Welcome. The event will begin shortly.

- Please note that this webinar is being recorded
- We will be holding a Q&A session at the conclusion of today's presentation.
  - You may ask an online question at any time throughout the presentation, using the Q&A text box
  - Q&A Text Box is located on the *lower right hand* side of the screen
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https://www.ncdhhs.gov/assistance/medicaid-transformation

North Carolina's Vision for Value Based Payments and Accountable Care Organizations in Medicaid Managed Care

January 23, 2020

Vision for Buying Health and Promoting Value

The Department is committed to "buying health," meaning that it aims to align financial incentives to better achieve whole-person health and wellbeing.

- **Alternative payment models allow the Department to buy "health," rather than discrete health care services.** They also allow the Department to be good stewards of public dollars.
- **The Department is establishing ambitious, but achievable goals to move Medicaid payments from fee-for-service (FFS) to value-based payment (VBP) arrangements.**
  - PHPS will be held accountable for increasing targets on the percentage of payments made under VBP arrangements, with 90% of all payments tied to VBP, and 45% tied to shared savings or risk-based models by Contract Year 5 of Medicaid Managed Care.
- **The Department aims to encourage independent providers, physician-led organizations, Federally-Qualified Health Centers (FQHCs), and rural practices to move to value, in addition to large health systems.**
- **The Department aims to ease provider administrative burden and align across payers in moving to value.**
  - To reduce administrative burden and leverage existing alternative payment structures in North Carolina, the Department's VBP strategy aims to allow providers to align with existing Medicare and commercial VBP arrangements. The Department also aims to allow flexibility in administrative requirements when downside risk is taken early.

Vision for Buying Health and Promoting Value, cont.

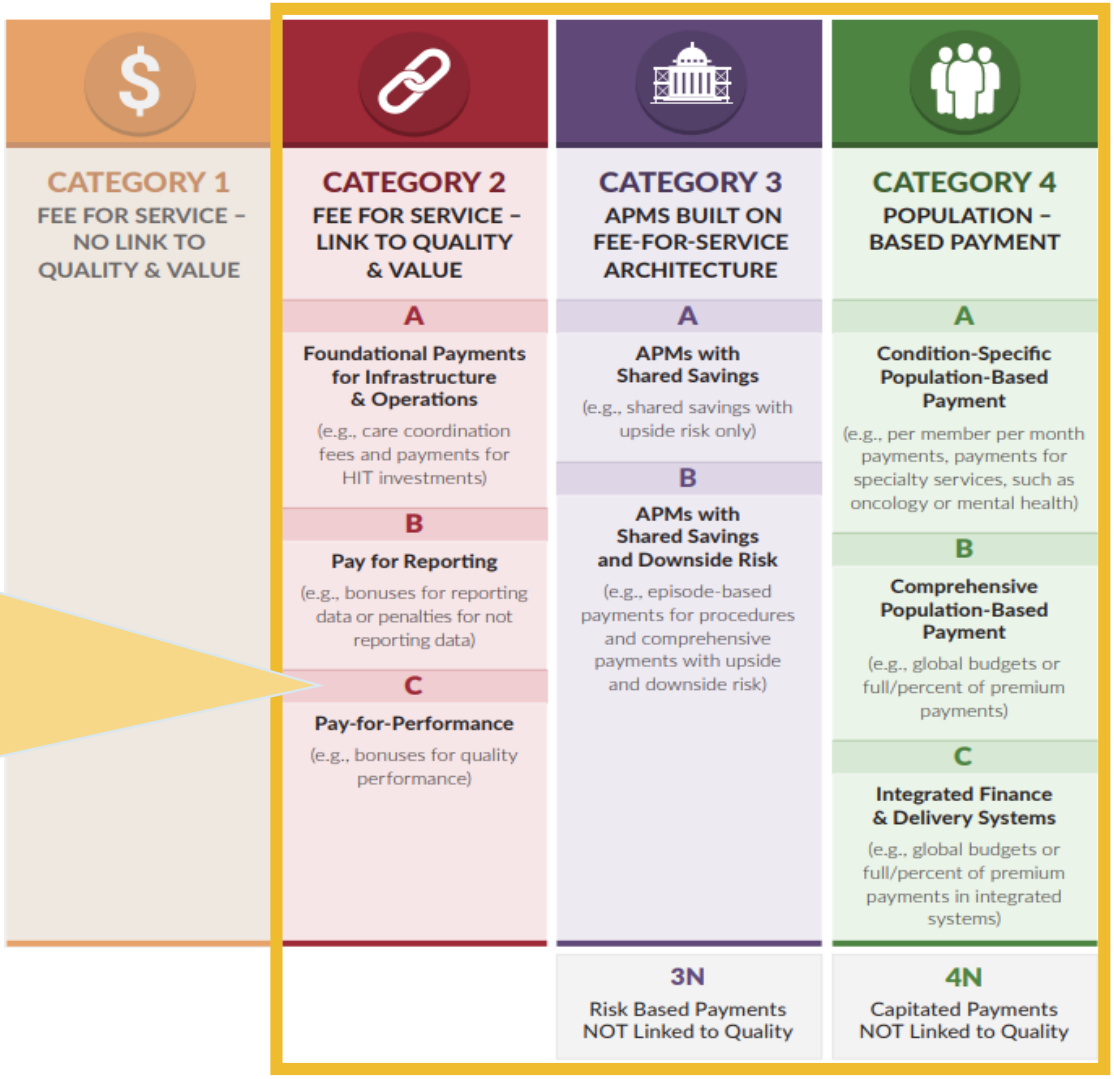
The Department is committed to "buying health," meaning that we want to align financial incentives to better achieve whole-person health and wellbeing.

- **The Department aims to recognize different levels of provider readiness for value-based arrangements and allow flexibility for PHPs and providers to develop payment arrangements tailored to their specific populations and needs.**
  - PHPs and providers can enter into any arrangements that align with the populations they serve, the services they provide, or specific health outcomes they aim to improve that align with NC Medicaid's quality strategy.
  - The Department encourages providers to build on existing state programs, such as AMHs, the Pregnancy Management Program, local health department care management programs, and Healthy Opportunities initiatives to reach VBP goals.
  - The State is also proposing optional VBP models that PHPs and providers may adopt to meet VBP targets, **including an optional Medicaid Accountable Care Organization (ACO) program**.
  - Organizations currently exist to help providers enter into VBP arrangement through technology, technical assistance, and taking on financial risk.
- **The Department recently released two policy papers that outline its proposed Value-Based Payment Strategy and Medicaid ACO Program. It requests public comments to Medicaid.Transformation@dhhs.nc.gov by Feb. 19.**

NC Medicaid's Definition of Value-Based Payment

In the first two contract years of managed care, the Department will define value-based payments (VBP) as payments to providers that fall in HCP-LAN Category 2 and above.

Beginning in managed care Contract Year 3, the Department will define VBP as **payments to providers in Category 2C and above**.



Target Levels for Value-Based Payments

PHPs will be required to meet targets for the percentage of medical expenditures in value-based arrangements each year. Starting in Contract Year 3, all arrangements counting towards PHPs' VBP targets must include a link to quality to ensure VBP arrangements help drive improvements in health.

Year	Year 2	Year 3	Year 4	Year 5
Target Level	*HCP-LAN Category 2+:* • *Increase by 20 percentage points* *or* • *50% of total medical expenditures*	**Overall** (Category 2C+) • 60% of total medical expenditures **Category 3A+** • At least 15% of total medical expenditures PHP withholds for VBP take effect	**Overall** (Category 2C+) • 75% of total medical expenditures **Category 3A+** • At least 30% of total medical expenditures	**Overall** (Category 2C+) • 90% of total medical expenditures **Category 3A+** • At least 30% of total medical expenditures **Category 3B+** • At least 15% of total medical expenditures

In meeting these targets, PHPs and providers will **have flexibility to enter into any type of arrangement that meets the Department's definition of VBP**. PHPs and providers may leverage Department-led VBP initiatives, such as the Medicaid ACO program, or develop their own, innovative arrangements, such as:

- Maternity/NICU ACOs
- Pediatric-related bundles
- Population-based/capitated payment models

Vision for NC Medicaid's ACO Program

As part of its broader VBP Strategy, North Carolina has proposed an optional Medicaid Accountable Care Organization (ACO) program to promote improved health outcomes and lower costs, to help providers move to value-based payment, and to help streamline negotiations between providers and PHPs.

DHHS has sought to align with the following vision in developing the ACO program:

- **Ensure NC Medicaid "purchases health,"** by paying for improved health outcomes and reduced total cost of care rather than discrete services.
- **Build upon the AMH delivery model,** while allowing flexibility to providers taking on downside risk
- **Provide flexibility for PHPs and providers to negotiate and innovate,** while establishing guardrails to streamline contract negotiations and reduce administrative burden.
- **Align with broader market movement toward ACOs in North Carolina,** while accounting for key differences between Medicaid and Medicare or commercial populations.
- **Take into account the diversity of North Carolina Medicaid providers**, by setting different expectations for small, rural and independent providers vs. hospital-affiliated providers

Proposed Medicaid ACO Program Overview

The proposed model is a two-track Medicaid ACO program which builds off of the AMH program and retains the AMH care management model.

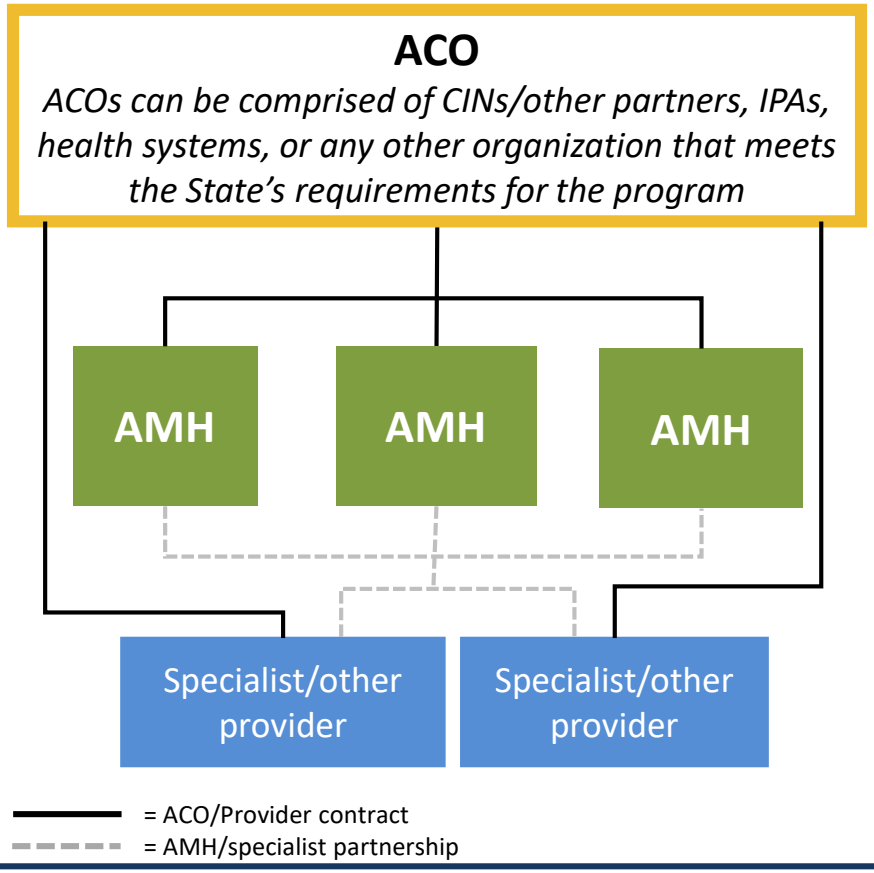
Track 1 *No/minimal risk in early years*	**Track 2** *Higher risk from outset*
• Upside-only shared savings or lower-risk payment arrangements for an initial period of time, with link to improvement in health outcomes and reduction in total cost of care • Lower opportunity for savings relative to Track 2 • Open only to ACOs that capture a smaller percentage of total cost of care /ACOs that primarily consist of provider-led organizations, FQHCs, or independent or rural hospitals	• Payment arrangements with link to improvement in health outcomes and reduction in total cost of care and mandatory downside risk • Higher opportunity to earn savings relative to Track 1 • Open to any ACO, but likely to be more attractive to ACOs that capture a greater percentage of total cost of care/ ACOs that primarily consist of hospital-affiliated providers

For both tracks, the State will outline ACO program requirements and oversee ACO entity attestation.
PHPs will be responsible for negotiating contracts with ACOs and ensuring their compliance with the model.

Medicaid ACO Composition

ACOs will be composed of integrated networks of AMHs working closely with specialists or other types of providers. Patient attribution to ACOs will be based on AMH assignment.

Example ACO



Details

- A **broad range of entities can form and participate in ACOs**, including CINs/other partners, IPAs, and health systems
- ACOs not taking on downside risk must be composed of Tier 3 AMHs
- The State **will establish a minimum set of requirements for ACO entities** relating to their legal entity status, governance/leadership structure, and financial solvency (as applicable)
- The Department will also establish requirements for the **minimum number of covered lives** for ACOs in each of the two tracks
- **PHPs will be required to contract with all ACOs** that meet State-defined parameters

Meeting Unique Needs of NC Medicaid Members

To meet the specific needs of NC Medicaid members, the Department has incorporated the following features into the Medicaid ACO program design.

ACO Program Features

- **Pediatric quality as a gateway for savings** – to ensure the program drives improvements in care for children, ACOs must meet certain performance thresholds on pediatric quality measures to be eligible to receive shared savings
  - DHHS is also considering other modifications to the ACO model to allow more pediatric ACOs to form
- **Behavioral health leadership requirements–** to drive further integration of physical and behavioral health care, ACOs will be required to appoint both a chief medical officer and a chief behavioral health officer
- **Addressing unmet resource needs** – Medicaid ACOs must submit a Healthy Opportunities Strategic Plan to the Department outlining how they will work with community-based organizations and local social service agencies to address the unmet resource needs of their members

Meeting Unique Needs of NC Medicaid Members, cont.

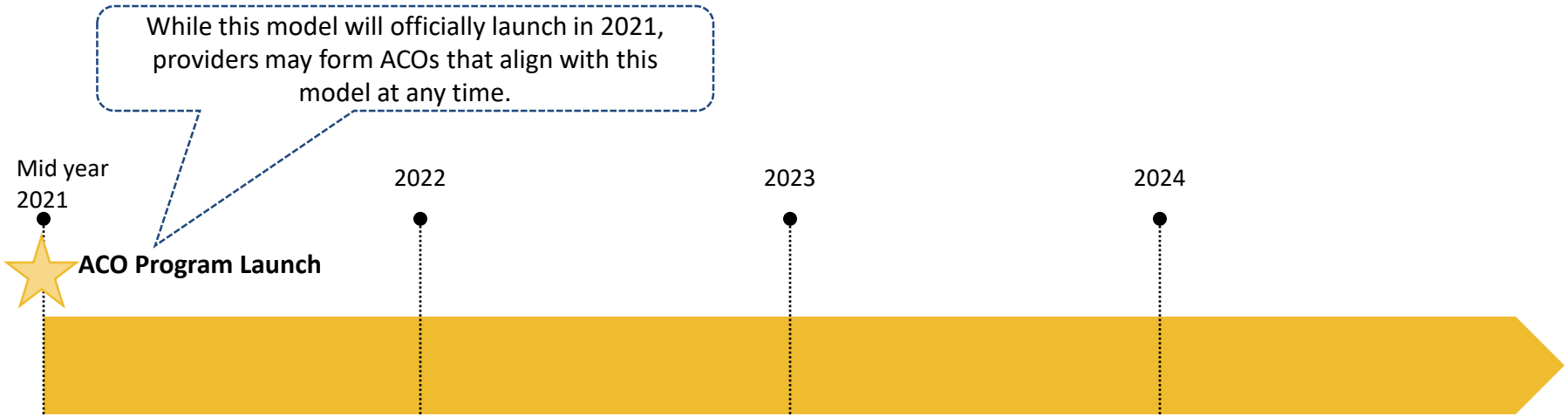
To meet the specific needs of NC Medicaid members, the Department has incorporated the following features into the Medicaid ACO program design.

ACO Program Features

- **Participation incentives for Early Innovators —**to encourage providers with less experience in alternative payment arrangements to join and form ACOs early, and to encourage providers with more experience in alternative payment arrangements to assume greater levels of downside risk early, ACOs that join Track 1 at program launch and Track 2 ACOs that forgo the 2-year glide path will receive incentives through the Early Innovator program, such as:
  - Membership in a State-led advisory group tasked with making policy and implementation recommendations related to the ACO
  - Technical assistance to help address key implementation issues
  - Invitation to participate in Department-led ACO learning collaboratives
  - Enhanced data, such as quality data aggregated at the ACO level
  - Ability to bypass administrative requirements, such as prior authorization

Medicaid ACO Program Timeline

The Department anticipates the ACO program will launch in mid-2021 and has outlined a path towards increasing the level of risk ACOs take on, allowing Track 2 ACOs a two year glide path before they must take on minimum levels of downside risk.



Track 1: Lower Risk
Track 1 arrangements would have minimal or no downside risk during this time period, but would be expected to take on some level of downside risk in later years

Track 2: Higher Risk	
Track 2 ACOs would be allowed to operate low-risk arrangements similar to Track 1 for first two years	After initial glide path, Track 2 ACOs would be required to take on minimum levels of downside risk

Next Steps

The Department values input from all stakeholders and seeks feedback on the proposed VBP Strategy and ACO Program design.

For further details, please refer to the VBP Strategy and ACO Papers

- **VBP Strategy**: https://files.nc.gov/ncdhhs/VBP_Strategy_Final_20200108.pdf
- **ACO Program**: https://files.nc.gov/ncdhhs/ACO_White_Paper_Final_20200108.pdf

Comments

The Department welcomes your thoughts on the proposed design. In particular, NC DHHS seeks feedback on:

- The appropriate timeline for Track 1 ACOs to take on downside risk
- Integrating FQHCs, LHDs, rural health providers and other Medicaid partners into ACOs
- Participation incentives for ACOs taking on early downside risk
- Eligibility thresholds and minimum covered lives for Track 1 vs. Track 2 ACOs
- The approach for setting benchmarks and measuring total cost of care
- The proposed Medicaid ACO payment parameters
- Quality and outcome measures most meaningful for ensuring high-quality pediatric care

Please submit Comments, questions, and feedback to Medicaid.Transformation@dhhs.nc.gov by **February 19, 2020**

Q&A

Please submit questions using the Q&A textbox on your screen. Please send your questions to "All Panelists"