COPE HEALTH SOLUTIONS

Aligning Your Medicare Direct Contracting Model with Your Value-based Payment Strategy

Shanah Tirado
Manager

Allen Miller
Principal & CEO

Medicare Direct Contracting (MDC) is a set of mature, capitated payment models for Medicare Fee for Service (FFS), evolved from legacy accountable care models (e.g. Next Generation, Medicare Shared Savings Program), and released by the Centers for Medicare and Medicaid Services (CMS) in November 2019. MDC has recently gone live with its first cohort of 51 Direct Contracting Entities (DCEs) – the convening risk-bearing body responsible for program oversight and administration. An exciting program feature is the ability to draw down first dollar shared savings on total cost of care. Likewise, this comes with risk of first dollar losses. This model is more than an incremental jump from other CMS programs and payment models and requires an organizational commitment to value-based strategy and population health management. Regardless of what stage in their value-based roadmap, organizations are well-served to be deliberate in aligning MDC with broader value-based payment (VBP) strategy.

While MDC creates a model through which Medicare FFS beneficiaries can be brought into VBP arrangements, the DCE is the steward of population health competencies that benefit all lines of business. The DCE is more than a program administrator – it is a strategic population health management vehicle for the enterprise. MDC participants that are already taking risk through risk-bearing organizations (RBOs) such as clinically integrated networks (CINs), independent practice associations (IPAs) or commercial accountable care organizations (ACOs), should be proactively considering how to align governance, funds flow, population health management infrastructure and staffing, administrative services and networks across the DCE and other RBO structure(s). Successful DCEs will position this program as a strategic complement to their existing value-based contracting and population health management strategies, potentially serving as an accelerant for planned population health management and network infrastructure investments.

> "The Direct Contracting Entity is more than a program administrator – it is a strategic population health management vehicle for the enterprise."

Below are three areas to focus on to ensure your MDC is aligned with your broader VBP strategy and keys to success in each.

Align Revenue Model and Goals Across Key Stakeholders

Organizations establishing a DCE must have clearly articulated organizational vision with relation to the RBO alignment, membership, geography, lines of business, care delivery network and level of premium risk the organization is targeting to be responsible for over the next three to five years. This requires consideration of how the DCE fits into the larger mélange of value-based arrangements across RBOs in the portfolio of the affiliated parent organization(s).

This should be clear for contracted physicians as well, including the percent of their panel that will be covered by a coordinated set of financial incentives and funds flow methodologies from the organization. This will ensure that the organization and contracted physicians will not only be prepared for the specific requirements to succeed with MDC but also to leverage data analytics and a consistent care model across physicians and other providers in the network, better enabling them to achieve success for the entirety of their attributed membership across all VBP agreements.

Keys to success:

- **Establish or update the VBP roadmap:** Determine a plan to align quality incentives and risk across value-based arrangements across lines of business and affiliated RBOs. Stage capital investments in accordance to anticipated revenues and shared savings, leveraging MDC's stable, front-loaded cash flow. Establish target network performance measures required to realize revenues and savings

- **Monitor performance and identify opportunities:** Leverage claims analytics and a process to identify gaps proactively and routinely, including dashboards for physicians and care team, insights that inform key total cost of care initiatives, quality gap closure reports and the ability to identify target members for care management support

Coordinate Network Provider Incentives Across Lines of Business

Network providers deliver the best care possible to their patients within the guardrails set by regulatory requirements and financial incentives. Being a participant provider within a DCE requires acceptance of a contracted arrangement with the DCE instead of the dollars associated with Medicare FFS claims for aligned beneficiaries. These providers also serve patients across lines of business and are subject to multiple payment models; they will naturally align their operations to support these incentives. The goal of the DCE is to drive these physicians to engage in activities that support clinical and financial outcomes consisted with MDC – largely increased patient satisfaction and reduced avoidable utilization.

To that end, DCEs must influence physician behavior to drive a coherent model of care. While conceptually simple, the challenge in implementation lies in the heterogeneity of market incentives on providers across lines of business; any value-based incentives must displace physician reliance on FFS revenues and other competing incentives, as well as compensate appropriately for the assumed risk. To create true incentive alignment sufficient to support the degree of change required to reduce total cost of care, MDC must be part of a holistic payment redesign effort across lines of business and RBO(s), with sufficient VBP penetration into the book of business of participant providers to truly influence change.

Keys to success:

- **Driving physician alignment:** Create aligned financial incentives with achievable targets for physicians across all lines of business and VBP arrangements
- **Supporting network success:** Via data analytics and direct interactions, gain a deep understanding of provider performance relative to quality, member engagement and ability to impact total cost of care for all of the providers in the network

Optimize Operating Model Toward Aligned Financial and Clinical Goals

The sustainability of the DCE relies on a well-designed funds flow model and contracting strategy aligned with those of any other existing RBO(s) operated by the organization. DCEs must invest intelligently in the core competencies required to meet performance targets and distribute both risk and resources across the provider network to empower them to drive this performance. The development of this strategy goes hand-in-hand with the value-based roadmap to help stage capital investments and shared services and design a care model that complements network resources and supports network performance.

Organizations must understand their existing gaps and develop a strategic value-based roadmap that includes build, buy and design decisions for all key population health competencies. This includes the design of a coherent care model to support outcomes, an accountable governance structure and shared services to support the network. Viewing these investments within the broader strategy allows for the scaling

of the network, population and VBP revenue sources funding the same cost base, resulting in a drive down of per member per month cost and expansion of operating margin.

Keys to success:

- **Build an efficient, evidenced-based care model**: Maximize top of license capabilities with best practice licensed to non-licensed ratios and clear role definition. Determine centralized and deployed staffing resources to supplement existing network care management capabilities
- **Establish a plan to identify and close gaps in needed shared services:** Determine population health infrastructure requirements (e.g. data analytics, utilization management, care management, network management, member engagement, etc.). Conduct a gap assessment of existing population health infrastructure across RBOs and affiliated organizations. Establish a plan to operationalize and deploy these resources in service of the broader VBP strategy.

In Closing

The role of the DCE is more than a convening legal entity; it is a true strategic enterprise with tools to drive value while shaping delivery transformation. It must manage a network, engage a membership and shape a model of care. To do this successfully, DCEs will require a robust, data-driven population health strategy.

For more information on Medicare Direct Contracting, value-based contracting strategies and mechanisms to deploy population health analytics, please contact Allen Miller at amiller@copehealthsolutions.com or (310) 386-5812 or Shanah Tirado at stirado@copehealthsolutions.com or (213) 369-7415.

.