Value-Based Payment (VBP) Models Definition and Qualifying Criteria for Determining Eligible Models

Purpose of the Definition: A definition of VBP is necessary to support the objectives of the State Innovation Model and to guide Medicaid in approving VBP models proposed by Managed Care Organizations (MCOs) to be used to achieve the requirement of "40% of covered lives within a VBP model".

RFP VBP Definition: Linking provider payment to improved performance by health care providers is called Value Based Purchasing. This form of payment holds health care providers accountable for both the cost and quality of care they provide. It attempts to reduce inappropriate care and to identify and reward the best-performing providers, in a way consistent with overarching goals announced by the U.S. Department of Health and Human Services on January 26, 2015.

VBP Operational Guidance for MCOs: The VBP models implemented by MCOS shall include but are not limited to risk sharing including both shared savings and shared costs between the MCO and the participating provider organizations, and bonus payments to providers for improved quality on a population basis.

Both the bonus payment for improved quality and any risk sharing shall be evaluated using a Total Cost of Care (TCOC) methodology and the state's approved set of risk adjusted quality measures called Value Index Score (VIS).

A TCOC calculation at a minimum includes a comprehensive set of services approved by the state that spans across the continuum of care, including inpatient, outpatient, pharmacy, mental health, and Long Term Care Supports and Services (LTSS).

Examples of Qualifying VBP models:

- Shared Savings/Shared Risk contract with an MCO, which tracks TCOC and quality for a defined population of attributed members. (e.g., Accountable Care Organizations, Bundled Payments). Quality must either improve or remain constant during the reporting period.
- Upfront care coordination payments for a specific population assigned, with the intent of achieving a specific outcome, a risk-based component of that up-front payment could be included if quality and TCOC results are not realized. (e.g., Health Homes)

Examples of Non-Qualifying VBP models:

- Shared Savings/Shared Risk contract with an MCO, which tracks TCOC that does not also consider the impact of VIS.
- Bonus payments to providers for lowering costs for specific services that do not consider the impact to the TCOC.
- Payments made to providers that lowered total cost of care, but VIS declined during the same reporting period.

Note: Leveraging VBP programs already established in Iowa that are in use by other payers in Iowa helps providers get to scale and achieve true delivery system transformation which supports the objectives of the State Innovation Model (SIM).

December 2015