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COVID-19 Forces Value-Based Reimbursement Model Revision

On June 3, 2020, Seema Verma, the Administrator of the *Centers for Medicare & Medicaid Services* (CMS), announced in a *Health Affairs* article that CMS is providing significantly more flexibility for healthcare entities participating in CMS-sponsored value-based reimbursement (VBR) models for the duration of the COVID-19 pandemic.[1] CMS has made a number of changes related to these models to provide added flexibilities to participating entities and to respond to participant concerns that VBR models will incur losses this year due to both the general disruption in operations and the greater expense associated with treating COVID-19 patients.[2]

In determining the changes to enact, CMS relied on the following principles:

- "*Utiliz[ing] flexibilities that already exist in current model design*
- *Continu[ing] sufficient financial incentives that encourage higher quality outcomes to participate in value based arrangements*
- *Ensur[ing] equity and consistency across models*
- *Align[ing] as much as possible with national value based and quality payment programs.*
- *Minimiz[ing] risk to both model participants, the Medicaid program, and the Medicare Trust Funds*
- *Minimiz[ing]delays in new model implementation while providing additional opportunities for participation in new models*
- *Minimiz[ing] reporting burden*
- *Complement[ing] and build[ing] off of new CMS COVID-19 [public health emergency] flexibilities as outlined in regulation and waivers*."[3]

Some of the general modifications that affect all of the 16 CMS-sponsored models include:

(1) Moving back the model implementation date for new models, and modifying deadlines for existing models;

(2) Delaying some reporting requirements; and,

(3) Adjusting some payment methodologies.[4]

Additionally, specific changes made to some of the more well-known CMS-sponsored VBR-sponsored models are listed below:

(1) *Bundled Payments for Care Improvement* (BPCI) *Advanced*: CMS will allow participants to eliminate upside and downside risks by excluding model year 2020.[5] If a participant chooses to remain in two-sided risk, the participant may exclude certain Clinical Episodes from model year 2020 related to COVID-19.[6] Notably, no changes were made to quality reporting requirements or the model timeline.[7]

(2) *Comprehensive Care for Joint Replacement* (CJR) Model: CMS will remove downside risk for participants by capping episode payments at a target price for episodes with a date of admission during, or adjacent to, the Public Health Emergency (PHE) period. [8] Additionally, Year 5 of the performance period (i.e., the final year of the model) has been extended by three months, to March 31, 2021.[9]

(3) *Direct Contracting* Models (both Global and Professional): The start period for first cohort of participants in this new model will be delayed until April 1, 2021, with the second cohort launching on January 1, 2022.[10] CMS recognizes that this change may result in financial methodology and quality reporting changes, but the agency has held off on making those decisions at this time.[11]

(4) Medicare ACO *Track 1+* Model: Although this limited-duration model is closed to new applicants, current participants may elect to extend their participation for an additional year, through December 2021.[12] CMS will remove the episodes of care relating to treatment of COVID-19 from consideration in the financial methodology.[13] Additionally, the *Medicare Shared Savings Program's* (MSSP's) *Extreme and Uncontrollable Circumstances* policy clause will apply to the 2020 financial reconciliation.[14]

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(5) *Next Generation ACO* (NGACO) Model: This limited-duration model (which was supposed to end in 2020) will be extended through December 2021.[15] Additionally, as regards the financial methodology for 2020, downside risk will be adjusted by reducing shared losses by the length of the PHE (i.e., number of months), while upside potential will be capped at 5% of participants' gross savings.[16] As with the Track 1+ model, CMS will remove the episodes of care relating to treatment of COVID-19 from consideration in the financial methodology.[17] CMS will also remove the financial guarantee requirement for 2020.[18]

CMS hopes that these changes will help minimize the reporting and compliance burdens, as well as the risk to model participants, and that the changes in various deadlines may give providers additional time to transition to value-based care.[19] In her announcement, Verma advocated for the (perhaps counterintuitive) idea that VBR models may be in the best position to weather this and future pandemics, stating:

> "*Going forward, value-based care can help ensure health care resiliency. By accepting value-based or capitated payments, providers are better able to weather fluctuations in utilization, and they can focus on keeping patients healthy rather than trying to increase the volume of services to ensure reimbursement. Value-based payments also provide stable, predictable revenue—protecting providers from the financial impact of a pandemic.*"[20]

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1 "New CMS Payment Model Flexibilities For COVID-19" By Seema Verma, Health Affairs, June 3, 2020, https://www.healthaffairs.org/do/10.1377/hblog20200602.80889/full/ (Accessed 6/5/20).
2 "CMS extends Next Generation ACO model, offers direct contracting details" By Maris Castellucci, Modern Healthcare, June 3, 2020, https://www.modernhealthcare.com/payment/cms-extends-next-generation-aco-model-offers-direct-contracting-details?utm_source=modern-healthcare-daily-finance-wednesday&utm_medium=email&utm_campaign=20200603&utm_content=article4-headline (Accessed 6/18/20).
3 "CMS Innovation Center Models COVID-19 Related Adjustments" Centers for Medicare & Medicaid Services, https://www.cms.gov/files/document/covid-innovation-model-flexibilities.pdf (Accessed 6/18/20), p. 1.
4 Verma, June 3, 2020.
5 Centers for Medicare & Medicaid Services (Accessed 6/18/20), p. 2.
6 *Ibid.*
7 *Ibid.*
8 "Medicare and Medicaid Programs; Policy and Regulatory Revisions in Response to the COVID-19 Public Health Emergency: Interim final rule with comment period" CMS-1744-IFC, available at: https://www.cms.gov/files/document/covid-final-ifc.pdf (Accessed 6/18/20), p. 116-119; Centers for Medicare & Medicaid Services (Accessed 6/18/20), p. 2.
9 *Ibid.*
10 *Ibid.*
11 *Ibid.*
12 *Ibid*, p. 4.
13 *Ibid.*
14 *Ibid.*
15 *Ibid*, p. 4; Castellucci, June 3, 2020.
16 Centers for Medicare & Medicaid Services (Accessed 6/18/20), p. 4.
17 *Ibid.*
18 *Ibid.*
19 Verma, June 3, 2020.
20 Castellucci, June 3, 2020.

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