CALIFORNIA HOSPITAL ASSOCIATION

Providing Leadership in Health Policy and Advocacy

May 25, 2018

Seema Verma
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, SW, Room 445-G
Washington, D.C. 20201

SUBJECT: Request for Information on Direct Provider Contracting Models

Dear Administrator Verma:

The California Hospital Association (CHA), on behalf of our more than 400 member hospitals and health systems, is pleased to offer comments on the Centers for Medicare & Medicaid Services' (CMS) request for information on a potential alternative payment model that would allow direct provider contracting between payers and primary care or multi-specialty groups within the Medicare fee-for-service, Medicare Advantage and Medicaid programs. CHA appreciates CMS' engagement with stakeholders on its new direction for the Center for Medicare & Medicaid Innovation (CMMI), and we look forward to working with leadership on new alternative payment models that further facilitate our shared goals of moving from volume- to value-based care.

Further, CHA encourages CMS to carefully review the comments submitted by providers in California. For decades, physicians — in collaboration with hospitals and health systems — have been leaders in managing primary and specialty care through multiple public and private sector initiatives. We believe the lessons learned through our many years in a largely managed care model bring unique perspectives to the questions CMS posed in this request for information.

CHA continues to support the agency's goals of continued development and implementation of alternative payment and delivery models that reward better, more efficient, coordinated and seamless patient care. In our November 2017 response to the agency's request for information on this broader topic, we shared our guiding principles for the development of successful alternative payment models.

For example, CHA agrees that there should be a focus on voluntary models that reduce burdensome requirements and unnecessary regulations to allow providers to focus on providing high-quality, patient-centered care. CHA also shares CMMI's commitment to transparent model design and evaluation, and looks forward to continued engagement as CMMI builds on the experiences of previous alternative payment model participation.

CHA's guiding principles state that alternative payment models should:

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- Be voluntary, rather than mandatory, as providers should have the ability to choose the models that best meet their needs and — more importantly — their patients' needs.
- Provide timely, machine-readable and (when possible) real-time claims data to ensure providers have ready access to information to be successful under any alternative payment model.
- Recognize hospitals as the accountable entity in models that include an acute care hospital stay as the episode initiator.
- Promote prospective payment methodologies that allow California hospitals to build on experience with capitation and other risk arrangements under managed care.
- Include robust use of risk adjustment — including for sociodemographic status, where appropriate — to ensure providers caring for more complex patients do not appear to perform poorly on quality and cost measures under alternative payment models.
- Limit provider financial risk early on, so as to recognize the significant investment risks associated with the development of alternative payment models in the early years of implementation.
- Remove legal and regulatory barriers to clinical integration, and expand modifications and waivers to Medicare policies that deny providers the flexibility to provide the most efficient and clinically appropriate care. Reforms to these policies are key to supporting high-performing partnerships and joint ventures necessary to meet shared performance targets.
- Align performance measures and patient attribution methodologies for hospitals and clinicians that better reflect the total cost of care and experience across the continuum of care.

As CMS considers additional direct provider contracting alternative payment models with primary and specialty physicians, we urge the agency to consider additional guiding principles:

- *Balance beneficiary engagement with prospective beneficiary assignment.* CHA has long advocated for additional tools to engage patients directly in their care under an alternative payment model. However, beneficiaries' ability to opt out of the model has continued to be a challenge. One of the hallmarks of successful private sector alternative payment models is their ability to limit beneficiary opt out periods. CMS should consider how best to experiment with fewer opt out periods that would allow providers the time necessary to fully engage with beneficiaries in their care. Prospective beneficiary assignment would allow for early engagement of patients in these models.

- *Improve risk adjustment and adequate payment methodologies.* CMS continues to be challenged in finding appropriate risk adjustment methodologies that fully account for the increasingly complex comorbidities of Medicare beneficiaries that are managed by physicians and specialists in the primary care setting. Additional research and stakeholder engagement is needed to ensure providers are not unfairly disadvantaged under the current risk adjustment models. Moreover, the payments under a capitated arrangement must be sufficient to attract the multiple specialty providers that will be needed to provide high quality care to medically complex populations. CMS must guard against the potential for care to be limited due to lack of access to specialty physicians.

- *Include behavioral health.* One of the most pressing issues facing our nation — and, in particular, the provider community — is the prevalence of behavioral health and substance abuse among our patients and the lack of available services and providers. This is of particular concern in our

Medicaid and Children's Health Insurance populations. CHA encourages CMMI to explore alternative payment models that incentivize primary care providers to identify, treat and manage — with appropriate community service support — their patients' behavioral and substance abuse needs.

CHA appreciates the opportunity to share our perspective on the direct provider contracting request for information, and looks forward to working with our physician partners to build on the success already underway in California. If you have any questions, please contact me at akeefe@calhospital.org or (202) 488-4688.

Sincerely,

/s/
Alyssa Keefe
Vice President, Federal Regulatory Affairs