



Alternative Payment Models (APM)

Fact Sheet April 2021

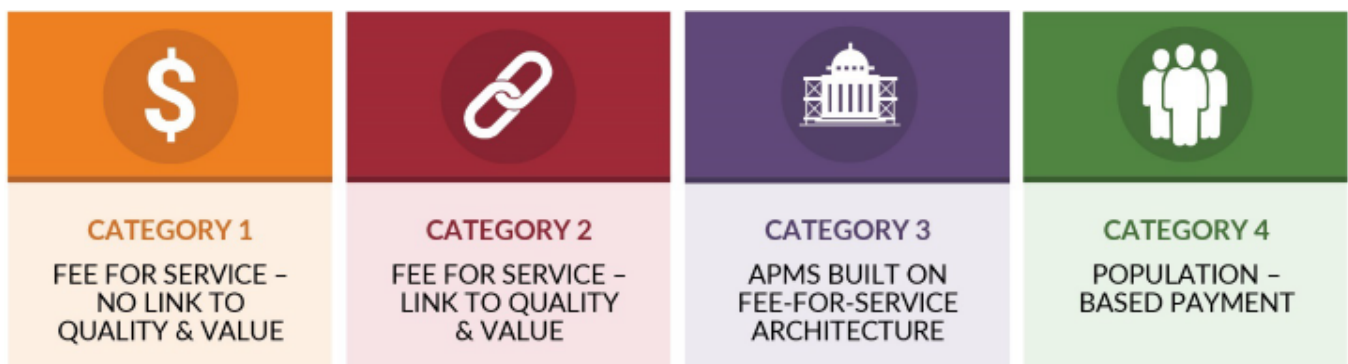
PROGRAM HISTORY & OVERVIEW

Every time a patient goes to a health care provider to get an exam, X-ray, surgery or any other service, the health care provider will get paid--either by the patient, a payer (such as a private insurance company, Medicaid or Medicare) or some combination. In most payment models, the health care provider is paid for every individual service. The more services, tests and procedures the health care provider completes, the more the health care provider gets paid. This system of payment called the “fee-for-service” model (FFS).

Fee-for-service models reward health care providers for doing *more* tests and procedures, instead of rewarding health care providers for making their patients *healthy*. This model of care has contributed to the steep growth of health care spending, with the U.S. spending more on health care compared to similar high-income countries while maintaining the lowest life expectancy.¹

Many payers are now shifting towards value-based care, which seeks to improve upon the fee-for-service model and better incentivize providers who keep patients healthy through comprehensive care with a focus on primary care and prevention. Alternative Payment Models (APMs) are a set of approaches and innovations that seek to challenge the FFS model. The Centers for Medicare & Medicaid Services define an APM as “a payment approach that gives added incentive payments to provide high-quality and cost-efficient care. APMs can apply to a specific clinical condition, a care episode or a population.”²

The Health Care Payment Learning & Action Network designed a widely-used framework to classify different types of APMs, showing a progression from fee-for-service approaches to fully population-based payment models.³



¹ Tikkanen, R., & Abrams, M. K. (2020). *U.S. Health Care from a Global Perspective, 2019*. Commonwealth Fund. <https://doi.org/10.26099/7avy-fc29>.

² Centers for Medicare & Medicaid Services. (n.d.). *Alternative Payment Models (APMs) Overview*. Quality Payment Program. Retrieved February 1, 2021, from <https://qpp.cms.gov/apms/overview>.

³ Health Care Payment Learning & Action Network. (2017). *Alternative Payment Model Framework*. The MITRE Corporation. <https://hcp-lan.org/apm-refresh-white-paper>.



SOURCE: The Health Care Plan Learning & Action Network (HCPLAN) framework for Alternative Payment Models. HCPLAN states that the goal should be to move away from category 1 models to category 4 models.⁴

The Colorado Department of Health Care Policy & Financing (the Department) has been collaborating with stakeholders to move beyond fee-for-service models and implement and lead in new payment models to improve health care quality and value across the state.

Health First Colorado (Colorado's Medicaid Program) APMs

APM 1 and APM 2⁵

In 2016, the Department implemented APM 1 for primary care medical providers who serve Medicaid members. This program increased Colorado's investment in primary care by \$55 million dollars in the form of a pay-for-performance program. Under this program, primary care medical providers are able to earn more than under the previous system by meeting quality goals such as providing children with their recommended immunizations or controlling patient blood pressures.

The Department is currently designing the APM 2 program for primary care doctors. The program is scheduled to go live on July 1, 2021. In APM 2, doctors will receive part of their revenue in the form of a fixed amount of money per patient per month, or a capitation payment. Any money remaining from the capitation payment is considered a savings and the doctor will be able to keep some of this amount. This model aims to continue Colorado's investment in primary care. Primary care doctors can also earn shared savings for managing patients with chronic conditions. Doctors are actively incentivized to consider the practices and procedures that provide the greatest value while maintaining their high standard of care.

Maternity Bundled Payment⁶

On November 1, 2020, the Department implemented the Maternity Bundled Payment for Health First Colorado patients. The Department worked collaboratively with stakeholders on designing the program. The goals of this APM are to improve maternal outcomes and to lower the total cost of care. The bundle includes prenatal care, care related to labor and delivery, and postpartum care. This program holds the obstetrical provider who either delivered the baby or provided some prenatal services accountable for a mother's prenatal, delivery and postpartum care.

Currently, providers can choose to join on a voluntary basis. In the first year of this program, providers will only be exposed to upside risk only, meaning they may gain money, but do not risk losing any money. After the provider has become accustomed to the system, in their second year of participation, downside risk--or the risk of losing money--will be introduced.

Future Initiatives

Building on preliminary successes, stakeholder communication and feedback, and emerging research, the Department is designing future APM programs. Future APM efforts will go beyond the Health First Colorado populations to influence private sector insurance payment plans.

⁴ Health Care Payment Learning & Action Network. (2017). *Alternative Payment Model Framework*. The MITRE Corporation. <https://hcp-lan.org/apm-refresh-white-paper/>.

⁵ For more information, please visit the Department's Primary Care Reform page at <https://www.colorado.gov/pacific/hcpf/primary-care-payment-reform-3>.

⁶ For more information, please visit the Department's Bundled Payments page at <https://www.colorado.gov/pacific/hcpf/bundled-payments>.



WHAT SUCCESS LOOKS LIKE: GOALS AND OUTCOME MEASURES

Goals:

- To improve outcomes, patient experience and care delivery for Health First Colorado members.
- To address health equity for Black and Indigenous people of color.
- To lower the total cost of care where appropriate by promoting use of evidence-based practices.
- To empower doctors with the data necessary to succeed in a value-based care arrangement.
- To prepare doctors for prospective payment models.

HOW TO GET INVOLVED

When launching alternative payment models, the Department holds public stakeholder engagement forums and we welcome input on the design of all of our models.

ADVOCATE

- Talk to your political representatives about creating and passing legislation that promotes APMs over fee-for-service.
- Talk to your providers about becoming involved in voluntary APMs, such as the Department's APM 1 or the Maternity Bundled Payment program.

EDUCATE

- Explore the Department's [Bundled Payments website](#).
- Explore the Department's [Primary Care Reform website](#).
- Read about different kinds of APMs at the [HCPLAN APM framework](#).

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