

# Paying for health and value

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**Health Care Authority's  
Long-term Value-based  
Purchasing Roadmap  
2023–2027**

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## Introduction

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The Health Care Authority (HCA) purchases health coverage for nearly three million people in Washington State through Apple Health (Medicaid) and the Public and School Employee Benefits Boards (PEBB and SEBB, respectively), and provides safety net behavioral health services for all state residents. Our mission is to provide equitable, high-quality health care through innovative health policies and purchasing strategies. Annually, HCA spends more than \$19 billion across all programs. This gives HCA the market power to drive transformation as a convener and innovator.

Value-based purchasing (VBP) describes a range of health care payment strategies intended to contain costs while improving outcomes by tying payment to performance expectations. Traditional health care payment, known as fee-for-service (FFS), encourages overuse of expensive, low-value services and does not reward higher quality of care. Federal legislation began actively promoting value-based payment in 2010 through the Affordable Care Act, Medicaid waivers, and other programs. Washington's VBP efforts are part of this national payment reform movement that seeks to address the misaligned incentives of FFS payment.

The Health Care Payment Learning and Action Network (LAN), a national effort supported by the Centers for Medicare and Medicaid Services (CMS) to accelerate VBP across markets, developed a framework for categorizing VBP models that has become the nationally accepted method to measure progress on VBP adoption. HCA uses the LAN Alternative Payment Model Framework (2017) to categorize and track alternative payment models (APMs). The full LAN APM framework is detailed in Appendix A. For the purposes of this document, we use the terms VBP and APM interchangeably.

# VBP Roadmap

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## Objectives

HCA's goal is to achieve a healthier Washington by containing costs while improving outcomes, patient and provider experience, and equity through innovative value-based purchasing strategies.

Washington's VBP strategy aims to:

- Reward providers' delivery of patient-centered, high-quality care
- Reward health plan and system performance
- Align payment reforms with other state and federal efforts
- Ensure consideration of health disparities and members with complex needs
- Support the triple aim of better care, better health, and lower health care costs

## 2016–2022: The 90 percent goal

In 2016, HCA set annual VBP targets for state-financed health programs with an ambitious goal of driving 90 percent of state-financed health care payments into qualifying VBP contracts<sup>1</sup> by the end of 2021. We primarily achieved this through incentives and requirements in our contracts with Apple Health managed care organizations (MCOs) and PEBB/SEBB carriers, which then cooperated with their network providers to shift payment into qualifying VBP arrangements. The goal was extended through 2022 in consideration of the ongoing impacts of COVID-19.

## 2023–2027: Expanding VBP and advancing health equity

In 2021 and 2022, HCA refined its purchasing goals for 2023 through 2027. These will be integrated into contract management, procurement design, financial analysis, data-driven policymaking, quality improvement activities, and future Medicaid 1115 waiver designs.

### Goal 1: Continue advancing along the HCP-LAN APM Framework

HCA will continue working to drive 90 percent of state-financed health care into VBP contracts, including expanding VBP in behavioral health care delivery. In addition, we will target moving 50 percent of state-financed health care into HCP-LAN Category 3B or above (see Appendix A). At the same time, HCA will strive for better visibility into state-financed VBP by putting additional resources into oversight, accountability, monitoring, and evaluation.

### Goal 2: Leverage our purchasing power to improve overall health and health equity in Washington

HCA recognizes the responsibility to use our status as a purchaser to advance equity and reduce disparities across the health care system. To this end, HCA will identify specific, data-driven goals to measurably reduce health disparities and barriers to care. We will then leverage VBP initiatives to support these goals, using programs such as the MCO withhold and PEBB/SEBB carrier incentives to reward equity as well as overall quality.

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<sup>1</sup> HCA's VBP standard begins at LAN Category 2C. See Appendix A for more details.

# Progress toward the vision

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## Foundational tools

### Accountable Communities of Health (ACHs)

In 2017, CMS approved Washington’s application for a Section 1115 Medicaid Waiver, also known as the Medicaid Transformation Project (MTP). Under MTP, the state works with nine regional Accountable Communities of Health, which are independent organizations that support health in their communities. From 2017 to 2021, the ACHs used MTP funds to support providers in the transition to VBP through technical assistance, practice coaching, and infrastructure investments. ACHs also earned incentives when their regions achieved certain VBP participation targets.

### The Common Measure Set

Since its creation in 2014, the Washington State Common Measure Set has provided the foundation for health care accountability and performance measurement. The set, which is updated each year through a collaborative process, measures critical aspects of primary care and prevention, behavioral health, effective outpatient management of chronic illness, appropriateness of care, effective hospital care, and state health care spending. This shared set of standards provides an opportunity for everyone to be measured in the same way across the state. It also helps to focus and align efforts by key stakeholders to address specific areas of opportunity in our state. All quality metrics evaluated in VBP programs are also part of the Common Measure Set. [Learn more on HCA’s website.](#)

### The all-payer claims database (APCD)

The APCD collects information on all health care claims in Washington State including Medicaid, Medicare, and commercial (fully-insured) insurance plans.<sup>2</sup> This robust picture of health care in our state will allow HCA to take on larger and more innovative programs like bundled payment, global budgets, multi-payer initiatives, and cost growth targets.

## Monitoring progress

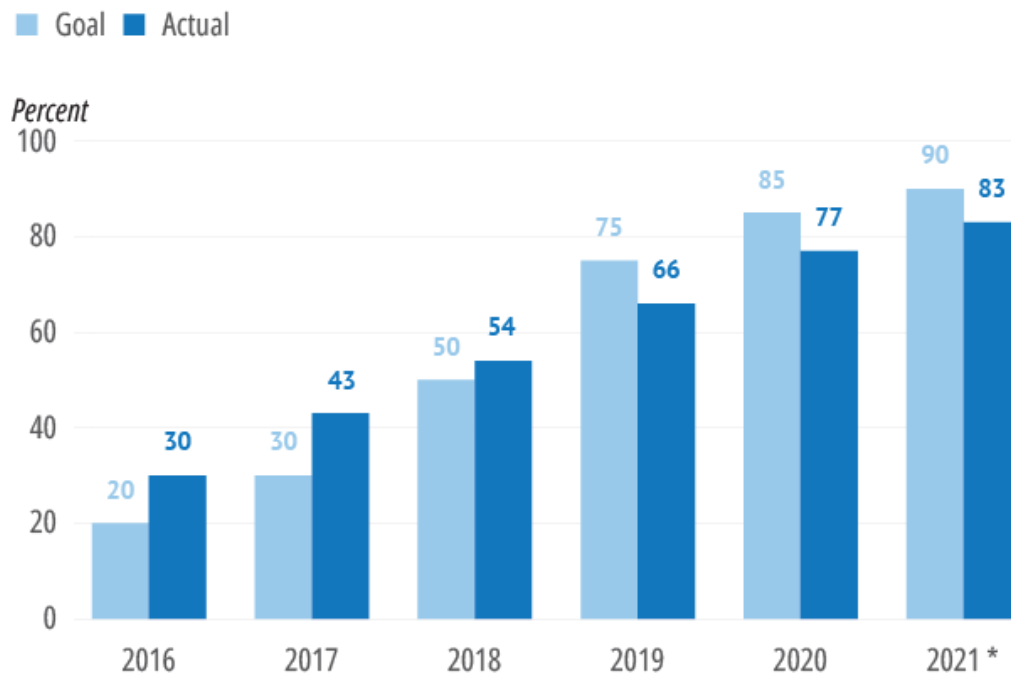
### Paying for Value surveys

Each year, HCA issues [Paying for Value surveys](#) to health plans (payers) and health care providers to better understand participation in VBP and track progress toward our goals. The surveys ask about barriers and enablers to VBP adoption, the types of providers plans engage in VBP contracts, how health equity is incorporated into VBP contracts, ways HCA can improve current and future VBP initiatives, and more. Progress toward the 90 percent goal is displayed in Figure 1.

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<sup>2</sup> The APCD excludes private employer-sponsored plans (plans covered by the Employee Retirement Income Security Act, or ERISA).

**Figure 1: progress towards HCA’s 90 percent VBP adoption goal**



\*The MCOs contractual targets for 2021 were adjusted to 85 percent due to COVID-19. The overall agency goal remained at 90 percent.

## Health Care Cost Transparency Board (HCCTB)

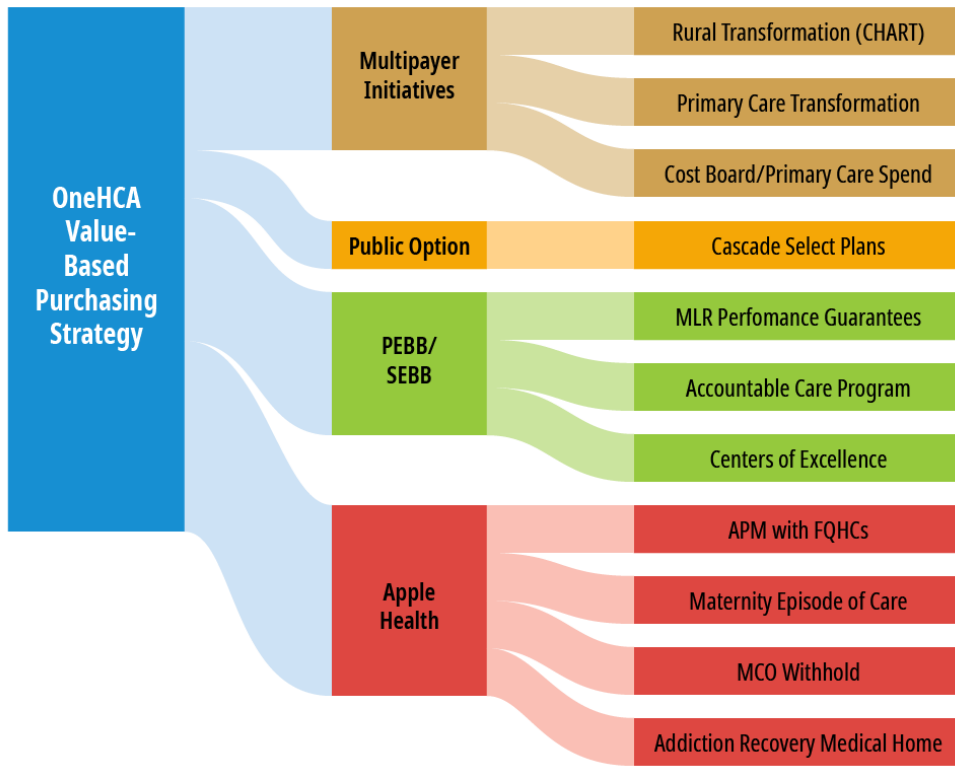
The Washington State Legislature established the Health Care Cost Transparency Board in 2020 to help reduce health care cost growth and increase price transparency. The board is responsible for determining the state’s total health care expenditures, identifying cost trends and drivers in the health care system, setting an annual cost growth benchmark for providers and payers, defining and measuring primary care, and providing annual recommendations to the Legislature about lowering health care costs. [Learn more on HCA’s website.](#)

In 2022, the board put out a call to collect baseline data with three years of historical costs (2017–2019). Future data collection will compare expenditures to the benchmark target set by the board and examine specific cost drivers captured in the Washington State APCD. The work of the board adds an additional element to the state’s value-based purchasing strategy as another means to evaluate success of VBP initiatives and to target high-cost areas of care with an appropriate alternative payment model or other intervention.

## Ongoing initiatives

HCA is advancing VBP across all major health care purchasing, including Apple Health (Medicaid), PEBB and SEBB, and Cascade Select (Washington’s individual market public option, offered through the Health Benefit Exchange). These initiatives exist within a OneHCA purchasing strategy, which ensures a consistent approach and equitable approach across program areas and health coverage types. For more information, see [HCA’s website.](#)

**Figure 2: Value-based initiatives at HCA**



# Considerations and challenges

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## Health equity

The Robert Wood Johnson Foundation defines health equity as everyone having the “fair and just opportunity to be as healthy as possible.”<sup>3</sup> Health inequities persist across the country, including in Washington State.<sup>4</sup> Health equity is a critical priority for HCA, and the VBP program seeks to build on our agency-wide strategic plan by employing an equity lens in all purchasing decisions. However, it is not always clear how best to leverage VBP to create a more equitable Washington.

Equity is a dimension of quality, but traditional VBP constructs may not inherently improve equity even if they are successful at improving overall quality. For example, a poorly controlled pay-for-performance program may unintentionally penalize providers who serve sicker populations, or even lead providers or payers to select healthier patients.<sup>5</sup>

The problem is complex, but HCA is actively working to develop VBP approaches that will meaningfully address inequities. HCA is committed to:

- Using its status as a major purchaser to reduce health inequities and improve the health of all enrollees.
- Measuring and holding partners accountable to advancing health equity, including disaggregating quality data by race, ethnicity, and language categories.
- Exploring opportunities to move beyond risk-adjustment, which can hide inequities, toward also requiring risk stratification, which better enables measurement of disparities.
- Evaluating all programs and policies with an eye toward their potential to eliminate disparities.

## Data and evaluation

The goal of value-based purchasing efforts is to make progress toward the Triple Aim: better care, better health, and lower cost.<sup>6</sup> HCA conducts routine program monitoring and has conducted targeted evaluations of specific initiatives, including some efforts under the State Innovation Models (SIM) grant, various aspects of MTP, and a model with federally qualified health centers. However, we cannot draw large-scale conclusions about the efficacy or value of the state’s investments in payment reform without a comprehensive evaluation of the impacts of VBP strategies on the cost or quality of care in Washington State over multiple years.

Evaluation is made more complex by the challenges of effectively collecting, sharing, and using actionable data. Accurate and timely data is essential, but the current data landscape is highly fragmented: individual payers and providers collect different information and separate data systems are not always interoperable. It can sometimes take months or years to compile and analyze these disparate data streams. The COVID-19 pandemic further complicated efforts to analyze cost and utilization trends over time.

HCA will continue to work with its partners to understand and evaluate the direct and indirect impacts of VBP initiatives on care delivery and health outcomes.

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<sup>3</sup> To read more about the definition of health equity, visit <https://www.rwjf.org/en/insights/our-research/2017/05/what-is-health-equity-.html>.

<sup>4</sup> <https://www.commonwealthfund.org/publications/scorecard/2021/nov/achieving-racial-ethnic-equity-us-health-care-state-performance#42>

<sup>5</sup> <https://www.healthaffairs.org/doi/10.1377/forefront.20201119.836369/full/>

<sup>6</sup> The Triple Aim: <http://www.ihl.org/Engage/Initiatives/TripleAim/Pages/default.aspx>



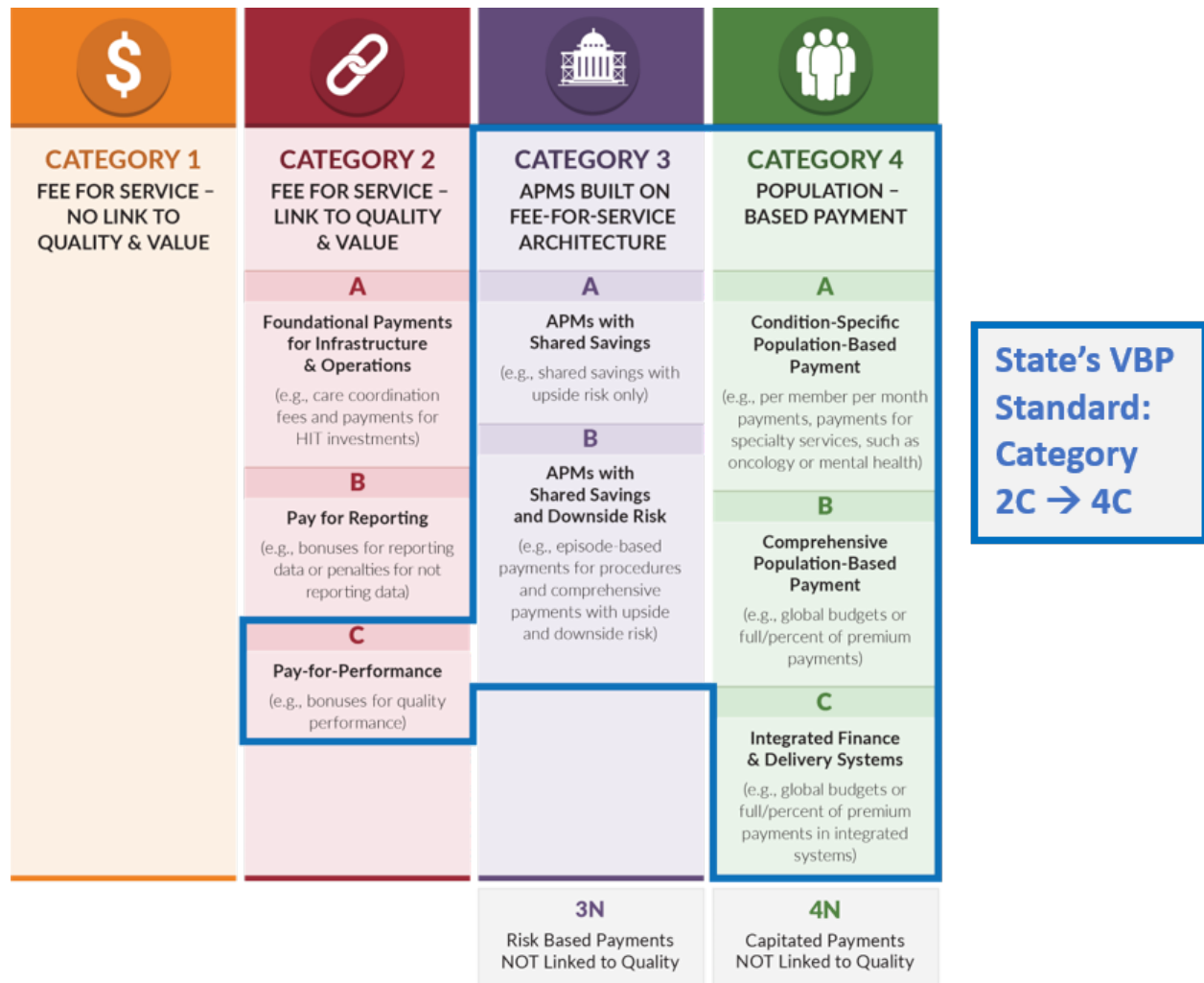
# Appendix A

## APM Framework: categories of VBP arrangements

There are different types of VBP arrangements that serve as viable alternatives to fee-for-service (FFS) payments. To help define our VBP targets, HCA adopted the APM Framework created by the Centers for Medicare and Medicaid Services (CMS) through the Health Care Payment and Learning Action Network (HCP-LAN).<sup>7</sup> The APM framework defines APMs along a spectrum, starting at fee-for-service payments with no link to quality or value (Category 1), and escalating to population-based payments, such as global budgets (Category 4).

HCA’s definition of VBP includes categories 2C–4C. It does not include payment structures that are not linked to quality. For detailed explanations of each LAN category, see the [2017 LAN framework](#) or our [APM Basics slide deck](#).

**Figure 3: HCP-LAN APM Framework and State VBP Standard**



<sup>7</sup> For more on the 2017 refresh of the APM Framework, visit <https://hcp-lan.org/apm-refresh-white-paper/>.

## Appendix B

### Partners

The Health Care Authority (HCA) collaborates with many partners and stakeholders to work toward our value-based purchasing (VBP) goals. Through better alignment and closer partnerships, we can support the scale and spread of VBP to other parts of the health care system.

Stakeholder	Defining VBP	Implementing VBP	Measuring VBP	Evaluating VBP
<b>HCA</b>	<ul style="list-style-type: none"> <li>Define VBP vision, targets, &amp; expectations of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Enable VBP through MCO contracting &amp; direct purchasing</li> <li>Guide and support aligned investments for VBP enabling platforms</li> <li>Incorporate MCO contract incentives</li> <li>Allocate MCO &amp; carrier VBP incentives</li> <li>Oversee ACHs &amp; contractors</li> </ul>	<ul style="list-style-type: none"> <li>Issue annual VBP surveys and compile results</li> <li>Define key metrics</li> <li>Publish annual VBP adoption progress</li> </ul>	<ul style="list-style-type: none"> <li>Define success in VBP initiatives for state-purchased health care</li> <li>Compile and analyze information from across the health system to identify and assess outcomes of VBP investments</li> </ul>
<b>MCOs and PEBB/SEBB carriers</b>	<ul style="list-style-type: none"> <li>Define provider contract options</li> </ul>	<ul style="list-style-type: none"> <li>Contract with providers through APMs</li> <li>Provide timely and actionable data to providers</li> <li>Provide appropriate attribution information</li> <li>Expand VBP adoption based on lessons learned across lines of business</li> <li>Deliver VBP contract training and support to providers</li> </ul>	<ul style="list-style-type: none"> <li>Provide VBP adoption data through annual Paying for Value survey</li> <li>Provide qualitative reports in stakeholder meetings</li> </ul>	<ul style="list-style-type: none"> <li>Collect relevant information and share with HCA</li> </ul>
<b>Providers</b>	<ul style="list-style-type: none"> <li>Participate in HCA's VBP forums, give input on payment model design, support selection of appropriate quality measures, advise purchasers</li> </ul>	<ul style="list-style-type: none"> <li>Deliver high-value care and be accountable for performance</li> <li>Assess &amp; develop VBP readiness</li> <li>Enter into APMs with MCOs and other</li> </ul>	<ul style="list-style-type: none"> <li>Share feedback with HCA on VBP progress and experiences</li> </ul>	<ul style="list-style-type: none"> <li>Participate in quantitative and qualitative analyses of APMs</li> </ul>

	and payers about barriers to VBP adoption	carriers <ul style="list-style-type: none"> <li>• Report on quality performance and conduct quality improvement</li> <li>• Coordinate care</li> </ul>		
<b>CMS</b>	<ul style="list-style-type: none"> <li>• Set national standards and goals for payment reform</li> </ul>	<ul style="list-style-type: none"> <li>• Develop tools and support for VBP delivery</li> <li>• Reward VBP delivery through the Quality Payment Program and similar initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Set standards for VBP measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Set priority outcomes for state-led VBP initiatives</li> <li>• Support ongoing evaluation and monitoring efforts for CMS- and state-led VBP initiatives</li> </ul>