

## Value-Based Payments/Alternative Payment Models

Value-Based Payment (VBP) is a national purchasing model that equalizes consideration of quality of care and costs. NC DHHS is using the Health Care Payment (HCP) Learning and Action Network (LAN) Alternative Payment Model (APM) national framework that levels VBPs by four tiers (see Definitions in this article). The higher the tier, the more sophistication in the payment model. NC DHHS expects that PHPs and providers will be using the framework around Tier 2 – Tier 4. This would ultimately eliminate Tier 1 payments which are based on the use of fee-for-service payments to providers with no link to the quality of care or the value of the service. Ultimately, the Department wants payments to providers to be based on population health and the appropriateness of the care. NC DHHS is encouraging an accelerated use of VBPs between PHPs and providers. These payment arrangements can include shared savings (between the PHP and provider) and other provider incentives. They also require that by the end of Contract Year 2 of PHP operations under the Standard Plan, the portion of each PHP's medical expenditures governed under VBP arrangements will either increase by twenty (20) percentage points, or represent at least fifty percent (50%) of total medical expenditures. The PHP is expected to complete an HCP-LAN assessment of their contracts within the first three months of the Contract Award. To see an assessment that was done nationally using metrics with a "look back" and a "point-in-time" identified, go to: <https://hcp-lan.org/workproducts/apm-measurement-final.pdf>. PHPs will be responsible for conducting this assessment on an annual basis. At Contract Year 3 of the Standard Plan, NC DHHS may incorporate some withholds (aka penalties) to the PHP.