

CMS Unveils New Payment Model

On September 5, 2023, the Centers for Medicare & Medicaid Services (CMS) announced the establishment of the States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model, in an effort to support health equity within states.¹ The goal of the new voluntary total cost of care model is to reduce disparities in health outcomes by advancing health equity, curb the growth in healthcare costs by collaborating with states, and improve population health.² This Health Capital Topics article will discuss the new AHEAD Model and its implications for the healthcare industry.

CMS will support states that participate in a variety of AHEAD Model components, with a focus on providing financial stability for hospitals, increasing investment in primary care, and supporting the connection of Medicare and Medicaid beneficiaries to resources within the community.³ The model will include streams of payment for primary care practices and hospitals, while patients will also be able to obtain more referrals and screenings for community resources (e.g., housing and transportation).⁴

Participating states will have to meet total cost of care targets in the AHEAD Model, which will be determined by CMS prior to implementation.⁵ By meeting the targets, participating states will be incentivized to control unnecessary spending by providing care in the safest settings and reorienting care to focus on prevention.⁶ States will also set a shared expectation for healthcare cost growth, encouraging alignment with payor efforts to deliver transformative change while slowing the cost of healthcare.⁷

States that apply for the AHEAD Model will have to select one of three cohorts depending on how quickly they can implement the model.⁸ The three cohorts are as follows:

- **Cohort 1:** States may select this cohort if they can implement the AHEAD Model as soon as possible. The performance year for Cohort 1 will begin in January 2026, with nine total years of performance.

- **Cohort 2:** States may select this cohort if they are ready to apply, but need more time to prepare for the model implementation, such as: (1) developing Medicaid components; (2) developing data infrastructure; and/or (3) recruiting providers to participate. The second cohort's performance year will begin in January 2027, with eight total years of performance.
- **Cohort 3:** States that need more time to apply for the AHEAD Model would select this cohort. The first performance year for this cohort would also be January 2027, with a total of eight years of performance.⁹

The AHEAD Model will operate for a total of 11 years, from 2024 through 2034, with CMS providing cooperative agreement funding to selected states for six years to support their participation in the model.¹⁰ States can receive a maximum of \$12 million in funding, with performance years slated to begin either in January 2026 or January 2027.¹¹ States will have 90 days from CMS's announcement to apply, with another application window opening in the spring of 2024.¹²

States have implemented similar programs over the past decade, with goals of limiting unnecessary healthcare spending, incentivizing preventative care to keep patients out of the hospital, and buoying rural hospitals with low patient volumes.¹³ The AHEAD Model was based partially on models from Pennsylvania, Maryland, and Vermont.¹⁴ Examples include the following:

- Maryland added a global budget to its long-standing hospital all-payor payment system in 2014. With this provision, the state set the fixed payment amount based on the historical net revenue of hospitals, changes in the population of patients, and services provided. The model, which also updated rates to reflect inflation, helped cut the spending of hospitals by more than \$781 million from 2019 through 2021.
- Vermont designed their voluntary all-payor accountable care organization (ACO) model based on Maryland's program for global budgeting. Vermont's ACO covers Medicare, Medicaid, and commercial payors, and requires all model participants to pay standardized rates for all services provided.

- The Center for Medicare and Medicaid Innovation (CMMI) piloted a program for hospitals in rural Pennsylvania, in which Medicare, Medicaid, and commercial insurers paid a fixed amount to hospitals to cover both inpatient and outpatient hospital-based services. Between 2019 and 2021, the program resulted in lower costs of care per beneficiary, with 83% of participating hospitals reducing the frequency of hospital acquired infections, and another 80% improving spending which was avoidable.¹⁵

Overall, the model is designed to test the accountability of states in controlling healthcare expenditure growth while simultaneously improving the health of the overall population and investing in primary care.¹⁶ CMS administrator Chiquita Brooks-LaSure stated in a press release that “the AHEAD Model is a critical step toward addressing disparities in both healthcare and health equity while improving overall population health.”¹⁷

1 “CMS launches AHEAD model to enhance healthcare management” Hospital Management, September 6, 2023, <https://www.hospitalmanagement.net/news/cms-ahead-model-healthcare-management/?cf-view> (Accessed 9/6/23).
 2 “States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model” Centers for Medicare and Medicaid Services, September 5, 2023, <https://innovation.cms.gov/innovation-models/ahead> (Accessed 9/6/23).
 3 Hospital Management, September 6, 2023.
 4 “CMS unveils new model aimed at chronic disease” By Noah Tong, Fierce Healthcare, September 5, 2023, <https://www.fiercehealthcare.com/payers/new-cms-model-chronic-disease-and-behavioral-health-released> (Accessed 9/6/23).
 5 “CMS Announces Transformative Model to Give States Incentives and Flexibilities to Redesign Health Care Delivery, Improve Equitable Access to Care” Centers for Medicare and

Medicaid Services, September 5, 2023, <https://www.cms.gov/newsroom/press-releases/cms-announces-transformative-model-give-states-incentives-and-flexibilities-redesign-health-care> (Accessed 9/6/23).
 6 *Ibid.*
 7 *Ibid.*
 8 Centers for Medicare and Medicaid Services, September 5, 2023.
 9 *Ibid.*
 10 *Ibid.*
 11 *Ibid.*
 12 Kacik, Modern Healthcare, September 5, 2023.
 13 *Ibid.*
 14 *Ibid.*
 15 *Ibid.*
 16 Centers for Medicare and Medicaid Services, September 5, 2023.
 17 Kacik, Modern Healthcare, September 5, 2023.

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Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, 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 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 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”* [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements (BVR/AHLA)*; *The Accountant’s Business Manual (AICPA)*; *Valuing Professional Practices and Licenses (Aspen Publishers)*; *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, 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); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the 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 Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the America Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).



Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton 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.



Additionally, Ms. Bailey-Wheaton heads HCC’s CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and “need” for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer*; *Physician Leadership Journal*; *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner*; and *QuickRead*. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA’s *QuickRead* and AHLA’s *Journal of Health & Life Sciences Law*.



Janvi R. Shah, MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.



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