

Medicare alternative payment models

The AMA's successful effort to repeal Medicare's sustainable growth rate formula in 2015 also resulted in new opportunities for physicians to develop and participate in alternative payment models (APMs).

The value of well-designed APMs

An APM is a different way of compensating physicians for patient care. Physicians face barriers in the standard payment systems used by Medicare and other payers that prevent them from delivering all of the services their patients need and delivering services in ways that will work best for individual patients. As a result, patients may experience health problems and require treatments that could have been avoided if physicians had the ability to deliver care in different ways.

The AMA believes well-designed, patient-centered APMs can provide significant opportunities to improve the quality and outcomes of patients' care in ways that also lower growth in health care spending. However, it is essential for physicians to be involved in the design of APMs to ensure that the APMs successfully remove the barriers physicians currently face in delivering high-quality care to their patients, and that the APMs do not require physicians to be accountable for spending or outcomes they cannot control.

"Implementing a focused but comprehensive set of patient-centered, physician-designed payment models would be a win-win-win – delivering better care for patients, reducing spending for Medicare and other payers, and maintaining financially viable physician practices and hospitals to expand access to care."

Jack Resneck Jr., MD Trustee, American Medical Association

How Congress has encouraged physicians to participate in and design APMs

Congress has recognized the significant benefits of well-designed APMs. In the Medicare Access and CHIP Reauthorization Act (MACRA)

, it authorized paying a 5% annual lump sum payment to physicians who participate in qualified APMs at certain threshold levels, and it also exempted those physicians from the Merit-Based Incentive Payment System (MIPS).

Moreover, Congress recognized the importance of having physicians directly involved in the design of APMs. As part of MACRA, it established a specific process whereby individual physicians, physician groups, medical specialty societies, and others could develop “physician-focused payment models” and have them considered for implementation in the Medicare program. Congress created an independent committee called the Physician-Focused Payment Model Technical Advisory Committee (PTAC) to review APMs developed by physicians and to recommend which proposals should be implemented in the Medicare program.

How the AMA helps physicians design patient-centered APMs

The AMA has developed educational materials for physicians about how APMs can be designed to enable physicians to deliver better care at lower costs. For example, the Guide to Physician-Focused Alternative Payment Models (PDF) was developed in 2015, shortly after the passage of MACRA. It describes several different ways of designing APMs in order to address the most common opportunities for improving care and some of the major barriers physicians face in current payment systems.

In addition, the AMA held educational seminars about APMs for physicians in a number of states and organized several workshops in which physicians have shared their experiences in designing and implementing APMs.

Examples of patient-centered APMs designed by physicians

Many physicians have responded enthusiastically to the opportunity to design APMs that enable them to deliver services in different ways and to reduce health spending by improving patient care.

"We need to be the people driving the bus, steering the new models. We know what's needed: we want patients to get the best care for the most reasonable cost."

Carol Greenlee, MD Past chair, American College of Physicians Council of Subspecialty Societies

More than 30 proposals for APMs have been developed by physicians and submitted to the Physician-

Focused Payment Model Technical Advisory Committee (PTAC), including APMs to improve care for patients with asthma, cancer, kidney disease, inflammatory bowel disease, and other conditions, and APMs that would enable delivery of emergency care, home care, inpatient care, long-term care, palliative care, outpatient specialty care, and surgery to patients in higher-quality, lower-cost ways.

The AMA has advocated for approval and implementation of many of these APMs.

Inflammatory bowel disease

Project Sonar was the first APM recommended by PTAC. It was developed by a gastroenterologist and it has been used successfully to reduce the rate of hospitalizations among commercially-insured patients with inflammatory bowel disease. The AMA has supported implementation of this APM in the Medicare program.

Cancer

An APM developed by an oncologist and recommended by PTAC is designed to support enhanced services for cancer patients that can reduce the frequency of emergency department visits and hospital admissions for complications of chemotherapy. A similar grant-funded project successfully reduced spending while improving the quality of life for cancer patients, and the AMA has supported implementation of this APM so that all oncologists can replicate this success.

Another APM for oncology was developed by the American Society of Clinical Oncology that would also support enhanced services to patients. The AMA has also advocated for implementation of this APM.

Kidney disease

An APM developed by the Renal Physicians Association is designed to improve outcomes for patients with chronic kidney disease who are beginning dialysis. The AMA has supported this APM and PTAC recommended that it be implemented in the Medicare program.

Emergency care

An APM developed by the American College of Emergency Physicians and recommended by PTAC would provide the resources emergency physicians need to increase the number of patients who can be sent home after an emergency department visit rather than being admitted to the hospital. A similar grant-funded project successfully reduced hospital admissions and repeat emergency visits, and the AMA has supported implementation of this APM so that all emergency physicians can use this approach and many more patients can benefit.

Palliative care

An APM developed by the American Academy of Hospice and Palliative Medicine, supported by the AMA, and recommended by PTAC would enable physician-led teams to provide home-based palliative care services to patients with serious, potentially life-limiting illnesses, not just patients on hospice.

Asthma

An APM developed by the American College of Allergy, Asthma, and Immunology is designed to improve the accuracy of diagnosis for patients with asthma symptoms and to improve the effectiveness of treatment for patients who have asthma, particularly patients with difficult-to-control asthma. The AMA has supported implementation of this APM.

Other specialty care

Two APMs developed by the American College of Surgeons and the American College of Physicians that were supported by the AMA would provide opportunities for physicians in multiple specialties to deliver patient care in different ways. For example, primary care and specialty physicians could diagnose and manage patients' chronic conditions as a team and multispecialty teams could manage episodes of acute care. PTAC recommended that both models be tested by CMS.

Primary care

Several APMs have been developed by the Center for Medicare and Medicaid Innovation (CMMI) for primary care physicians. The AMA has developed educational materials (PDF) for physicians describing these APMs and it has hosted informational webinars and provided FAQs (PDF) to help primary care physicians determine whether to participate.

To date, the CMMI APMs have only been available to a subset of the primary care practices in selected states and regions. A different primary care APM was developed by the American Academy of Family Physicians

and PTAC recommended that it be implemented in the Medicare program. The AMA believes that all primary care physicians should have the opportunity to participate in a well-designed APM and it has advocated for implementation of the primary care APMs developed by physicians.

AMA Advocacy on APMs

The AMA carefully examines APMs that are developed by the Centers for Medicare and Medicaid Services (CMS) and provides feedback to the agency regarding needed modifications to enable physicians to deliver high-quality care. The AMA has also expressed concern if APMs could impose unreasonable requirements on physicians or require them to shoulder excessive financial risk.

When the AMA identifies problems with an APM, it advocates for appropriate changes. These advocacy efforts have resulted in improvements in many current APMs. Some examples of AMA advocacy to improve Medicare APMs include:

- | Testimony to Congress. The AMA has testified to Congress about the importance of having physicians involved in designing APMs in order for the APMs to be successful.
- | Comments on CMS-designed APMs. AMA submits comments to CMS identifying problems with the APMs that CMS has developed and making recommendations for improvements.
- | Comments on CMS regulations governing APMs. AMA submits comments to CMS each year describing ways to improve the overall regulations that define what qualifies as an APM and what physicians have to do to meet the requirements of MACRA.
- | Working closely with national medical specialty societies and other national organizations, as well as state medical associations, to develop and recommend changes in public policy on APMs.

The AMA believes that Medicare APMs could be significantly improved by having physicians directly and actively involved in their design. For this reason, the AMA continually advocates for CMS to implement the APMs that have been designed by physicians, including those that PTAC has recommended be implemented.

How physicians can support development of better APMs

The AMA believes that more APMs are needed in the Medicare program so that every physician has an opportunity to participate in one or more well-designed APMs that are appropriate for the kinds of patients they treat. The best way to achieve that is for physicians in every specialty to engage in developing new APMs and to help advocate for improvements in the APMs that do exist.

" ... we need the creativity of physicians in every specialty, in every practice setting, in every community to figure out a payment model that will work for them. This is how we can redesign the health care system."

Barbara McAneny, MD Former president, American Medical Association

To be successful, a patient-centered APM needs three key components:

1. Flexibility for physicians to deliver the most appropriate services to meet patients' needs.
2. Adequate payments to support the costs physicians incur in delivering high-quality care for patients.
3. Accountability by physicians for delivering high quality services and avoiding unnecessary services, but without penalties for things that physicians cannot control.

The AMA recommends that physicians use the following approach to develop a patient-centered APM that will help them deliver high-quality care and that Medicare and other payers can implement:

1. Identify specific opportunities to improve patient care, particularly those that are likely to result in lower overall spending on health care services.
2. Identify the specific barriers in existing payment systems that make it difficult for a physician to implement these improvements in patient care.
3. Determine what new payments or changes in current payments should be made to overcome these barriers, and how much the payments need to be to cover the costs of delivering care in different ways.
4. Analyze whether the benefits for patients and the savings for payers and patients are sufficient to justify any costs associated with the payment changes.
5. Determine how physicians participating in the APM should take accountability for making the improvements in care delivery that the changes in payment would support.

Physicians who are interested in designing APMs will find it helpful to read the AMA's Guide to Physician-Focused Alternative Payment Models (PDF) as well as several other publications that are available free of charge from the Center for Healthcare Quality and Payment Reform, including How to Create an Alternative Payment Model and Making the Business Case for Payment and Delivery Reform.

In addition, definitions and explanations of the payment terminology used in APMs are available at The Healthcare Payment Glossary.