4sight Health Roundup Podcast

What Direction Will Alternative Payment Models Head Over the Next Four Years?

11/22/24

David Burda:

Welcome to the 4sight Health Roundup podcast. 4sight Health's podcast series for healthcare revolutionaries, outcomes matter customers, count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. It is Thursday, November 21st. Next Thursday is Thanksgiving and we're gonna take the day off. We'll be back with a fresh podcast on December 5th. We certainly have a lot to be thankful for over the past four years. Let's not try to screw it up too bad after January 20th. The question on today's show is, how thankful are we for value-based care? We're gonna talk about that thanks to the latest annual alternative payment model progress report from the Healthcare Payment Learning and Action Network. Sharing their takeaways from the new report are Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson partner at Transformation Capital. Hi Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:

Well, we're predicted to have our first snowstorm in Chicago, and it's not even Thanksgiving yet, so I'm blaming it on all those people. All of you out there that have already put up your holiday decorations, you're so eager for white Christmas conditions, that nature's giving you your wish. Bah humbug, no holiday decorations until after Thanksgiving.

Burda:

Right on Brother Dave. It was definitely a jinx. So I agree with you <laugh>. Julie, how are you?

Julie Murchinson:

Well, we have had a wild week of weather in Washington. I'm sure it didn't make the national news, but Tuesday night, huge windstorm took out power for us around eight o'clock for like 750,000 people in the region. My husband is at home with the dog, still doesn't have power, and it's not supposed to come back on until Saturday. Sorry, honey.

Burda:

Good luck. Oh, oh, oh man. <Laugh>. Oh, man.

Murchinson:

Not good.

Burda:

Yeah. Yeah. You gotta take a inventory of what's in your freezer, right?

Murchinson:

That is right.

Burda:

Figure out what you're gonna lose. All right. Now, before we talk about this new a PM progress report, let me ask you a Thanksgiving question, Dave. Is there any Thanksgiving food that you like that no one else likes or eats at Thanksgiving dinner, but you just have to have it?

Johnson:

Well, it's just the opposite. One word, and I can't stand them, are gizzards. When we used to go to Thanksgiving at my grandma's house she always made us eat the gizzards, which we just hated. Oh. And yeah, I know. Gross. Right? And some people still put the Turkey innards in their gravy. Don't touch it.

Burda:

<Laugh>. It's the stuff that comes in the bag that you throw right into the garbage can right now.

Johnson:

That's what sane people do.

Burda:

Yes. <laugh>. Julie, how about you? Are, are there any must have thanksgiving foods for you that no one else will touch?

Murchinson:

Yeah, for me it's all about the yams. And my people don't really like the yams, so I get a lot of leftovers.

Burda:

Excellent. Yeah. For me it's homemade cranberry sauce, and then people smear a little on their plate just for show, you know, a little red on there for color, but no one else really eats it. And I always have plenty left over too, so good for us, right, <laugh>?

Johnson:

Yeah.

Burda:

4sight Health Roundup Podcast

What Direction Will Alternative Payment Models Head Over the Next Four Years?

11/22/24

All right. So maybe alternative payment models are a lot like gizzards and EMS and cranberry sauce. Everyone says they like them, but no one really puts them on their plate. Okay. Let me tell you a little about this new report from the Healthcare Payment Learning and Action Network. The report came out earlier this week. The data comes from about 282.9 million people covered by commercial health plans, traditional Medicare, Medicare Advantage, and Medicaid in 2023. That's a lot of people. The report breaks down APMs into four categories based on financial risk. Category one is fee for service with no link to quality or value boo. Category two is fee for service with a link to quality or value. Okay. Category three is APMs built on a fee for service architecture better. Category four is population based payment the best. The report then calculates the percentage of total dollars paid to providers through those four payment models. Here's how those percentages changed last year compared with 2022 Category one Boo dropped to 38.4% from 40.6%, category two. Okay, dropped to 16.4% from 18.1%. Category three better dropped to 31% from 31.7%. And category four best rose to 14.2% from 9.6%. So not much change in the first three, but a noticeable change in the fourth. Dave, what's your takeaway from those numbers? Did any other findings jump out at you from the report? And what can we do policy-wise to pick up the pace?

Johnson:

You know, you just gotta love healthcare. The name of the organization that puts out this report is the Healthcare Payment Learning and Action Network. As if saying it will make it true. <Laugh>, so what did I learn in reading this report? It's how little action is actually occurring in real payment reform. Slow and steady doesn't win this race. We gotta stop MOFFA'ing this; and people remember that MOFFA stands for mistaking articulation for accomplishment. Gotta stop talking about it. People gotta get it done. This report hangs its hat on models three B, and then all the fours. Three B is downside risk. That to me is a little bit like training wheels on a bike. We ought to be way beyond downside risk right now. And category four is the full risk payment category. And that falls into sub caps for specific disease conditions, full risk payment, the full McGilla. And then integrated finance and delivery models. So pay-viders like Kaiser and global caps like Maryland. Let's first look at goals and what the Healthcare Payment Learning and Action Network has established as its 2030 goals are all payments should be in either category three B or all of the category four payments. A hundred percent in Medicare Advantage and traditional Medicare, 50% in commercial and 50% in Medicaid. So where are we in 2023? Commercial sucks. 21.6%, and it's mostly in three Bs. So the downside risk Medicare Advantage a little more interesting, that's up to 43%, and that's primarily in full risk contracts. The category four Medicaid, again, terrible even lower than commercial, 21.6% and slightly more in downside risk than full risk and traditional Medicare 33.7, and again, predominantly in the three b, taking some downside risk. So when you look at that and you're trying to say, how are we ever gonna get to a hundred percent in Medicare both MA and traditional Medicare by 2030 and 50% in commercial and Medicaid that seems like a pretty big lift. But we do have something else going on in in the country right now, which is a fairly dramatic shift in administrations and aligned policies. And, you know, healthcare the new head of HHS is Robert F. Kennedy Jr. And he's banking on making America healthy again, MAHA. And we just learned that Dr. Oz is gonna be the new head of CMS, so we're going down that yellow brick road. You know, when Henry Kissinger wrote his book on leadership, his big two volume book on leadership, he made a rather, I don't know, conclusive statement that big position leaders come to their jobs with a certain level of

intellectual capital, and then they deplete it over time. In essence, they don't learn anything new. They gain experience, obviously. You know, it's why most CEOs don't have much left to offer their companies after 10 years. So we got Dr. Oz and well, RFK and Dr. Oz coming in, but let's focus on Dr. Oz right now. A few years ago, you know, when he was running for senator, he put forward a program of Medicare Advantage for all, and backed that up. When you look at these numbers that we have right now the trend lines that I just went through Medicare Advantage still under 50%, but at 43% far better than the other models. And most of that coming through full risk contracting. So it wouldn't surprise me if, you know, taking the Kissinger model that Oz comes to the job with what he knows and likes, and that is Medicare Advantage for all. And you combine that with RFKs push to try to promote better overall health in the country. They may choose to turbocharge this. And this is one area where a fairly dramatic resource shift could actually both lower costs and improve outcomes. Whether or not that's gonna happen is anybody's guess, but if that's the direction in which they try to head more power to 'em.

Burda:

Wow. So just enough to do good versus just enough to do damage. Right?

Johnson:

Yeah, we're hanging on the razor's edge.

Burda:

Right, right. Julie, any questions for Dave?

Murchinson:

Dave, great analysis as always, and comments. You know, talking about the new administration given the threat that I think Medicaid sees, what do you predict will happen to these Medicaid numbers over the next four years? Will they weaken or potentially get stronger with privatization?

Johnson:

Yeah. Y'know states have a big say in Medicaid how Medicaid, in fact, the biggest say in how Medicaid's administered in their respective states. And it's all over the map in terms of of better programs and worse programs. My guess is they're gonna push more responsibility to the states through block grants. It will be interesting to see under a Trump administration, whether the few remaining holdouts on expanded Medicaid come into the fold as part of an, of an overall reform program. So, the glass is half full, is, you know, we get more states we get the holdouts into expanded Medicaid. We shift the focus toward programs that improve access, primary care, food, those types of things. We, we try to make America healthy again. And RFK says he can get this done in four years. We'll see the least positive is this just turns into a race to the bottom. It's budget cuts without reform, less access greater inequality, more sickness. And my guess is we'll probably get somewhere in the middle and it'll be worse in some states than other states. But that's the precipice on which we're, we're currently standing.

4sight Health Roundup Podcast

What Direction Will Alternative Payment Models Head Over the Next Four Years?

11/22/24

Burda:

Dave, you get five stars for being consistent because we did a show a few weeks ago on Medicaid, and you said pretty much the same thing. So <laugh>, you're not a flip flopping politician, my friend. Good job, <laugh>. All right, Julie you're up. What's your takeaway from how these dollars flowed through the four models? Did you see anything else in the report that was revealing? Ian, what can the market do to pick up the pace of a PM adaption?

Murchinson:

Well just one comment to Dave and then I'll jump in. You know, you made a comment about downside risk and how we should be well beyond downside risk right now. And I think one of the things that has continued to go wrong with I-based care as we've push models very fast in ways that aren't easy to execute on, and honestly, I think it just makes people throw in the towel. So if we can at least get everyone a downside risk, how are we ever gonna get to something more sophisticated? So that might be a very simple, you know, not super well informed opinion, but that's, the macro here is actually kind of interesting to read, but I digress. I'll pick out some other numbers that Dave didn't focus on. You know, 96% of respondents said that APMs will result in better quality. 94% said it will result in better coordination. 88% said greater affordability, and they noted three barriers and three facilitators to actually making progress. And the barriers were top barriers. First was provider ability to operationalize, as I just said. Second is interoperability, no thanks to Epic. Third is provider interest in readiness. And honestly, I've met a lot of providers who actually have interest in areas, specific areas, and they actually understand where they can control risk. So there is little interest there, but the top facilitators is where I'll spend some time. You know, the first is provider interest in readiness. The second facilitator is health plan, interest in readiness, and the third is government influence. And like where Dave went, I like to focus on number three and how it could influence one and two. You know, the report says one thing, but Trump's picks and policies, I think, you know, could do a lot here. We've seen some of the largest US insure insurance stocks rise after Trump's victory. The Better Medicare Alliance was certainly thrilled by it, SATCH and Jane just mentioned Dave Mehmet Oz, and he's a clear advocate for MA. He and George Halverson and others have long suggested we consider Medicare for all. So I'm betting that some of these results will improve over the next four years. But, I also at the same time think that the results that have taken hold to date will improve. But I don't know that we're gonna see a lot of forward-looking adoption of more sophisticated models. I think that's how this is gonna roll with Trump. Headlines really are value-based pilots probably are not going anywhere. MACRA will probably roll on, you know, MACRA has been the broadest push to value to date. And you know, it establishes new provider payment rules and is budget neutral. And by the way, it was passed by Republican controlled majority. So MACRA’s probably here for the long haul. And we all know in time of tighten budgets, you know, value will increasingly be looked at as the way, so we're seeing, you know, continued pressure to control costs, and that's only getting worse. And, you know, as this cost shifting happens consumers are gonna be looking for more, and Trump is pushing for transparency. So, you know, I think we could be headed down a road where we see more value. And it's funny I think at the end of the day, if we could just start calling this privatization, we'd all be more honest with each other. The managed everything kind of makes me laugh.

Burda:

Yeah, yeah. Exactly right. Thanks Julie. Dave, any questions for Julie?

Johnson:

Well, Julie, you asked me about Medicaid. I'm gonna ask you about commercial. And you know, I love full risk payment models and category four B comprehensive population-based payment is the best proxy for the type of broad full risk payment that I'd like to see implemented nationwide. You know, Medicare advantage for all would, would fall into that, but on the commercial side, only 1.7% of commercial payments fell into this category in 2023 compared to 24.2% within Medicare Advantage. Do you think this anemic commercial performance in comprehensive population based payment is driven more by payers or providers?

Murchinson:

Yeah, I mean, I don't think we've seen a lot of commercial traction for the age old reasons we've talked about, which actually really apply to a very different looking commercial population. But it's the employer churn, it's the, you know, commercials mostly not a high cost category compared to Medicare. Not entirely true, but you know, it's all the reasons why plans haven't really wanted to support their population at any given time because they just don't think it's gonna come back to them. You know, I think if you now really look at the population we have today and all the chronic care and you know, the little bit of risk that's being taken in populations that require more longitudinal management or frankly just easier orthopedic bundles you know, there, there could be some traction here, but it's just, it's not where everybody's looking.

Burda:

Yeah. It's like, why make the effort if everybody's changing plans versus Medicare and Medicaid? Right? People stay in once they're in, typically…

Murchinson:

Typically.

Burda:

Right? Yeah. Yeah. Thanks, Julie. You know what caught my eye in the report was the fact that payers cited interoperability as one of the top barriers to a PM adoption. You think we would've solved that one by now, right? <Laugh>, but I think you, you uttered the magic word earlier Julie as to why. So that's something we need to work on.

Murchinson:

What Direction Will Alternative Payment Models Head Over the Next Four Years?

11/22/24

My. Favorite. Word.

Burda:

Right? But then, you know, then again, I can't believe…

Johnson:

It's just such an epic problem, isn't it?

Murchinson:

<Laugh> It's epic <laugh>.

Burda:

Oh, man. Yeah. That's, it's what's happening. Now, let's talk about other big healthcare news that happened this past week. It wasn't all bad. Was it, Julie? What else happened that we should know about?

Murchinson:

Well, right after we recorded last week, you probably took note of the fact that Amazon launched a Hims and Hers competitor, which I thought was wild and awesome. And I'm not so sure, well, maybe it could be a bigger part of their business than the pharmacy, but probably not. But I do think it it really says something for where the consumer play is and gosh, watch out Hims and Hers.

Burda:

Yeah. Yeah. Look at that. Our podcast was one day ahead, right?

Murchinson:

That's right.

Burda:

I'm telling you. We're right on it. Dave, what other news is worth mentioning?

Johnson:

Well, Julie, if that's true, I guess Amazon is going to join Hims and Hers and inundating us with commercials about ED. Can't wait. <Laugh> Here's the most interesting thing I saw this week. And it was in an article in the New York Times on the eating habits of people taking the GLP one drugs. It evidently

changes their taste buds. And so they've got researchers following GLP one users through the grocery store, and they're rolling right past the snack aisle and going into produce. And the food companies are actually worried there were fewer junk foods created this last year than in any previous year. So, you know, more kale, fewer Twinkies and I'm very thankful for that. How about that ? <laugh> And so a good thing to focus on as we come into Thanksgiving.

Burda:

Well, I'll watch for the price of Tostitos to come down

Murchinson:

<Laugh>

Burda:

Right? I may

Murchinson:

You're gonna be a holdout, Dave.

Burda:

Yeah. I may be the only one in that aisle, right? <Laugh>

Murchinson:

All the snacks you ever wanted.

Burda:

<Laugh>. I have to get the big cart instead of that little one that we use now. <Laugh>. All right, thanks Dave. And thanks Julie. That is all the time we have for today. I wish you both and all our listeners a happy, safe, and peaceful thanksgiving because rest up we're gonna need it. If you'd like to learn more about the topics we discussed on today's show, please visit our website at 4sighthealth.com. You also can subscribe to the roundup on Spotify, apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.