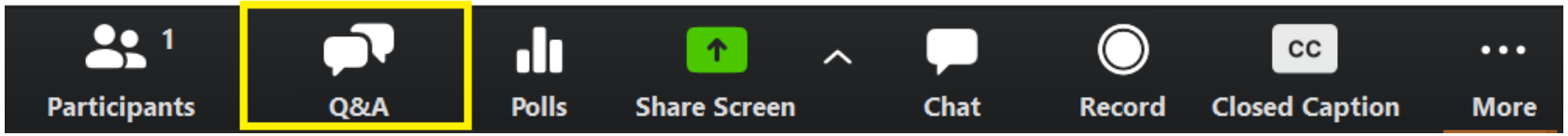
Housekeeping

- Please enter questions through the Q&A feature in Zoom (screenshot below), and we will answer questions at the end
  - You may also email questions directly to info@copehealthsolutions.com



- Attendees will receive a PDF copy of the presentation, a link to the recording and a written Q&A

- After the presentation, COPE Health Solutions will send out a brief survey—we'd greatly appreciate you sharing any comments or feedback!

Agenda

1. Value-based Payment (VBP) Strategy in the Current Market
2. Medicare Direct Contracting as a Strategic Opportunity
3. Building a Successful VBP Strategy
4. Mitigating Financial Risk Exposure
5. Closing Remarks

Ongoing Market VBP transition

Momentum toward VBP and capitation has only grown as payers and providers have transformed to meet the challenges posed by Covid-19

- CMS continues to incentivize providers to **move into advanced payment models** both for Medicare Advantage and Medicare fee-for-service (FFS)
- Current discussions around CMS **extending Covid-19 regulatory relief** (such as extending telehealth provisions) only to providers with risk-based advanced payment models (APMs)
- Health plans nationally are working to develop **new VBP arrangements** and engage providers in downside risk
- **Capitated providers came out ahead** while those solely FFS suffered large revenue shortfalls
- Providers (and health plans) need to **understand opportunities** such as Medicare Direct Contracting and assess fit with an overall VBP roadmap across all payers and lines of business

Medicare Direct Contracting as a Strategic Opportunity

A Well-timed Opportunity: Flexibilities and New Deadlines

Medicare Direct Contracting (MDC)

CMS reopened the Letter of Intent (LOI) submission period and for the Direct Contracting Model

- The LOI is non-binding, but **required to access** the Performance Year 1 application portal
- The LOI will **not be required** to access the 2022 application portal

There will be two cohorts of the Medicare Direct Contracting Model Profession and Global Options

- The applications to participate in Performance Year 1 (starting April 1, 2021) are due by ***July 6, 2020***
- The second cohort starts on January 1, 2022 and CMS expects that the application period for this cohort will begin in the ***first quarter of 2021***

Medicare Shared Savings Program (MSSP)

There have been a number of **temporary changes** for ACOs participating in MSSP, including:

- Calculating of **shared losses adjustments** for the duration of the Public Health Emergency (PHE)
- **Quality reporting extensions** for 2019 and not requiring reporting during PHE
- Participation in the Shared Savings Program to **forgo automatic advancement** and/or extensions of agreements
- Financial methodology developed for **Covid-19 episodes of care** payments
- Including **additional telehealth codes** within the definition of primary care services used to determine beneficiary assignment

MDC – Becoming a Direct Contracting Entity

There are three models for becoming a Direct Contracting Entity (DCE):

Standard	High Needs Population	New Entrant
• Have substantial experience serving Medicare FFS beneficiaries • May have participated in section 1115A and/or Shared Savings Program • Minimum 5,000 attributed at beginning of IP or PY1	• Focus on beneficiaries with complex, high needs • Focus on dually eligible individuals • Much lower attribution requirements, from 250 in year one to 1,400 by year five	• Have limited historical experience Medicare ACO programs • Beneficiaries aligned via claims in any baseline year must not exceed 3,000 • Incremental growth to 5,000 attributed over four years

Within each of these models, there are two levels of risk and two types of capitation:

		Primary Care Capitation	Total Care Capitation
Professional	• 50% of savings / losses • Risk corridors with higher cut-offs • Stop-loss for random, high cost expenditures	Only available capitation payment mechanism for Professional	*Not Available*
Global	• 100% of savings / losses • Risk corridors with lower cut-offs • Stop-loss for random, high cost expenditures	Optional – must select one of the two capitation payment mechanisms	Optional – must select one of the two capitation payment mechanisms

*A third **Geographic** risk model is forthcoming but is not currently open for application*

These represent high-level requirements and are not comprehensive

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MDC Closes the Gap Between FFS and Medicare Advantage

MDC offers an opportunity for providers to align and bring Medicare FFS into alignment with other risk bearing and integrated care programs

Medicare Advantage

- Managed Medicare program
- True care management and risk bearing
- True network management and provider contracting
- Clearly attributed membership
- More aligned with duals products and Medicaid Managed Care

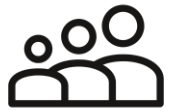
Direct Contracting

- Targets the Medicare FFS Population
- Prospective alignment with increased emphasis on voluntary alignment and patient engagement tools
- Network management and contracting
- Capitation and other payment incentive structures

Shared Savings Program

- Targets Medicare FFS population
- Retrospective and prospective alignment dependent on program
- No direct patient engagement
- No direct network management and contracting

MDC is a Tool to Build Scalable Population Health Infrastructure

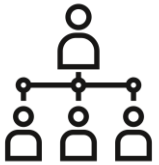


Unique ability to ***grow Medicare membership***, market share and access to more of the total premium

Reduced administrative burden and consolidation of quality metrics

Enhanced ***cash flow*** and ***first-dollar savings*** with no Minimum Savings Rate (MSR) / Minimum Loss Rate (MLR)

Ability to have a ***contracted network*** with ***aligned incentives***



Ability to ***market to beneficiaries*** (different than Medicare Advantage)

Coordinated benefits for dual-eligible members

Allows for ability to add ***supplemental benefits*** outside of the medical loss ratio

Affords additional ***economies of scale*** to overall VBP strategy

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Defining Your Unique Opportunity

Market Considerations

- Market with low Medicare Advantage penetration and large FFS population
- Competitive provider market
- Existing market ACO landscape

Organizational Considerations

- Existing Medicare Shared Savings Program ACOs generating consistent savings
- NextGen ACOs, particularly those not yet taking global capitation and looking to expand risk
- Organizations that have experience serving Medicare FFS patients
- Health plans looking to expand into Medicare FFS, particularly those who can drive a positive member experience

Building a Successful VBP Strategy

ABCD's for Success of Assuming Risk

A

Alignment of Physicians & Network

Compensation and Incentives

B

Business & Operating Model

Infrastructure and Role Definition

C

Care Model

Care Documentation & Delivery

D

Direct Contracting and other Risk Bearing Readiness

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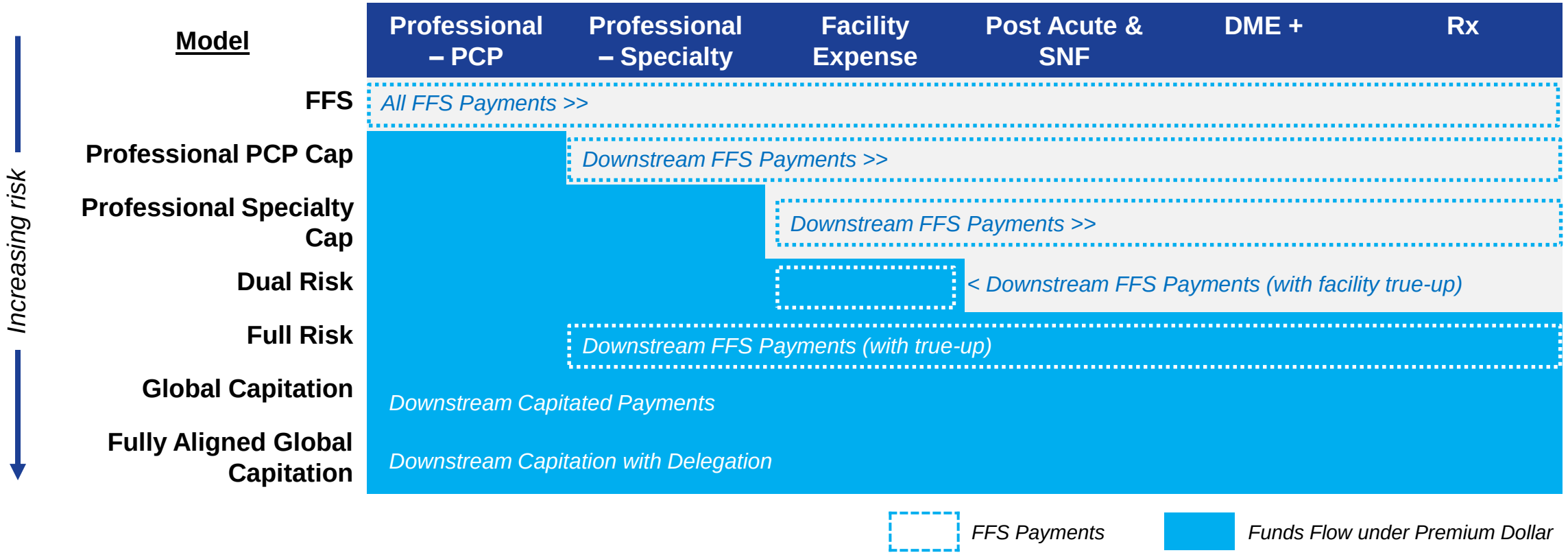
Alignment – Optics and Mechanics

A B C D

As risk level increases, more of the care continuum shares the same premium dollar, driving higher degree of care coordination



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Business & Operating Model

A B C D

Developing Core Competencies and Supporting Infrastructure

Key Questions

1. Do you have a network and alignment vehicle that can effectively impact provider behavior, patient utilization and quality/outcomes?
2. Do you have the position, experience and resources to negotiate favorable provider contracts?
3. Do you have a functional, scalable and effective care management solution?
4. Do you have the capability for delegation for Utilization Management (UM)?
5. Are you able to financially model your VBP arrangements and projected performance?
6. Are you able to transform claims data and manage, analyze and make the right data available to providers and care management in order to drive performance?

Care Model – Clinical Delivery That Drives Value

A B C D

Optimize Existing Processes

- Care management – properly scaled and efficient
- Practice transformation – “PCMH-like”
  - Pre-visit planning
  - Team-based care
  - PHM surveillance and outreach
  - Dynamic cohorting and care plans
- UM, cost, and quality analytics – attribution-based

Launch and Expand New Processes

- Comprehensive telehealth solution
- Scalable (new) networks including community based organizations (CBOs), FQHCs etc. through clinical integration
- Analytics with social determinants of health (SDOH)
- Compensation reform
- Developing delegated competencies

Goals

- Providers and practices truly aligned through proper compensation reform would be “engaged” to increase panel size, achieve measurable high-quality care, and enable team care
- The delivery of ambulatory services would/should fundamentally look different - Not based on transactional systems, but based on longitudinal communicative systems

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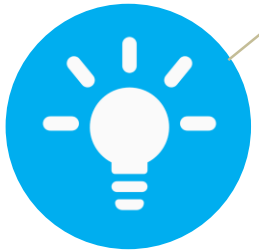
DCE Readiness – Building on the ABC's

A B C D

Telehealth and Technology

- Acceptance and demand for telehealth and technology
- Increase in utilization of telehealth services (e.g. telepsych, telepharm)



Innovative Pilot Programs

- CBO, FQHC Partnerships
- High-risk patients (e.g. diabetes, COPD)
- Practice transformation for VBP Alignment

Payment Terms

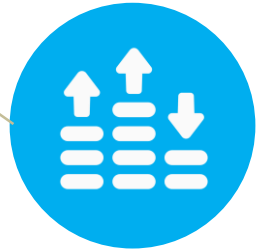
- Pricing structure
- Quality measures
- Continued shift to VBP

Flexible Provisions

- Prepare for extraordinary emergencies
- Potential additional wave(s) of Covid-19

Utilization Fluctuations

- Accommodate for unexpected decreases in utilization
- Leverage capitation



Communication Strategies

- Outreach to community, engage and support physicians with information and resources to make patients feel safe to receive care

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Mitigating Financial Risk Exposure

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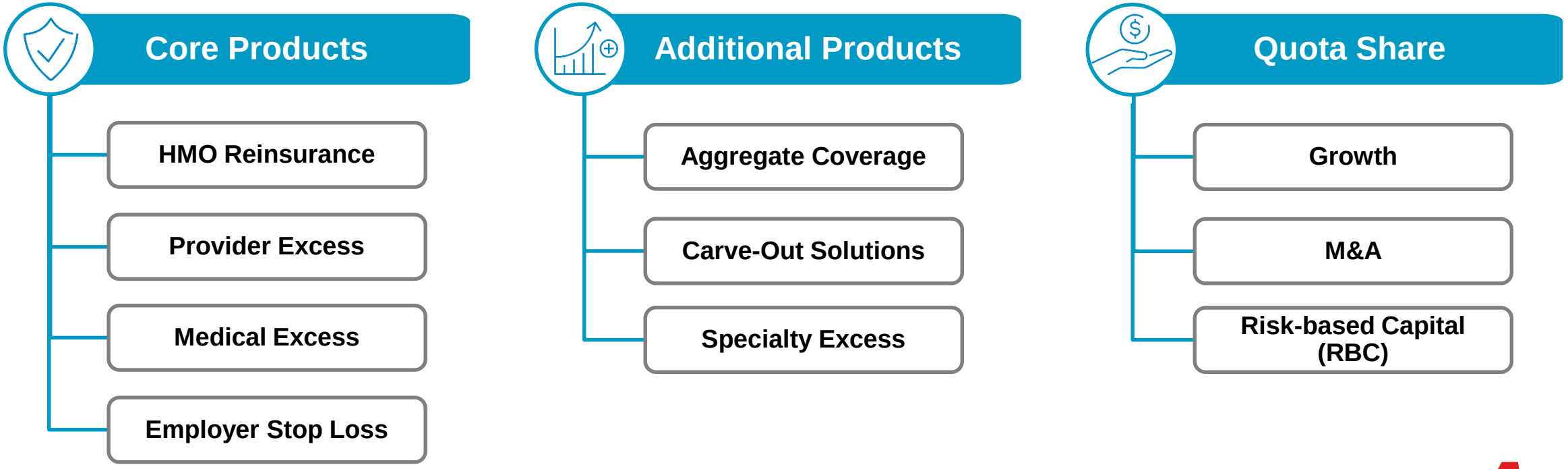
Opportunities for Managing Evolving Health Care Risk

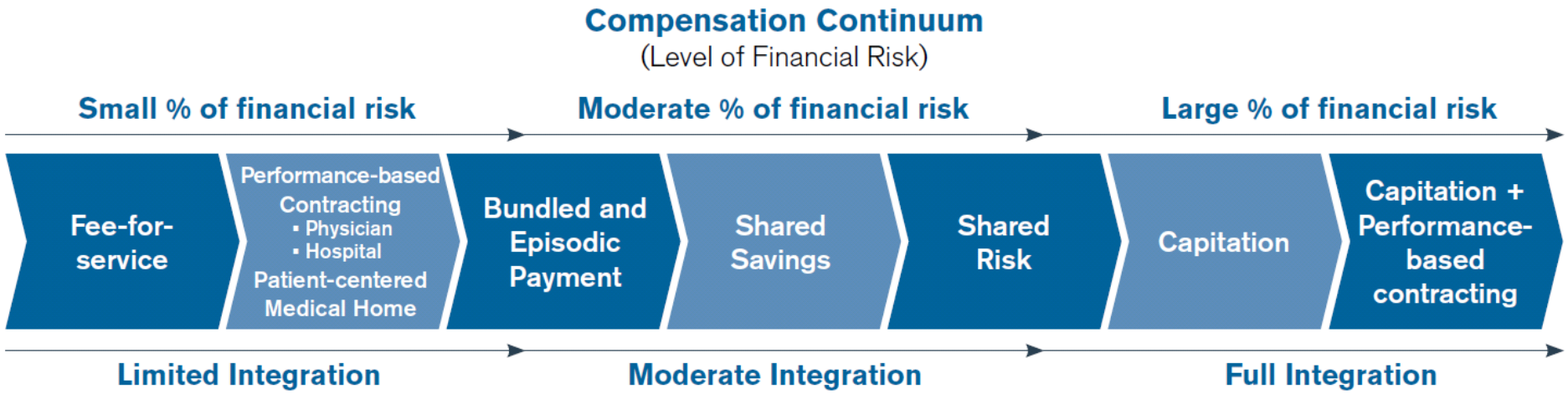
- While CMS offers risk protections for their programs, organizations have the opportunity to examine enterprise level risk exposure across products and optimize their mitigation strategy
- The commercial stop-loss/reinsurance market has evolved alongside health care and offers a variety of complementary services to support



The Health Care Market Has Shifted…

… And the commercial stop loss/reinsurance market has followed

- **Value-based contracts** change the revenue and business models of healthcare organizations, where value is driven by the **quality** of the care delivered
- Providers have **increasing numbers of risk vehicles** in their portfolios, each with **varying degrees of exposure**
- While risk exposure in a single product or program may be limited, when taken together, there is often missed opportunity to develop an **enterprise level risk mitigation strategy**



As the level of Financial Risk increases, health systems and providers will look to partners for solutions to help mitigate risk, evaluate capital solutions and leverage existing assets (i.e. Captives)

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MDC Risk Mitigation Strategies

CMS offers some options to insulate DCEs from some but not all program risk

The current **Request for Applications** is seeking applicants for two risk-sharing options:

Global	Professional
• 100% of savings / losses • Risk corridors with lower cut-offs • Stop-loss for random, high cost expenditures	• 50% of savings / losses • Risk corridors with higher cut-offs • Stop-loss for random, high cost expenditures

Additional information will be provided at a later date regarding a third option that CMS is considering offering, **Geographic**, which is a full risk option for all Medicare FFS beneficiaries in a defined target region.

- While all Parts A and B services for aligned beneficiaries will count toward shared savings/shared losses, Part D is excluded mitigating some risk
- Risk Corridors will help insulate some losses, but not all; the program also does not have an MSR or MLR
- CMS/CMMI Stop Loss program will also be made available for DCE's – DCEs will want to evaluate commercial Stop Loss market pricing and coverages to optimize costs
- Each DCE must secure a financial guarantee for each Performance Year to ensure it can repay all Shared Losses and any other amounts owed under Direct Contracting

Market Capacity for Risk Bearing Entities

The commercial stop loss/reinsurance market has grown in sophistication and developed specializations in evaluating the unique risk for managed care organizations and risk bearing entities

- Managed Carrier Stop Loss and Reinsurers provide a unique opportunity to value a MCOs total cost and quality strategies to support downside risk mitigation

- In addition to evaluating the claims benchmarks, sophisticated reinsurance partners can also evaluate the organizations' business competencies to understand *how* they will generate savings. This includes evaluation of core competencies like:
  - Care management
  - Population health
  - Network design and provider optimization
  - Data analytics

- Many Managed Care Stop Loss and Reinsurers have also made significant investments in cost containment resources that assist their insured/reinsured 's first dollar exposure

- These value-add services can be very complimentary to existing programs

Direct Contracting is One of Many VBP Opportunities

VBP provides specific opportunities for providers, health systems, ACOs and other stakeholders
Below are a few examples:

- More Capitation
- Risk Contracting Direct to Employers
- ACO Expansion & VBC Programs
- Bundled Payments
- Provider Sponsored Health Plans
- Private Labeled Product Offerings Between Providers and National Payers
- ESL Market Opportunities
- Use of Captives – Provider Excess and Stop Loss

Closing Remarks

Key Takeaways - Strengthening Your VBP Roadmap

- Invest in clinical integration infrastructure, resources, management
- Orient operating culture around population health
- Focus on managed care competencies and improve ability to take risk
- Promote care delivery across the continuum of care
- Ensure ability to deliver access to accurate, consistently high quality of care & excellent patient experience
- Prioritize your necessity in the market: must-have provider network
- Create a high-performing network driven toward goals of VBP

The Medicare Direct Contracting program should build upon and enable, not drive your VBP roadmap

Questions & Answers (Q&A)

For more information on how COPE Health Solutions can provide quick, prepared and valuable services during a critical time of need, please contact our team at info@copehealthsolutions.com or 213-259-0245.

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