A Response to the Arkansas Department of Human Services Division of Medical Services

Episode-Based Payment System (EBPS) to Support Payment Improvement Initiative

July 20, 2012
Introduction

With the Payment Improvement Initiative, the Division of Medical Services (DMS) will support “an efficient and scalable model for launching, administering, and maintaining episode-based payments to providers.” The Centers for Medicare & Medicaid Services (CMS) strongly supports this goal, as noted in its State Medicaid Director Letters on July 10, 2012 (SMDL 12-001 and SMDL 12-002).

DMS’ goal represents a significant change in the healthcare industry. Achieving this goal will require a solid enterprise management and systems integration approach that considers each aspect of this initiative. It requires a coordinated group of vendors that brings modular solutions and is open to continuously improving those solutions as we learn more about how episodic payments work in practice. Because of the far-reaching implications of a transition to the scale Arkansas seeks, it also requires a project integrator who will work with DMS and the other supporting vendors to address efficiency and scalability as the scope of the Episode-Based Payment System (EBPS) grows.

A main focus within this transition is the impact across multiple systems, operations, projects, and stakeholders. While certain functions may be segregated and system-based, the project as a whole requires integration management across each discipline: operations and project management, technology, and stakeholder management. HP Enterprise Services (HPES) suggests that DMS consider this need when structuring the requirements for the program and technology and the operation. If a separate operation or technology is created for this initiative, a central integration and overlap point should be identified.

Our response to this request for information (RFI) focuses on our observations and “lessons learned” from our involvement in building the Attention Deficit Hyperactivity Disorder (ADHD), Upper Respiratory Infection (URI), and Perinatal episode algorithms and reports. Our response goes beyond systems consideration to identify aspects of the episode payment initiative that are critical to success moving forward. In the following sections, we describe some of the implications of managing the program for bringing episodic payments to scale with an enterprise approach:

- Establish the Proper Environment for Episodic Payments
- Manage the Episodic Payment Operations
- Consider Business, Regulatory, and Other Impacts
- Manage the Implementation from an Enterprise Level

Establish the Proper Environment for Episodic Payments

It is important to establish the proper EBPS environment for episodic payments to support DMS’ objectives. For example, we understand that DMS strives to incorporate Patient-Centered Medical Homes and Patient-Centered Health Homes into the episodic processes. The goal is to refine provider behavior and affect healthcare outcomes as much as to change the payment rate. Successful payment methodology refinements such as these rely on more than a specialized tool. An episode-based payment system serves a complex payment processing function rather than a singular analytical function. Therefore, an EBPS
requires a scalable infrastructure to manage algorithms, data from multiple sources, various tools, audit trails, and versioning—and easily expand to accommodate future needs.

The design characteristics of a production processing environment are different than most decision support systems (DSSs), which are designed for analysis and reporting. The algorithm development requirements are much more complex than the typical DSS environment can support. The EBPS must be able to bring in data from many sources and match that data in a way that yields valuable information. It must be able to handle the complexity and detail of the logic required for the algorithms. These capabilities go well beyond simple queries of the DSS ad hoc analysis environment. Because of this, the retrospective approach of the EBPS is best suited for a separate environment that provides the most flexibility in blending claims payment and data warehouse features.

For a retrospective episodic model, the production environment is like a small payment system. The system must be able to process large amounts of data in short periods of time with robust output capabilities. The tools must support regular maintenance and modification of algorithm and report variables. Proper audit and versioning functions will enable staff members to change key variables of algorithms and reports. Finally, the system must be able to properly version algorithm data and production runs to maintain audit integrity.

The tools must support efficient operational functions:

- Provider support and program administrative functions
- Drill-down capabilities
- Proper security access administration so the right algorithm data is only accessible to the right people
- Rapid algorithm generation by input of key variables
- What-if functions to allow DMS to determine algorithm outcomes by easily varying key parameters
- Analytical functions to understand if algorithms are performing as expected, which helps inform algorithm modifications and helps in provider support

The environment must integrate with and share existing systems. For example, the EBPS should feed the MMIS so it can be used to carry out payment and related financial features and reporting. Some data may be exported to existing or new DSSs. Additionally, it is necessary to integrate information and data from multiple sources, including medical, institutional, and pharmacy claims besides clinical data.

The modularity of the EBPS should fit within CMS’ Seven Standards and Conditions (7SC) principles, enabling DMS to integrate and share inputs and outputs across other systems. As the episodic payment methodologies evolve, prospective tools and methodologies would be integrated into MMIS processing.
Manage the Episodic Payment Operations

Managing the episodic payment operations when 75 percent of medical spend is under the episode model will bring its own set of challenges. Supporting the ongoing needs of DMS and providers is a key factor in maintaining the environment. As with the implementation, the project integrator helps manage the operations from the enterprise perspective.

“Operationalizing” and managing additional episodic payment groups will require the following capabilities, among others:

- Clear and concise communication with stakeholders through various channels
- Change management that addresses the continuing evolution of episodes through definition, analysis, and auditability
- Reporting that yields information about the cost of episodes, the types of claims involved in each episode, non-claim data, and trends over time
- Calculation of return on investment to determine how much additional effort goes into setting the episodic rates compared to the outcomes

Provider outreach for new episodes or changes to existing episodes should be included within the project management plan. For example, HPES has a help desk established for questions related to the July reports; this help desk function will need to be expanded as episodes are implemented. Additionally, the help desk staff will need tools to drill down to the details within a provider report to understand what patients or episodes were excluded and what detailed claim data was used in the episode calculations.

The previous example shows the cross-functional nature of the project. While calculation of payments and analysis is one aspect, the following are functional aspects that reach beyond the calculations:

- Management of the policy within the payment system
- Management and communication within the stakeholder community
- Customer service aspects of ongoing management
- Linkage to payment consistency with audit and fraud implications

These themes underscore the need for integration and efficiency across the related operations. When designing the analysis and payment algorithms, the other functional requirements should be considered. Most likely, the largest overlap of functional requirements would exist with the Core Services Operation. Reference data maintenance will become a necessity as more episodes are implemented. The initial set of episodes includes the following variables:

- Trigger diagnosis or procedures
- Co-morbid conditions
- Drug codes included within an episode
- Exclusions for an episode
- Threshold dollar amounts
Any of these can change over time, with new variables added for new episode types. The ability to add to and update this information will be required as episodes are changed. Changes must be tracked—by who made the change and when it was made—to maintain an audit trail. Additionally, it will be important for DMS staff members to have a user-friendly method to update this information. This could be used for production episode changes and understanding the impact of a change before it is implemented through “what if” scenarios.

**Consider Business, Regulatory, and Other Impacts**

DMS should consider business, regulatory, and other impacts throughout the project. From a business standpoint, the following areas affect episodic payments:

- **Existing claims processing, prior authorization, and policy rules**—Knowledge of existing Arkansas Medicaid processing is critical to implementing episodes as intended. Although tools are available to assist in episode development, each payer has specific processing rules that must be considered. The need for this understanding was apparent during the development of the initial episodes.

- **Understanding the local provider community**—Knowing provider hot buttons, specific provider group concerns, and how best to communicate episode development progress and details at the individual provider level.

- **Understanding the DMS organization**—Knowing the subject-matter experts and what areas of DMS are potentially affected by new episodes or changes to existing episodes.

- **Anticipating the effect of industry and regulatory changes**—One consideration when moving forward with additional episodic payments is the impact of ICD-10. The initial episodes are based purely on ICD-9, and as episodes are developed, DMS will need to consider both versions of the diagnosis codes. Depending on the ICD-10 implementation decisions within areas such as the new MMIS, the existing triggers and co-morbidities will likely change significantly.

The healthcare landscape has changed dramatically in the past five years, and the rate of change will only increase in the next 10 years. The continued evolution of healthcare will impact pricing methodologies, bring new data exchange methodologies, and incorporate Patient-Centered Medical Homes and Patient-Centered Health Homes into the episodic processes, as DMS envisions. The framework for episodic payments must be flexible enough to support this ever-evolving landscape.

**Manage the Implementation from an Enterprise Level**

The project integrator holds a crucial role in managing the EBPS implementation at an enterprise level by bringing together the appropriate tools, processes, and people to meet Arkansas’ goals. For the July 2012 episode report delivery, project management and system integration was an informal process. Moving forward, the episodic payment models will become the primary method of payment determination. Therefore, rigorous project management across each aspect of the implementation is the key to success.
An effective enterprise project management approach defines and tracks progress toward deadlines, establishes accountability, and verifies that the stakeholders understand the plans. It should cover the entire life cycle of the project from start-up to close-down, with special focus on transparency, communication, and coordination.

To support the needs of the Payment Improvement Initiative, the enterprise project management model should include the following components:

- Change management
- Communications management
- Risk and issue management
- Schedule management
- Scope management
- Cost management
- Quality management
- Resource management

Working with DMS, the project integrator uses the enterprise management approach to guide the EBPS implementation at three levels:

- **Organizational**—Putting the proper communication and management plan in place for the Implementation team—including DMS, Office of Health Information Technology (OHIT), vendors, and other payers—and delivering education, training, and support to providers
- **Technical**—Bringing the right tools, understanding the data and policies, and knowing the key integration points; verifying that the tools and processes help make the administration of these payments work for DMS; and providing the proper support tools and processes required to support the provider community
- **Operational**—Knowing how episodic payments must be supported for DMS, providers, and stakeholders as more episodes are implemented

Although these functions may be standard expectations for DMS projects, the key indication here is the reach across possible functional and technological stakeholders, such as pharmacy, decision support, payment, customer service, operations, and reporting. With this reach, one central project management force should unify the project to avoid gaps. This is especially true as the evolution of the policy occurs and the entire enterprise needs to adapt to the changing healthcare environment. Change management will likely be a large focus of this project during the initial and ongoing phases as the market and stakeholders gain experience with this model.

Additionally, the project management approach must apply overarching guidelines for the organization. Consistency in communication methods to inform and engage the appropriate stakeholders is critical for success. Moving at a rapid pace to implement additional episodic payments requires strong governance and control to provide clear messages, promote process adherence, and produce a high-quality deliverable.
Summary

DMS' payment improvement vision will transform Arkansas' health payer system and become the model for other states. This bold, innovative undertaking requires expertise for multiple technologies. It also requires the skills of a project integrator with the experience to lead a group of collaborators and help as follows:

- Manage the implementation from an enterprise level, coordinating the work of the vendors who contribute each piece of the solution
- Create the proper episodic payment environment for episodic payments that delivers flexibility for refinement and transparency of decision paths separate from a DSS
- Manage the episodic payment operations when 75 percent of medical spend is under the episode model
- Apply Arkansas-specific knowledge in considering business, regulatory, and other critical impacts to the program

HPES looks forward to the opportunity to work with DMS to continue building and implementing a functional system for administering and maintaining episode-based payments.