

# An Overview of the Arkansas Payment Improvement Initiative



## Arkansas Payment Improvement Initiative (APII)

Health care costs around the country are spiraling out of control. At the same time, these high costs are not leading directly to overall improved health. More than half of adults in Arkansas live with one or more serious health conditions and costs continue to rise. From 2000 to 2010, individuals, families and employers in Arkansas saw their monthly insurance premiums nearly double. In the past, our system did little to enable people to expand their understanding, ability, or resources to improve their own health. Even before passage of the federal Affordable Care Act (ACA), Arkansas leaders knew something had to change. As the nation currently implements the ACA, Arkansas is well down a path to maximize its benefits while leading the country in innovations designed to meet the needs of Arkansans. The Arkansas Payment Improvement Initiative (APII) is one of the innovations Arkansas has put in place to increase health care quality and reduce costs of care.

The APII is designed to improve Arkansas's health system in three ways, each with its own quality assurance and cost reducing components. The first approach—patient centered medical homes—focuses on keeping people well, managing chronic conditions like diabetes or asthma, and proactively meeting the needs of patients. Second—health homes—target those patients with the most complex needs who require additional guidance and care. Finally—episodes of care—incentivize doctors to better serve patients needing treatments for specific conditions like joint replacements, pregnancy, or even the common cold.

### Patient Centered Medical Homes

Patient centered medical homes, or simply medical homes, are not physical locations, but instead are care teams that take responsibility for the overall health of patients. A patient's team is led by a designated primary care doctor who communicates with other clinical and administrative professionals to better coordinate the patient's care. Under the old system, most people only see a doctor when they are sick, often missing out on important services that can help prevent or minimize illness. Primary care doctors have not always been incentivized to work together with hospitals or other doctors who may also treat their patients, leading to a fragmented health care system that can be difficult for patients to navigate. This environment too-frequently led to unnecessary treatments and tests, making it inconvenient for patients, and contributing to rising health care costs.

Through improved care coordination and communication, the goal of medical homes is to help patients stay healthy, increase the quality of care they receive, and reduce costs. A simple example is the chronic issue of diabetes. Medical homes seek to identify and treat at risk persons before they become diabetic, instead of the condition remaining untreated and resulting in reduced quality of life, and long-term, costly and complex care.

With APII, participating practices receive up-front payments to enable them to more proactively meet patient needs, including providing extended office hours and 24/7 access to medical assistance. There is no "one-size fits all" approach for doctors to transform their practices into medical homes. However, the goal is to provide all Arkansans with a place where all of their medical needs will be met, helping them to stay healthy and to

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have more complex needs effectively coordinated. Proactive, accessible care provided through medical homes should also eliminate unnecessary use of emergency rooms, further reducing costs and freeing up emergency resources for true emergencies. Doctors will also be eligible to share in some of the savings that result from the improvement of their practice management, which in turn will incentivize them to continue to improve care and reduce the impact of chronic conditions. In order to make a meaningful difference across the state, APII aims to have all primary care practices participating in this model over time, with the goal of all Arkansans being served by a medical home.

## **Health Homes**

As an extension of medical homes, health homes are designed for people with the most complex or extensive needs. Arkansas's health home program will serve those with multiple chronic conditions, and those who may need behavioral health care or long-term services and support. While the number of people requiring this level of care is small, they require more high-cost services for extended times, often throughout their entire life. Like medical homes, the health home incentivizes providers to coordinate their patients' care and meet certain quality and cost benchmarks.

## **Episodes of Care**

This component is designed to find areas of waste and inefficiencies in common procedures or illnesses. Medical professionals and industry experts determine an achievable cost range for appropriate standards of care, called thresholds, for each episode. For example, the pregnancy episode includes all treatments and prenatal visits, labor and delivery, and two months of follow up care. Doctors receive quarterly reports relative to each episode that shows both how their performance compared to that of their peers, as well as quality standards. These reports help them identify areas where they could make improvements. Importantly, this individualized reporting enables doctors to find inefficiencies in their own practice habits, allowing them to make effective changes. This information also helps primary care doctors determine the best places to refer their patients, based on quality and cost indicators. Using pregnancy again as an example, the earliest reports showed excessive lab tests being run for some doctors that were not contributing to better outcomes for the mother or baby. By identifying this issue and reviewing the doctor's patterns, the practice was able to reduce its average cost for pregnancy episodes, all the while maintaining a high level of quality for births.

Over time, providers will be eligible for shared savings if their performance meets standards and aligns with lowered costs. In other words, if providers can show improvement based on agreed upon standards of appropriate care and costs of treatment, they will be financially rewarded. However, if their average costs are too high they may have to pay money back to the insurer. This system is designed to incentivize practices to find ways to lower costs while still meeting high quality standards.

## **Moving Forward**

Success of the Arkansas Payment Improvement Initiative relies on statewide participation, ongoing innovation, and research. Initial findings have shown successes in the areas of improved practice patterns and more efficient treatment for patients. With moving targets such as quality and cost control, there will certainly be more adjustments and ideas put in place to affect system transformation. Updated information on the APII progress can be found at [www.paymentinitiative.org](http://www.paymentinitiative.org).