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Improving Care Through Effective Payment Models

A Conversation with Dr. Mark McClellan

April 2018–Dr. Mark McClellan is the Director of the Robert J. Margolis Center for Health Policy and the Margolis Professor of Business, Medicine, and Health Policy at Duke University. He is also a MITRE Senior Visiting Fellow and co-chair of the Health Care Payment Learning and Action Network (LAN). In the Q&A below, he discusses his work with MITRE, Duke, and the LAN to improve patient health care through alternative payment models (APMs).

To learn more, see health.mitre.org/effectivepaymentmodels.

Q: Why does the U.S. need healthcare payment reform?

McClellan: We're dealing with a very challenging problem. Healthcare costs are high and rising, people are having trouble accessing the care they need, let alone getting access to the best possible care and the cures and the innovations that are coming along in the future. We must find more efficient ways to deliver care, and find better ways to engage patients. And really, all this technical work about payment reform is about getting the best care to each patient at the lowest possible cost—that's the best thing we could do for the health of Americans.

Q: What is the focus of the Duke–Margolis Center for Health Policy?

McClellan: The Duke–Margolis Center for Health Policy is a new university–wide health initiative with a mission of improving the health and healthcare of Americans and people around the world through developing and implementing more effective health policies. And this is a program that spans across a range of departments at Duke. We work with business, we work with medicine, we work with public policy, economists, and others.

Q: What kind of work is Duke doing now on payment models?

McClellan: Payment models have been a big part of the effort to reform healthcare and these are needed because many of the things that matter for patients today, that matter for delivery of best possible care, aren't paid for well or at all under traditional fee–for–service payment arrangements. So much of our work focuses on how to move effectively into new ways of paying for healthcare that can better align with what clinicians and patients want, to achieve better outcomes and lower costs.

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Q: Why did you become a MITRE Senior Visiting Fellow?

McClellan: I was glad to become a fellow at MITRE recently because my long history of work with MITRE has shown me that this is a non–profit organization at the interface between good ideas out in the world and making a real difference in practical implementation of policies. This is very complementary to our work at Duke, very much about improving the health and healthcare of the American population.

Q: Can you tell us about the Healthcare Payment Learning and Action Network and the recent article in the Journal of the American Medical Association (JAMA)?

McClellan: One of the important activities of the MITRE–operated Healthcare Payment Learning and Action Network (LAN) is to track how the country is doing in terms of moving to new payment models in healthcare. In February 2018, the LAN published an article describing conceptual principles behind the LAN's latest revision of the APM Framework[1] that was completed in July 2017. The article shares a framework for how to think about the range of payment reforms that are out there, so different organizations can see how their work compares to what other organizations are doing. This will help us track the progress nationwide of implementing payment reform, and provide a basis for understanding what kind of an impact it's having.

Q: What are the biggest takeaways from the JAMA article, "Principles for a Framework for Alternative Payment Models?"

McClellan: There are two main thoughts. One, if you're implementing a reform, look at the LAN's APM Framework. You can see how what you're doing fits in with what others are doing around the country. Two, we now have a tool that we can use to track overall progress nationally on payment reform. That will help us assess which payment reforms are making the biggest difference.

Q: Has there been a shift in the healthcare payment landscape?

McClellan: Previously, the focus had been on moving from fee–for–service into any kind of alternative payment model, even if it was just a small shift away from fee–for–service. The LAN framework has shown that so far, we haven't been able to make very many big shifts away from fee–for–service payment. And now, our work is focused on implementing more effective alternative payment models using the LAN framework and developing additional evidence on what makes organizations succeed or fail when they try out these new approaches to payment.

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[1] The framework builds on work by the Centers for Medicare & Medicaid Services (CMS), refined by CMS and the private sector through the LAN.

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Q: What makes payment reforms more effective?

McClellan: We're learning a lot more about what makes payment reforms effective. One is that the payments need to be a significant shift away from fee–for–service. That's necessary to enable new models of care for treating people at home using telemedicine, where they can get help from a team of professionals—many of whom would not have been paid for under old fee–for–service models. Two, it's not just about the payment. Healthcare organizations must develop new capabilities, new ways of interacting with their patients, new ways of using data, new ways of being accountable for how well people are doing longitudinally, not just in an office visit. We're paying a lot of attention to the organizational and competency changes that healthcare organizations need to succeed in these more advanced payment reforms.

Q: What is the most important aspect of designing a successful payment model?

McClellan: One thing in new payment model design that really matters is recognizing that you need to meet healthcare organizations where they are. While many of them have focused on delivering particular services with excellence, now we're asking them to shift their thinking to how they can really help their patients achieve the best outcomes, while lowering costs over time.

Q: Are healthcare organizations concerned about the financial risks of payment reform?

McClellan: Yes, the revised LAN APM Framework recently recognized that different kinds of organizations can take on different kinds of financial risk. A small physician group might really benefit from moving to a new payment model, but not if it places them at full insurance risk for the population that they're caring for. The refined framework has a recognition of the appropriate amount of financial risk for organizations, so that they can achieve real reforms and care, but not face too much risk that the program can't be implemented successfully.

Q: What's your advice for those who are creating payment reform models?

McClellan: We're still learning a lot about what works and what doesn't work in reforming healthcare and using payment reforms to support it. If you're implementing a payment reform now, we want to hear from you about your experience. If you've had a tremendous amount of success, we want to hear about that. But often, when payment reforms are implemented, it's hard, it takes time, adjustments are needed. We now have a great learning base, including resources from the LAN, resources that we're developing at Duke, and many other organizations are as well, to help support more effective implementation of payment reform. We want you to take advantage of those resources.

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Q: Going forward, what's your hope regarding payment models and better patient care?

McClellan: While payment reform is hard, we're learning a lot more about how to make it work and about things that healthcare organizations can do to succeed in delivering better care at a lower cost. The work of the LAN, operated by MITRE, the work of our programs at Duke, and the experiences of healthcare professionals around the country trying to work with patients in new ways are all creating a basis for getting to much better health and healthcare. I hope we can achieve that as soon as possible by building on work that MITRE is undertaking today.

Dr. Mark McClellan

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