FACT SHEET

ALTERNATIVE PAYMENT MODEL (APM) FRAMEWORK

OVERVIEW

The Health Care Payment Learning & Action Network (LAN) has released a refreshed white paper, entitled Alternative Payment Model (APM) Framework, which updates the original APM Framework to keep pace with significant developments that have occurred since its publication in January 2016.

WHAT IS THE APM FRAMEWORK?

The Alternative Payment Model (APM) Framework began as a payment model classification system originally presented by the Centers for Medicare and Medicaid Services and later modified and refined by a LAN work group. The Framework tracks progress toward payment reform and provides a pathway for the delivery of person-centered care.

IMPORTANCE

The APM Framework advances the goal of moving payments away from fee-for-service (FFS) payment and into APMs that reduce the total cost of care while improving quality. It classifies APMs based on the extent to which payments reward value of services rather than volume of services. APM models involving shared financial risk and population-based payments, among others, are better suited than FFS to support care that patients value and to incentivize outcomes that matter to them. In this context, the updated APM Framework establishes a common vocabulary and pathway for measuring and sharing successful payment models.

THE WHITE PAPER

Since its original release in January 2016, the APM Framework has become the foundation for implementing APMs and evaluating progress toward health care payment reform. Significant and quickly evolving developments, however, have taken place since its release. Taking these developments into account, the LAN updated its original Framework with important changes. This white paper describes the approach and principles used to develop the original APM Framework as well as the 2017 refresh. Based on these foundational principles, the paper defines new subcategories of APMs and clarifies payment reform goals. It includes a summary of key findings and recommendations, including guidance on how various stakeholders can use the Framework to accelerate payment reform.

CATEGORY 1 FEE-FOR-SERVICE – NO LINK TO QUALITY & VALUE	CATEGORY 2 FEE-FOR-SERVICE – LINK TO QUALITY & VALUE	CATEGORY 3 APMS BUILT ON FEE-FOR-SERVICE ARCHITECTURE	CATEGORY 4 POPULATION-BASED PAYMENT
	A Foundational Payments for Infrastructure & Operations (e.g., care coordination fees and payments for health information technology investments)	A APMs with Shared Savings (e.g., shared savings with upside risk only)	A Condition-Specific Population-Based Payment (e.g., per member per month payments, payments for specialty services, such as oncology or mental health)
	B Pay for Reporting (e.g., bonuses for reporting data or penalties for not reporting data)	B APMs with Shared Savings and Downside Risk (e.g., episode-based payments for procedures and comprehensive payments with upside and downside risk)	B Comprehensive Population-Based Payment (e.g., global budgets or full/percent of premium payments)
	C Pay-for-Performance (e.g., bonuses for quality performance)		C Integrated Finance & Delivery Systems (e.g., global budgets or full/percent of premium payments in integrated systems)
		3N Risk Based Payments NOT Linked to Quality	4N Capitated Payments NOT Linked to Quality

Figure 1: The Updated APM Framework

PRINCIPLES OF THE APM FRAMEWORK

1. It is essential to empower patients to be partners in health care transformation because changing the financial incentives providers receive is not sufficient to achieve person-centered care.
2. Reforms to payment mechanisms will only be as successful as the capabilities of the delivery system and the innovations they support.
3. The goal for payment reform is to transition health care payments from FFS to APMs. While Category 2C APMs can serve as the payment model for some providers, most national spending should continue to move into Categories 3 and 4.
4. Value-based incentives should, ideally, reach care teams that deliver care.
5. Payment models that do not take quality of care into account are not considered APMs in the APM Framework and thus are not counted as progress toward payment reform.
6. Value-based incentives should be considerable enough to motivate providers to invest in and adopt new approaches to care delivery without subjecting them to unmanageable financial and clinical risk.
7. When using more than one type of payment, APMs will be classified according to the dominant form of payment.
8. Centers of excellence, accountable care organizations, and patient-centered medical homes are examples, rather than Categories, in the APM Framework because they are delivery systems that can be applied to and supported by a variety of payment models.

For a full list of recommendations go to:
https://hcp-lan.org/groups/apm-refresh-white-paper/

MOVING FORWARD

This white paper reflects the latest thinking from leading experts in the field of health care payment and offers recommendations for developing alternative payment models. The paper serves as an important resource for providers, payers, employers, patients, consumer groups, health experts, and state and federal government agencies to help accelerate the adoption of APMs nationwide. These recommendations encourage greater alignment to increase APM adoption in support of the goal of tying 50% of U. S. health care payments to APMs by 2018.

ABOUT THE LAN

PURPOSE

The Health Care Payment Learning & Action Network (LAN) aims for:

BETTER CARE | *SMARTER SPENDING* | *HEALTHIER PEOPLE*

MISSION

To accelerate the health care system's transition to alternative payment models (APMs) by combining the innovation, power, and reach of the private and public sectors.