Two Letters to Trump from Healthcare Leaders – Continue Focus on Value-Based Payment

In December 2016 and January 2017, over 100 leading healthcare organizations sent two letters to President Donald Trump and Vice President Michael Pence lobbying the Trump Administration to continue the shift in healthcare reimbursement from volume-based to value-based payment models.¹ In 2015, the Centers for Medicare and Medicaid Services (CMS) stated its goal of transitioning 85 percent of all traditional Medicare payments, e.g., fee-for-service (FFS) payments, toward quality or value-based reimbursement models by 2016, with their goal increasing to 90 percent by 2018.² To meet this goal, CMS has created numerous initiatives that seek to transition healthcare reimbursement to value-based models, with these programs affecting physicians, hospitals, and other providers along the continuum of care. This expansion of the number and scope of value-based reimbursement programs following the 2010 passage of the Patient Protection and Affordable Care Act (ACA) is in keeping with the national strategy regarding healthcare reimbursement in the landmark legislation; most notably the fourth priority established by the ACA, i.e., to “...improve Federal payment policy to emphasize quality and efficiency...”³ However, in light of the criticism of many in the Trump Administration toward value-based reimbursement models, most notably Dr. Tom Price, the Secretary of the U.S. Department of Health and Human Services (HHS), many healthcare delivery organizations felt compelled to advocate for continued focus on implementing such payment systems, and acted by sending the above letters to the incoming administration. This Health Capital Topics article will summarize the contents of the two letters received by the Trump Administration, and discuss how this advocacy fits into the current uncertainty surrounding healthcare reform.

The January 25th letter, sent “[o]n behalf of the nation’s leading clinicians, employers, hospitals, biopharmaceutical companies, pharmacists, patients, consumer groups and insurance providers”, outlined ten principles of value-based care, to wit:

1. “Empower and engage patients to make healthcare decisions with information and support from their healthcare team”;
2. “Invest in engaging patients in the development of measures of provider performance that are relevant to them and consistently and transparently reported by all public and private payers”;
3. “Improve clinician and provider access to timely, accurate and complete claims data to better facilitate care management”;
4. “Recognize that the socioeconomic status of many patients creates challenges in providing care, and adjust payments to providers as appropriate”;
5. “Design voluntary payment models that incent greater participation and achieve the highest quality and cost value based on patient choice and competitive markets”;
6. “Expand the use of waivers from fee-for-service legal and regulatory requirements that impede collaboration and shared accountability, while preserving consumer protections and safeguards against fraud”;
7. “Build on and expand payment models that promote collaborative financial and care coordination arrangements using incentives that align payers, healthcare providers, providers of long-term care services and clinicians”;
8. “Appropriately incent access to medical innovations and treatments that hold the potential to improve quality of care and reduce overall system cost”;
9. “Promote public and private investment in the transparent, evidence-based testing and scaling of new alternative payment models as directed in MACRA [Medicare Access and CHIP Reauthorization Act] so that clinicians, other healthcare providers and payers can learn how payment models work and evolve in the clinical setting”; and,
10. “Ensure alignment between private and public sector programs, which is critical to a sustainable value-based payment marketplace.”⁴

The 122 signatories to the January 25, 2017 letter included organizations from various healthcare industry subsectors, such as hospitals, pharmaceutical companies,
insurers, and physician and outpatient provider organizations, among them:

(1) American Academies of Cardiology, Family Physicians, Nursing, Otolaryngology, Pediatrics, and Physical Medicine and Rehabilitation;
(2) American Colleges of Clinical Pharmacy, Physicians, and Surgeons;
(3) American Hospital, Medical, Osteopathic, Medical Group, and Pharmacists Associations;
(4) American Societies of Anesthesiologists, Health-System Pharmacists, and Radiation Oncology;
(5) Anthem, Inc.;
(6) Association of American Medical Colleges;
(7) Cleveland Clinic;
(8) Johnson & Johnson, Inc.;
(9) Merck & Co., Inc.;
(10) National Physicians Alliance;
(11) National Rural Health Association;
(12) Pfizer, Inc.; and,
(13) Sanofi.5

This letter followed the December 6, 2016, communication from the Health Care Transformation Task Force (Task Force) to then President-Elect Donald Trump, Vice President-Elect Michael Pence, HHS Secretary-Designate Dr. Tom Price, CMS Administrator-Designate Seema Verma, MPH, and congressional leaders.6 The Task Force (which was also a signatory of the January 25th letter) is a consortium of 43 member institutions, comprised of health systems, health insurers, and representatives for patients and employer organizations, which have committed to moving 75 percent of their business to value-based models by 2020.7 The December 6th letter urged the incoming administration to:

(1) “[R]edouble efforts” to shift healthcare reimbursement from volume-based to value-based care;

(2) Ensure that repealing and replacing the ACA does not push value-based payment regulations, such as MACRA, from the political agenda;

(3) Not dismantle the Center for Medicare and Medicaid Innovation (CMMI) as a platform for testing innovative payment models; and,

(4) “[E]xpress their support for payment reform and value-based healthcare,” asserting that “[t]his is not the time for policymakers to waver or reverse course.”

The impact that this lobbying effort may have on the Trump Administration’s approach to addressing this healthcare reimbursement trend remains to be seen. Both the December 6, 2016 and January 25, 2017 letters indicate a strong push from healthcare industry leaders from a spectrum of healthcare industry stakeholders, including inpatient, outpatient, and hospital providers; physician groups; insurers; and, pharmaceutical and supply-side companies, to continue the paradigm shift in the healthcare reimbursement environment, from volume-based payments to value-based payments. However, on March 21, 2017, HHS released a final rule delaying the effective date of its January 3, 2017 rule relating to: (1) the creation of new episode payment models (EPMs) for acute myocardial infarction, coronary artery bypass graft, and surgical hip/femur fracture repairs; (2) the creation of an incentive program for cardiac rehabilitation treatments; and, (3) the modification of the Comprehensive Care for Joint Replacement (CJR) Model.8 The rule, which delays the implementation of the new EPMs and the CJR modifications until October 1, 2017, may reflect the implementation of a more critical approach to value-based reimbursement programs that mirrors the views of HHS Secretary Dr. Tom Price, a vocal critic of value-based reimbursement programs, in particular bundled payment programs originating from the CMMI.9 Further, although the Republican plan to repeal the ACA that was released on March 6, 2017 (and later withdrawn before a vote was taken in the U.S. House of Representatives) does not directly address the implementation of many value-based reimbursement models, provisions related to this topic may appear in subsequent revisions of the bill.10

1 A version of this Health Capital Topics article was published by the American Health Lawyers Association in an e-mail alert dated March 14, 2017, entitled “Health Care Leaders Advocate for Continued Focus on Value.”
8 “Medicare Program; Advancing Care Coordination Through Episode Payment Models (EPMs); Cardiac Rehabilitation Incentive Payment Model; and Changes to the Comprehensive Care for Joint Replacement Model; Delay of Effective Date” Federal Register, Vol. 82, No. 52 (March 21, 2017) p. 14465.

Mr. Cimasi holds a Master in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Institution of Chartered Surveyors (FRICS – Royal Institution of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Certified Valuation Analyst (CVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&A – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, and is the author of several books, the latest of which include: “The Adviser’s Guide to Healthcare – 2nd Edition” [2015 – AICPA], “Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services” [2014 – John Wiley & Sons]; “Accountable Care Organizations: Value Metrics and Capital Formation” [2013 – Taylor & Francis, a division of CRC Press]; and, “The U.S. Healthcare Certificate of Need Sourcebook” [2005 - Beard Books].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS). In 2016, Mr. Cimasi was named a “Pioneer of the Profession” as part of the recognition of the National Association of Certified Valuators and Analysts (NACVA) “Industry Titans” awards, which distinguishes those whom have had the greatest impact on the valuation profession.

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the President of Health Capital Consultants (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 20 years of experience providing valuation, financial, transactional and strategic advisory services nationwide in over 1,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of “The Adviser’s Guide to Healthcare – 2nd Edition” [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: The Accountant’s Business Manual (AICPA); Valuing Professional Practices and Licenses (Aspen Publishers); Valuation Strategies; Business Appraisal Practice; and, NACVA QuickRead. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).

John R. Chwarzinski, MSF, MAE, is Senior Vice President of Health Capital Consultants (HCC). Mr. Chwarzinski’s areas of expertise include advanced statistical analysis, econometric modeling, as well as, economic and financial analysis. Mr. Chwarzinski is the co-author of peer-reviewed and industry articles published in Business Valuation Review and NACVA QuickRead, and he has spoken before the Virginia Medical Group Management Association (VMGMA) and the Midwest Accountable Care Organization Expo.

Mr. Chwarzinski holds a Master’s Degree in Economics from the University of Missouri – St. Louis, as well as, a Master’s Degree in Finance from the John M. Olin School of Business at Washington University in St. Louis. He is a member of the St. Louis Chapter of the American Society of Appraisers, as well as a candidate for the Accredited Senior Appraiser designation from the American Society of Appraisers.

Jessica L. Bailey-Wheaton, Esq., is Vice President and General Counsel of Health Capital Consultants (HCC), where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services. Ms. Bailey is a member of the Missouri and Illinois Bars and holds a J.D., with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the Journal of Health Law & Policy.

Kenneth J. Farris, Esq., is an Associate at Health Capital Consultants (HCC), where he provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services, and tracks impact of federal and state regulations on healthcare exempt organization transactions. Mr. Farris is a member of the Missouri Bar and holds a J.D. from Saint Louis University School of Law, where he served as the 2014-2015 Footnotes Managing Editor for the Journal of Health Law & Policy.