HCP LAN
Health Care Payment Learning & Action Network

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Adoption of Alternative Payment Models Continues to Increase with 34% of Payments Tied to Value-Based Care

The Health Care Payment Learning & Action Network (LAN) report also details the need for additional progress in moving to payments with risk.

Washington, D.C. – A report released today showed that 34% of total U.S. health care payments in 2017 were tied to alternative payment models (APMs) – that is, shared savings, shared risk, bundled payments, and population-based payments. The report, which comes out of the largest and most comprehensive measurement effort of its kind, indicates the percentage of health care payments tied to APMs have increased at a steady pace from 23% over a two-year span.

The report's high-level findings show a breakdown of health care dollars within the four categories of the LAN's Refreshed APM Framework:

- 41% of health care dollars in Category 1 (Fee-for-Service – No Link to Quality & Value)
- 25% of health care dollars in Category 2 (Fee-for-Service – Link to Quality & Value)
- 34% of health care dollars in Categories 3 (APMs Built on Fee-for-Service Architecture) and 4 (Population-Based Payment)

The report was issued by the LAN, a public-private partnership whose mission is to accelerate the health care system's transition to APMs that pay providers for quality care, improved health, and lower costs. Detailed findings can be accessed via the LAN Website.

"Our healthcare spending is growing faster than our overall economy and by 2026, 1 in 5 dollars spent in the United States will be spent on healthcare," said CMS Administrator Seema Verma. "This is simply unsustainable, and we must change this trajectory. CMS values our partnerships with those on the frontlines of our healthcare system, and we continue to work with innovators to develop new ways to pay for and deliver care that focuses on patients."

This year marks the first time the LAN's Measurement Effort reported findings at the payment or subcategory level. Notably, the findings show most of the spending tied to Category 3 and 4 APMs falls within the Framework's 3A category, which focuses on shared savings. Only 12.5% of payments were made in Categories, 3B, 4A, 4B and 4C combined. Therefore, there are additional opportunities to increase payments through episode- and population-based payments that have additional risk.

"The report's findings reinforce our understanding that there is sustained, positive momentum in the effort to shift health care payments from traditional fee-for-service into value-based payments," said Mark McClellan, Co-Chair, LAN Guiding Committee; Director, Robert J. Margolis Center for Health Policy. "While we celebrate the increase in overall APM adoption, we also know further progress on payment reform will be important to ensure health care dollars flow through models that have more risk."

This year also marks the first time the LAN reported payment data by line of business (i.e., commercial, Medicaid, Medicare Advantage, and FFS Medicare), rather than across lines of business only. Like last year's effort, the APM Measurement Effort includes FFS Medicare data, in addition to data from 61 health plans and 3 FFS Medicaid States, representing a total of 77% of covered lives in the United States.

This granular data provides more actionable insights into the state of APMs in the commercial, Medicaid, Medicare Advantage, and FFS Medicare markets. When comparing APM adoption across different market segments, it is clear which markets are driving the overall adoption of value-based payments.

- Medicare Advantage had 49.5% of health care dollars in Categories 3 and 4
- FFS Medicare had 38.3% of health care dollars in Categories 3 and 4
- The Commercial line of business had 28.3% of health care dollars in Categories 3 and 4
- Medicaid had 25% of health care dollars in Categories 3 and 4

McClellan announced the results of the LAN's measurement effort today at the LAN Summit in Tysons, VA. With over 600 attendees participating, the importance of APMs was also highlighted throughout session topics and by CMS leadership.

The LAN, launched in March 2015 by the U.S. Department of Health and Human Services (HHS), brings together public, private, and non-profit sectors to link health care payments to quality and value through the increased adoption of alternative payment models. Through the LAN's collaborative structure, more than 7,100 participants are collaborating toward APM adoption and implementation, a critical step in achieving the LAN's goal of tying 50% of U.S. health care payments to APMs by the end of 2018. For more information, go to www.hcp-lan.org.