Achieving Payment Reform for Children through Medicaid and Stakeholder Collaboration

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Preface: Harnessing Payment Reform to Improve Children's Health

The use of alternative payment models, or "value-based payment," in health care is relatively new. This is especially true for children's health care. In 2016 our organization, United Hospital Fund, and the Schuyler Center for Analysis and Advocacy began asking a deceptively simple question: what should value-based payment (VBP) for children's health services look like? This question led to a multi-year effort, still in process, of developing a child-centered Medicaid payment approach.

Along the way, with the close partnership of the New York Medicaid program and colleagues in other states who are asking similar questions, we have learned a great deal about the complexity of harnessing payment reform to improve child health and well-being. One lesson, however, stands out above all: child health stakeholders need to be engaged in payment reform deliberations. For state Medicaid agencies, this creates a responsibility to develop meaningful opportunities for engagement by non-governmental stakeholders, including less traditional health care partners such as community-based family social service organizations. For those outside government with an interest in advancing child health, this means taking the initiative to reach out to Medicaid agencies and otherwise determine how stakeholders can proactively engage in payment reform efforts.

This paper provides context and rationale for broad stakeholder engagement in developing child-specific VBP. Its companion guide offers specific steps to ensure effective engagement. Together, they paint a picture of some of the ways children's organizations can contribute to Medicaid payment reform. Our initial drafts were based on our own experiences and our consultations with seven colleagues involved in New York's efforts. Six additional interviews, drawing on experiences in four other states, helped us make both documents more relatable to a national audience. We don't think these are the last words on the subject but hope they begin a dialogue about what it takes to effectively use health care payment reform to move toward better outcomes for children.

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Introduction: Why Payment Reform for Children?

This brief and its companion guide are intended to help children's health champions and state Medicaid programs engage one another in developing payment reform efforts that can improve the health and well-being of children. Together, they provide a high-level, flexible framework outlining specific contributions the children's community can make to help inform state-level payment reform discussions. We assume throughout that payment reform in most states focuses on shifting to "value-based payment"—also called alternative payment models—rather than on a modest revision to the existing Medicaid payment structure.

At the heart of these documents is the recognition that harnessing value-based payment reform to meet the needs of children is challenging work. To date, most payment reform efforts have focused on improving care for today's high-cost and high-need adults. While an understandable focus, this approach misses the opportunity to use payment reform to improve the health of children and prevent the emergence of future high-cost and high-need conditions. Designing a child-centered payment approach to meet those goals will be difficult, and setbacks can be expected. The best opportunity for meaningful progress is considerable collaboration between Medicaid programs and children's organizations.

> "Value-based payment" (VBP) is a strategy to structure health care provider payment to reward the quality and efficiency of health care delivery, and it stands in contrast to the traditional fee-for-service payment system that financially rewards higher volumes of services and contributes to cost inflation."*

Why should Medicaid programs add a focus on children to ongoing payment reform efforts?

- **Children make up a large share of Medicaid enrollees.** Nationally, children under age 18 make up 50.6 percent of Medicaid and Children's Health Insurance Program enrollees; in 2010 Medicaid paid for nearly half of the 4 million births in the United States. As such, state Medicaid programs are well-positioned to drive systemic improvements in children's health through payment reform.
- **Lessening the burden of disease and improving quality of care for children is essential.** The United States consistently scores in the lowest third of high-income countries in evaluations of child well-being. Its performance is particularly poor on birth and behavioral health indicators.[1] A total of 13 to 20 percent of children living in the United States experience a mental disorder in a given year[2], and surveillance has shown these

* Bailit Health. July 2016. Value-Based Payment Models for Medicaid Child Health Services. United Hospital Fund. Downloadable at: https://uhfnyc.org/publications/publication/value-based-payment-models-for-medicaid-child-health-services/

[1] Innocenti Report Cards #7 (2007), #11 (2013), and #14 (2017). UNICEF Office of Research, Florence, Italy.

[2] Centers for Disease Control and Prevention. 2013. Mental health surveillance among children–United States, 2005-2011. *MMWR* 62(Suppl 2): 1-3.

disorders—including ADHD, anxiety, and major depressive episodes[3]—to be increasing. Adolescent use of specialty providers, prescription medications, and inpatient hospitalizations for mental health have also increased.[4] Limited health care quality data suggest these conditions are often not well treated: in 2016, a median of just 45 percent of children ages 6 to 20 who were hospitalized for a mental health condition received a follow-up visit within seven days of discharge.[5] The emphasis in value-based payment on tying quality performance to payment is an opportunity to deliver higher quality, evidence-based care to young people. Additionally, because many child health conditions, especially those related to behavioral health, are *developmental* in nature, there are opportunities to intervene early and prevent some of these disorders from emerging.[6]

- **State Medicaid agencies are being pushed toward a "value" approach.** Payment reform is an opportunity to keep today's children from becoming tomorrow's "super utilizers." The Centers for Medicare and Medicaid Services (CMS) is encouraging states to pursue value-based payment strategies out of recognition that current payment approaches incentivize inefficient, and often costly, care without always improving health outcomes. Consistent with this vision, unique approaches for children provide an opportunity to truly bend the cost curve by preventing children from becoming the high-cost, high-need Medicaid utilizers of the future. CMS itself has acknowledged a different value-based payment approach is needed for children by issuing in Spring 2017 a request for information on pediatric alternative payment models and announcing in August 2018 a small demonstration project—Integrated Care for Kids—that would also allow states to propose alternative payment models for child Medicaid beneficiaries.
- **It's not just Medicaid that stands to gain. Improving maternal and child health will benefit other parts of the State budget through reductions in special education needs, child neglect and mistreatment, and problem behaviors that lead to involvement with the juvenile justice system.** Numerous researchers have documented the importance of the earliest years to children's optimum physical, social, emotional, and intellectual development.[7] The medical community, especially Medicaid-serving providers who care for low-income families, are particularly well-positioned to support child development as routine well-child visits often allow them to interact with at-risk families early in life.[8] Early identification and intervention focused on ameliorating the impact of physical deficits, learning impairments, and adverse childhood experiences will produce broad benefits across public programs. One

[3] Visser et al. 2014. Trends in the Parent-Report of Health Care Provider-Diagnosed and Medicated Attention-Deficit/Hyperactivity Disorder: United States, 2003 – 2011. Journal of the American Academy of Child & Adolescent Psychiatry 53(1):34-46.e2; Bitsko et al. 2018. Epidemiology and Impact of Health Care Provider-Diagnosed Anxiety and Depression Among US Children. J Dev Beh Pediatr. 2018 Jun;39(5):395-403.

[4] Mojtabai R, Olfson M, Han B. National Trends in the Prevalence and Treatment of Depression in Adolescents and Young Adults. *Pediatrics*. 2016;138(6):e20161878

[5] CMS. December 2017. Quality of care for children in Medicaid and CHIP: Findings from the 2016 Child Core Set. https://www.medicaid.gov/medicaid/quality-of-care/downloads/performance-measurement/2017-child-chart-pack.pdf. This measure was based on reporting from 41 states.

[6] See Halfon N, PH Wise, and CB Forrest. 2014. The changing nature of children's health development: new challenges require major policy solutions. Health Affairs 33(12): 2116–2124

[7] Shonkoff JP and DA Phillips. 2000. From Neurons to Neighborhoods: The Science of Early Childhood Development. Washington, DC: The National Academies Press.

[8] American Academy of Pediatrics (AAP). 2012. Early childhood adversity, toxic stress, and the role of the pediatrician: translating developmental science into lifelong health. Pediatrics 129(1): e224–e231.

increasingly cited opportunity to help the medical community improve its performance for early childhood patients is the use of value-based payment programs as a catalyst.

Why should children's champions engage in child-centered payment reform discussions?

- **Payment reform is a big opportunity.** Currently, health care is dominated by the fee-for-service payment system, which pays providers based on the volume of health care services they deliver. As an alternative approach, value-based payment strategies aim to improve health care quality and efficiency by making payment partially contingent on quality performance and by shifting financial risk onto health care providers, which can incentivize a greater focus on preventive interventions.
- **Changing provider incentives has the potential to spur improvements in the delivery of health care services.** For example, providers that are motivated to reduce hospitalizations within the population they care for may opt to invest more in preventive services for their patients, such as community-based asthma programs. Providers who are financially incentivized to improve their performance on behavioral health quality measures may be prompted to integrate behavioral health services into primary care practices or find new ways to increase rural access to behavioral health providers. While payment reform alone may not always be sufficient to drive such delivery system changes, it can be a significant motivating force.
- **But payment reform is also challenging work.** As several leading children's health institutions in the country have agreed, adequate payment reform for children:

  > "…requires a fundamentally different approach than employed by current alternative payment models, developed largely with adults and chronic care and high cost populations in mind. In particular, contractors (including Medicaid) need to support increased investments in primary care and to develop metrics for assessing impact that go beyond immediate medical conditions and costs. Such an approach is consistent with the concept of 'value-based care' and offers one of the most powerful opportunities to achieve the triple aim of improved health quality, improved population health, and reduced per capita health care costs."[9]

  Ensuring that Medicaid payment reform efforts meet these challenges requires concerted stakeholder engagement.

- **Stakeholder expertise is needed to guide Medicaid efforts.** Medicaid policymakers can benefit from the insights of those with expertise in children's physical, mental, and oral health care, as well as the child-serving systems that intersect with the health care system, including education and social services. While it is understandable that some stakeholders may be intimidated by the complexities of payment reform, in many states the finer details of value-based payment will likely be left to the contractual arrangements between health care providers and managed care plans or the state. Stakeholders with knowledge of child-serving systems and evidence-based childhood interventions, however, can be helpful to state Medicaid officials by assisting in setting a vision and goals for payment reform, identifying specific areas for health care improvement that could be supported through reform efforts, and providing parameters that both protect children's unique needs and proactively work to

[9] Connecticut Children's Office for Community Child Health. November 2017. Identifying Next Steps for Pediatric Value Based Care. https://advancingkids.org/2017/11/20/identifying-next-steps-for-value-based-care/

improve children's health outcomes. Medicaid agencies will benefit from this breadth and depth of knowledge, particularly when many agencies have limited bandwidth to engage deeply in these topics without support from external partners.

Intended Document Users

The framework introduced below and discussed in detail in the accompanying guide is designed for multiple users, primarily state Medicaid agencies and non-governmental organizations interested in improving child health outcomes. The latter may include organizations that would traditionally find themselves in Medicaid payment reform discussions (e.g., health care providers), as well as strategically aligned organizations who recognize payment reform as a tool for improving child health. Alternatively called "children's organizations" or "children's champions," they may include, but are not limited to, the following entities: single- or multi-issue children's organizations (e.g., state chapters of Children's Defense Fund), health policy or public policy institutes (e.g., The Commonwealth Institute for Fiscal Analysis, Health Policy Institute of Ohio), funders (e.g., The California Health Care Foundation, Children's Fund of Connecticut), academic institutions, child and adolescent-serving primary care providers, subspecialty health care providers (especially behavioral health providers), relevant medical societies (chapters of the American Academy of Pediatrics, American Academy of Family Medicine, and others), educational alliances, and community collective impact collaboratives. In most states, as was the case in New York, several organizations may want to partner to undertake the elements included in this framework.

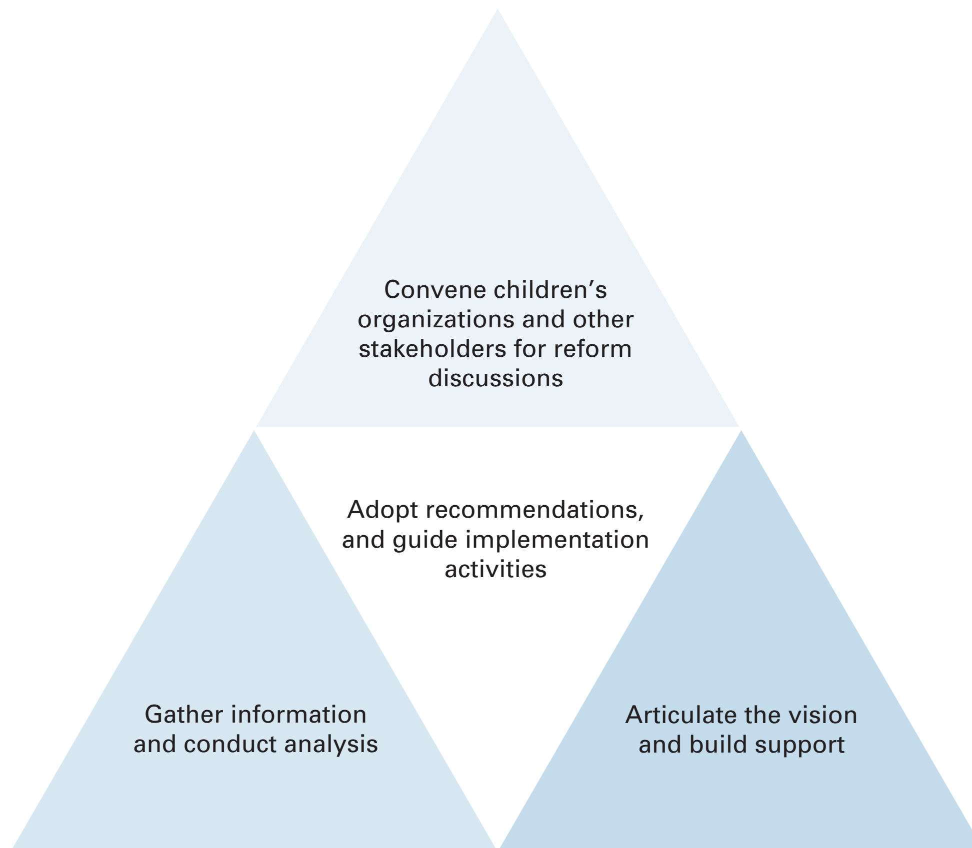
Payment Reform Engagement Framework

The Payment Reform Engagement Framework (see below) consists of four contributions that children's organizations can make to payment reform deliberations for state Medicaid programs. At the highest level, these contributions are not unique to children's health; they are equally applicable to reform discussions for all populations. Within each area, however, we provide resources and considerations specific to engagement in payment reform for children.

The three external triangles relate to contributions that can be made in the development of a child-centered payment reform approach, and the internal triangle reflects contributions that can be made as a payment reform approach is implemented. A robust partnership between the children's community and Medicaid officials would include activities in all four areas.

This framework is not meant to be prescriptive. Medicaid payment policies will often be dictated by state or local policy dynamics and health care markets, and individual payment arrangements will often be left to contracting between health providers and plans. Not all the activities described in the accompanying guide within each contribution area will be relevant for all states, and the order of activities may not be linear.

Payment Reform Engagement Framework

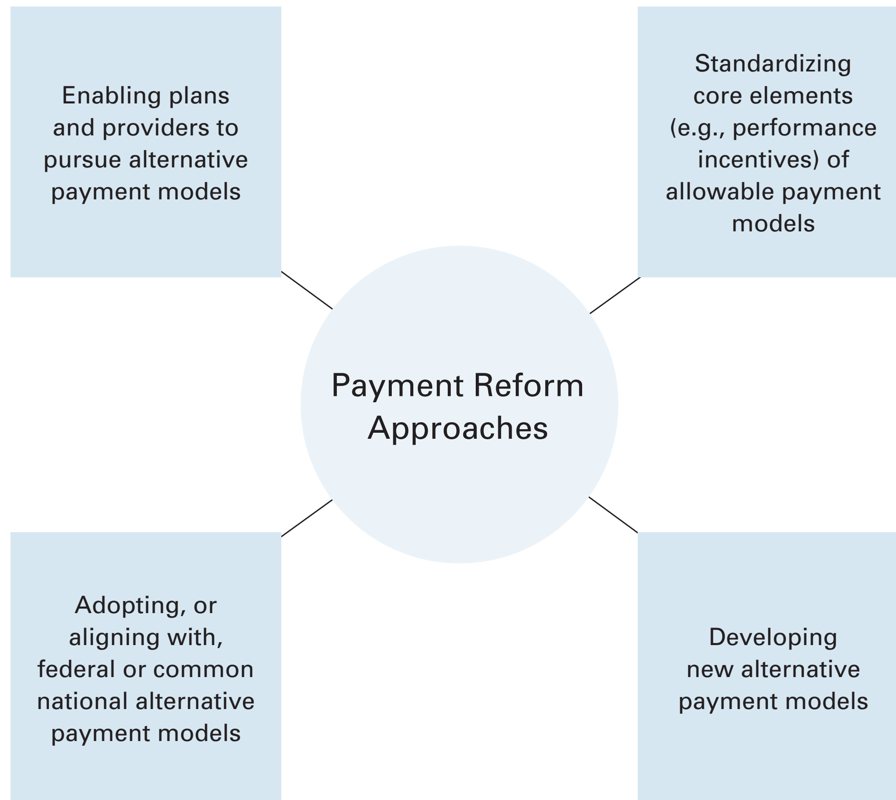


Essential "Pre-Work": Understanding State Approaches to Reform

Before engaging with the framework, users should become acquainted with the main theories of payment reform and value-based payment mechanics. Payment reform is a complex topic, but even basic familiarity with value-based payment objectives, common models, and operational challenges can help non-experts on payment contribute to reform deliberations. Creating strong partnerships between organizations that have complementary expertise in public insurance and those with expertise in children's health issues is also a good way to proceed. Appendix A provides a selection of resources on key value-based payment concepts and the opportunities and challenges of applying value-based payment to children's services.

It is important to note that value-based payment is both an *approach* to payment and an umbrella term for specific payment models. The below figure illustrates a number of state Medicaid approaches to payment reform. State Medicaid programs may pursue different strategies as part of their payment reform efforts. To effectively partner with Medicaid programs, it is essential to understand the type of approach a state is pursuing or is likely to pursue.

Potential State Medicaid Agency Approaches to Payment Reform



Challenge and Promise

Even under the best of circumstances, designing a child-centered payment approach is largely uncharted territory. None of the components of the Payment Reform Engagement Framework are easy to undertake or master. Setbacks—ranging from competing political priorities to data access challenges—may threaten progress. The effort, however, is worthwhile: the only way payment reform will be a powerful force for improvement in children's health is through collective, thoughtful action by Medicaid leaders and children's organizations dedicated to making it happen. The detailed walk-through in the accompanying guide will help pave the way.

Appendix A. Literature Review

Background Reading on Value-Based Payment

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