4 New Alternative Payment Models Every Healthcare Provider Must Know

As we enter a new political landscape, much remains uncertain on the health policy agenda. However, one trend that seems likely to continue is value-based care, including the transition to alternative payment models (APMs).

APMs are one of the few generally supported ideas for pushing health care forward. They are designed to divert away from the unreasonable incentives connected to current payment-for-service systems and toward resident-centered health care.

Created in the 1960s, the Medicare fee-for-payment model tailored to therapy services centers instead of residents—and focused on sickness over preventive care.

APM models such as accountable care organizations, bundled payments, episode-based payment, and value-based purchasing align reimbursement around the resident and focus on coordinated, interdisciplinary care and improved outcomes.

An example: A study by the Centers for Medicare & Medicaid Services showed that accountable care organization initiatives put residents at the center of their care, while generating more than $1.29 billion in total Medicare savings since 2012.

Skilled Nursing Facilities across the country have already made considerable investments to implement alternative payment models and are seeing positive returns, especially for long-term care residents.

Let’s take a closer look at these alternative payment models:

**Accountable Care Organizations**

Accountable care organizations are groups of doctors, hospitals, and long-term care facilities that come together to voluntarily give coordinated high-quality care to their patients/residents in hopes of limiting unnecessary spending. At the heart of each resident’s care is a primary care physician.

Accountable care organizations create an incentive for efficiency by offering bonuses when providers keep costs down. Skilled Nursing Facilities have to meet specific quality benchmarks, focusing on prevention and carefully managing residents with chronic diseases. Essentially, providers get paid more for keeping their residents healthy and out of the hospital.

**Bundled Payments**

Bundled payments align incentives for providers—hospitals, Skilled Nursing Facilities, physicians, and other practitioners—allowing them to work closely
Accountable Care Organizations

Seventy-five percent of healthcare providers participate in at least one type of value-based payment model, according to a report from Availity, a revenue cycle management and business solutions provider.

Bundled Payments

More than 80 percent of providers implementing bundling payments report improved patient engagement and increased alignment with physicians. They also report decreased administrative costs. Almost half—40 percent—of healthcare providers using bundled payments achieved a 5 percent or more savings since 2014.

Episode-Based Payment

By encouraging healthcare providers to improve care transitions and patient monitoring after discharge, episode-based payment can lower mortality rates and 30-day readmission rates, leading to cost reduction. An episode-based payment model can help healthcare providers save $170 million in the first five years of implementation.

Value-Based Purchasing

It is estimated that by early 2017, 85 percent of all Medicare fee-for-service payments will be tied to quality or value-based care, increasing to 90 percent by the end of 2018.

Sources: Centers for Medicare & Medicaid Services, Becker’s Hospital Review, PwC Global, the JAMA Network
Value-based purchasing programs are designed to make the Skilled Nursing Facility experience better for residents and provide better long-term care. They encourage long-term care providers to improve quality and safety for residents by:

- **Eliminating or reducing** adverse events (health care errors resulting in resident harm)
- ** Adopting evidence-based care** standards and protocols that make the best outcomes for the most residents
- **Changing** Skilled Nursing Facility processes to make resident care experiences better
- **Increasing** care transparency for consumers
- **Recognizing Skilled Nursing Facilities** that give high-quality care at a lower cost to Medicare

Participating providers are paid based on the **quality** of care they provide, not the **quantity** of services they provide, in a given performance period.

Healthcare providers are gauged on measures of outcome such as:

- Mortality and complications
- Healthcare-associated infections
- Patient safety
- Patient experience
- Process
- Efficiency and cost reduction