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Dear Dr. Nussbaum:

Thank you for the opportunity to provide comments on the Alternative Payment Model (APM) workgroup's recent framework paper. Earlier this month, the Pacific Business Group on Health (PBGH) collaborated with MITRE to convene the broader purchaser community to discuss both the Health Care Payment Learning and Action Network (LAN) generally and the APM framework in particular. Many of the coalitions and employers we spoke with hope to increase their engagement with the LAN going forward, and a number expressed interest in informal, ad hoc participation in a Purchaser Affinity Group (PAG) designed to simplify and selectively address the most purchaser-relevant of the broader set of LAN activities.

As the largest collective underwriter of American healthcare, public and private employers share a great deal of interest in the LAN's success in accelerating the transition to APMs and driving value across the broader system in which we all purchase and receive care. The workgroup's current attempt to categorize payment methods is an important foundational component of multi-payer alignment and critical to assessing achievement of value-based purchasing targets nationally. We are appreciative of both the LAN and workgroup's efforts in these endeavors, and preface our feedback today by reiterating that strong support.

At the first of an ongoing set of purchaser feedback sessions on November 13, most feedback focused on the proposed framework; the boundaries and descriptions of the categories; and examples and case studies of employer- and coalition-driven APM initiatives. Specific recommendations included:

1. **Emphasize the need to achieve greater value across the U.S. health system (Principle Four) and revisit the assumption that population-based payment is the means to achieve it (Principle Two).**

   Many of the employers we spoke with believe this paper heavily emphasizes the structure of payment methods rather than any type of outcome, when in fact the principal concern of most purchasers is better value and improved health outcomes. While the workgroup does acknowledge that payment structures may be a necessary but not sufficient condition for improving outcomes, further emphasizing the overall goal of increasing value and the use of payment reform in service of that end would be helpful.

   Similarly, several commentators disagreed with the implicit assumption that population-based payments (delineated by the workgroup under category four) necessarily correspond to higher value. This can be but is not necessarily consistent with purchasers' experience—a provider

being paid under category two could deliver higher value than a provider being paid under category four. In fact, we saw significant retrenchment from full-risk capitation and even downside risk in our collective experience with managed care models. Moreover, quality and financial performance in Medicare Advantage has been mixed. What evidence did the workgroup consider to determine that population-based payment is the proper target or ultimate end point for payment reform efforts?

Purchasers believe the framework should clearly state that improved health outcomes and value can be incentivized through a multitude of payment structures.

2. **Outline how the workgroup intends to measure quality and determine the attainment of "value" under each payment category.**

The workgroup's fourth principle clearly states that payment models that do not take quality and value into account will not be considered APMs for purposes of tracking progress toward national value-based purchasing targets. How does the group define quality and value within each category? Purchasers asked for more information regarding the workgroup's methods for determining whether a particular model was effective in achieving value. Most have experience in this area, performing multi-faceted calculations that incorporate measures of clinical outcomes, patient experience, appropriateness, and total cost of care. Purchasers believe the framework should advance the use of quality measures and patient-reported outcomes that are derived from clinical registries and electronic medical records.

3. **Clarify how the workgroup intends to determine the "dominant" APM when multiple payment models are used.**

One commentator noted confusion about how the workgroup intends to classify an APM as "dominant" under principle six. When multiple payment models are deployed, is the dominant model that which reaches the largest number of providers, touches the most patients, incorporates the greatest spend, or some other metric? It would be helpful for the group to explicitly clarify the criteria for determining whether a particular APM is dominant for purposes of tracking payment reform initiatives.

4. **Provide more case studies of APMs in use among public and private purchasers.**

Public and private purchasers are committed to the LAN's efforts to increase value across the U.S. health system. They are eager for "real world" examples of payment reform initiatives in service of that goal, and ask the group to engage in a companion effort to provide additional case studies to increase understanding of the group's framework categories and ultimately encourage more widespread adoption of successful APMs.

The employer community has several examples to offer, including the Intensive Outpatient Care Program (IOCP) piloted by Boeing, CalPERS, and PG&E.[1] IOCP features infrastructure

[1] "IOCP: Intensive Outpatient Care Program," Accessed at: http://www.pbgh.org/key-strategies/redesigning-care-delivery/28-aicu-personalized-care-for-complex-patients.

payments for care coordinators and likely falls under APM workgroup category 2A. Walmart, JetBlue, Lowes, McKesson are utilizing an Employer Centers of Excellence Network that features prospective bundled payment, a category 3A intervention.[2] Intel, Boeing, and Walmart are now negotiating direct ACO contracts with upside and downside risk, 3B in the workgroup's classification scheme.[3] Walmart's engagement in Arkansas' statewide payment reform model has also been well documented.[4]

These are a few of the many innovative APM strategies public and private purchasers are pursuing. As the workgroup revises the framework, we urge the members to reiterate that while moving toward population-based, category four payment may in fact improve value in certain regions, a more widespread, outcomes-based focus on quality and value will show that the range of APMs in use throughout the country can be equally useful.

5. **Simplify the introduction while reiterating the importance of the framework to the LAN's broader vision.**

   While much of the overview, case for reform, purpose, and approach sections of the framework may be important internal summaries for workgroup participants, it is of less interest and relevance to public and private purchasers. A brief introduction of the LAN, a short discussion on the necessity of spreading APMs, and a crisp explanation of how this framework contributes to the overall success of payment reform efforts is of higher import. Accordingly, substantially reducing and focusing the introductory sections of the current paper (possibly moving workgroup process to a text box or appendix) could increase interest among the purchaser community.

Thank you again for the opportunity to provide feedback to the APM workgroup on its important framework document. We look forward to continuing to engage public and private purchasers in the workgroup's activities, and continue to strongly support the LAN's broader effort to increase value across the U.S. health system.

Please contact me should you require any additional information or clarification.

Sincerely,

Kristof Stremikis
Senior Manager for Policy
Pacific Business Group on Health

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[2] "ECEN: Employer Centers of Excellence Network," Accessed at: http://www.pbgh.org/ecen/.
[3]"Employer-Led Innovation for Healthcare Delivery and Payment Reform: Intel Corporation and Presbyterian Healthcare Services," Accessed at: http://www.intel.com/content/dam/www/public/us/en/documents/white-papers/healthcare-presbyterian-healthcare-services-whitepaper.pdf.
[4]"All Aboard: Engaging Self-Insured Employers in Multi-Payer Reform," Milbank Memorial Fund & PBGH. Accessed at: http://www.pbgh.org/storage/documents/Milbank_-_PBGH_Report_FINAL_2_17_15.pdf.