Over the past two years, the Arkansas Health Care Payment Improvement Initiative has worked to harmonize financial incentives across third party payers to healthcare providers to reward cost-effective medical care. This effort reflects a challenge from Gov. Mike Beebe to redesign fee-for-service system with the goal of bending the cost curve to achieve long-term economic stability of the healthcare system in Arkansas. Simply put, it is becoming increasingly difficult to raise premiums, co-pays, or tax revenues to fund a persistent inflation rate in healthcare. Payers, providers, and patients will need to change their behavior to become better stewards of healthcare resources to sustain viable delivery of needed medical services.

The first episodes, or conditions, were launched in July, 2012 and included topics such as pregnancy, upper respiratory tract infection, and attention deficit disorder. Central to these episodes is the focus on variations in care given to patients with similar clinical presentations. The public workshops and details of the program are available at [www.paymentinitiative.org](http://www.paymentinitiative.org). The initiative rewards clinicians who can meet quality standards and achieve appropriate outcomes while judiciously managing the cost of care for these episodes of care. Providers whose average cost of care for an episode that is below the commendable threshold will share 50% of the savings per case. Thus, the initiative redesigns incentives to reward providers for good outcomes and cost management rather than volume of services.

As part of the initiative, Arkansas Medicaid is now designing the payment framework for primary care. Most observers believe that primary care has suffered from a lack of investment and support for chronic disease management, care coordination, and preventive services. Our approach to the Patient Centered Medical Home (PCMH) seeks to address these issues by infusing new resources and rewarding clinical sites that provide comprehensive preventive and chronic disease services while managing total cost of care. We believe this new focus of the initiative represents a substantial opportunity to enhance reimbursement for primary care services while improving care delivery to our communities.

Essentially, medical homes will receive additional per member per month payments to support care coordination of complex cases and transformation of operational policies in local clinical units. In addition, practices will be eligible for financial incentives for improvements toward or achievement of thresholds in risk-adjusted total cost of care for their patient panel. This work would imply that those practices that manage their practice style, patient behavior, and consultant selection will receive economic benefit for achieving cost-effective, quality patient outcomes.

Last year, Arkansas was selected as one of seven markets to participate in Medicare's Comprehensive Primary Care Initiative (CPCI) to support medical homes across multiple payers. A total of 69 primary care practice sites are now receiving transformation support and have the potential to share in system savings by achieving improvements in their management of their patient panels. Arkansas Medicaid will expand the framework of the CPCI initiative to include pediatric patients in 2013. We will be recruiting volunteer practice sites and hope to include an additional 20 to 30% of PCPs in this program. Eventually, we plan to enroll all PCPs in medical home program.

Figure 1 provides an outline of the economic incentives connected to this initiative. Those
practices that achieve a certain threshold of quality metrics and risk-adjusted total cost of care per panel member will receive substantial gain sharing that could boost practice revenue potentially by 50% or greater for their Medicaid patients. Other practices which do not achieve the commendable threshold, but make improvements in their risk-adjusted total cost of care will receive smaller, but substantial gain sharing. Other practices that make less progress or have high total cost of care profiles will not be at risk for financial penalties, but will not receive financial bonus payments. On the other hand, these practices will obtain enhanced per member per month payments to support their future transformation and care management of complex patients as long as there is demonstrated commitment to achieving greater functionality of their practice site as a primary care medical home.

This is an ambitious agenda for Arkansas Medicaid and Arkansas primary care physicians. We understand that there is great variability in capacity and resources in primary care offices throughout the state. This initiative is designed to address such diversity and will make available to all clinicians qualified vendors who can assist your practices with transformation and care management. Participation will not require an electronic medical record or national certification as a primary care medical home. Clearly, however, electronic medical records and the adoption of nationally recognized attributes of a medical home will maximize a clinical sites opportunity to achieve gain sharing and greater effectiveness in managing their patient panel. We envision all PCPs to be part of this program and over time improve primary care capacity throughout the state.

This brief article serves only as an introduction to the general framework of this exciting opportunity to reward and strengthen effective primary care in Arkansas. Over the next several months there will be many workshops and public presentations about primary care medical homes and the services available to support and reward your clinical efforts in your community. We welcome your engagement and constructive suggestions.