

The Transition to Value-Based Health Care: A View from Washington of President Trump's First 60 Days



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Agenda

- What is Value-Based Health Care?
- The Trump Effect
- Congressional Activity
- Effects on Value-Based Health Care
- Next Steps for Companies in the Health Care Industry

What Is Value-Based Health Care?

- Value-based payments reward providers based on the quality of care delivered, rather than the number of procedures performed
- The Centers for Medicare and Medicaid (“CMS”) three-part aim of VBHC:
 - Better care for individuals
 - Better health for populations
 - Lower costs

What Is Value-Based Health Care?

- Value-Based Health Care Programs under the Affordable Care Act (“ACA”)
 - Center for Medicare & Medicaid Innovation (“CMMI”)
 - Medicare Shared Savings Program (“MSSP”) Accountable Care Organizations (“ACOs”)
 - Bundled Payments for Care Improvement (“BPCI”) Initiative
 - Comprehensive Care for Joint Replacement (“CJR”) Initiative
 - New bundled payment initiatives
 - Acute Myocardial Infarction Model
 - Coronary Artery Bypass Graft Model
 - Surgical Hip and Femur Fracture Treatment Model
 - Cardiac Rehabilitation Incentive Payment Model
- Medicare Access and CHIP Reauthorization Act (“MACRA”)

What Is Value-Based Health Care?

- Private pay initiatives
 - ACOs
 - Blue Shield of California program includes 35 ACO collaborations, covering 325,000 beneficiaries
 - Advocate Health Care (Illinois) ACO agreement with UnitedHealthcare expanded to include 80,000 beneficiaries in 2015
 - Bundled payments
 - UnitedHealth expanded prospective bundled payments pilot for orthopedic procedures in 2016 to 40 hospitals covering 2.2 million patients
- Other programs
 - Patient-Centered Medical Homes

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The Trump Effect

- **Stated goals:**
 - Repeal of the ACA
 - Continue restrictions on discrimination based on pre-existing conditions
 - Expanded use of health savings accounts (“HSAs”)
 - Tax credits instead of premium supports
 - Tort reform
 - Protect Medicare

The Trump Effect: Key Appointments

- **Tom Price, M.D., Secretary of Health and Human Services**
 - Advocate for physicians and tort reform
 - Against mandatory VBHC models
- **Seema Verma, CMS Administrator Nominee**
 - Medicaid consultant
 - Advised state Medicaid programs on the development of programs that encourage greater personal responsibility in health care
 - Work requirements
 - Greater cost sharing
- **Scott Gottlieb, M.D., Food and Drug Administration (“FDA”) Commissioner Nominee**
 - Former Deputy Commissioner of the FDA for Medical and Scientific Affairs
 - Resident fellow at the American Enterprise Institute
 - Supports repeal of the ACA and has advocated for the relaxation of FDA’s restriction on the promotion of off-label drug uses

The Trump Effect

- What does this mean for VBHC?
 - Effect on CMMI
 - Broad discretion of the Secretary
 - Will follow the procedures of the Administrative Procedure Act
 - Predictions
 - Likely to continue: BPCI, ACOs and MACRA
 - Uncertain: CJR, mandatory bundling programs for cardiac and orthopedic care
 - Likely to be discontinued: new mandatory programs through CMMI
 - Right-leaning experimentation (e.g., Medicare premium support pilot)

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Congressional Activity

- Procedure of “repeal and replace”
 - Legislation needs 60 votes in Senate to pass
 - Exception: budget reconciliation
 - Only need majority and Republicans have 52 members in Senate
 - Can be used to repeal individual mandate, all taxes, Medicaid expansion, taxpayer subsidies for premium support, and cost-sharing
 - However, Congressional Budget Office (“CBO”) Report found that repeal would lead to 20-25% increase in premiums in individual insurance market
 - Awaiting CBO scoring of American Health Care Act

Congressional Activity

- American Health Care Act (“AHCA”)
 - Proposed by House Republican leadership on March 6, 2017; passed by House Ways and Means Committee and House Energy and Commerce Committee on March 9, 2017
 - No reference to CMMI repeal
 - Still significant disagreement among Republican caucuses, particularly related to:
 - Obamacare taxes – what is the funding source?
 - Medicaid expansion – how to scale back?
 - Tax credits – are they just ‘Obamacare Lite’ subsidies?

Congressional Activity

- Contested issues among Congressional Republicans
 - Obamacare taxes and how to fund reform
 - AHCA lacks a mechanism to pay for its spending
 - Continued Medicaid enhanced match funding until 2020
 - Credits v. deductions
 - AHCA proposal
 - Republican Study Group proposal
 - Mark Sanford proposal

Congressional Activity

- Less consensus among Congressional Republicans
 - Policies that vary across reform proposals
 - Tax benefits to encourage HSAs
 - Pre-existing conditions coverage
 - High-risk pool funding
 - Policies excluded from AHCA
 - Sale of insurance across state lines
 - Choice for states to keep ACA and adopt expanded HSA measures

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Effects on Value-Based Health Care

- Future of value-based payment programs for:
 - Providers
 - More consolidation; investment in care delivery systems
 - Payors
 - Continued growth of collaborations, joint ventures with providers
 - Medical device makers
 - Expansion into new markets; vertical integration
 - Pharmaceutical companies
 - Partnering with private payors to offer rebates based on outcomes

Effects on Value-Based Health Care

- Legislation, rulemaking, and lawyering
 - Choosing legal structure for provider consolidations and networks
 - Enforcements of antitrust, fraud and abuse laws
 - MSSP ACO program
 - MACRA

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Next Steps for Companies in the Health Care Industry: Providers

- Continue with consolidation and building care delivery systems
- Expand information technology capabilities
- Prepare for gainsharing/risk-sharing proposals
- Engage with trade associations

Next Steps for Companies in the Health Care Industry: Drug/Device Makers

- Continue to transition to a solutions provider
- Develop better gainsharing/risk adjustment sharing arrangements
- Engage with trade associations

Upcoming Value-Based Webinars

- **Guidance for Providers – April 4**
- **Recommendations for Medical Device Manufacturers – April 27**
- **The Impact on Digital Health – May 10**
- **What it Means for Pharmaceutical Companies – June 7**
- **What Payors Need to Know – June 19**

Questions?



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