



Could 2024 be the Year of Advancing Health Equity in Medicaid through Alternative Payment Models?

By Steve Wander and Mark Bethke | February 2024

What is an APM?

Alternate payment models (APMs) have been gaining prominence in the health care space by incorporating added incentive payments to promote high-quality and cost-efficient care, as well as reductions in health inequities. While there is not a simple solution to immediately address all the health inequities present in the health care system, states have started to implement APMs that are structured to incentivize and support equitable care delivery and outcomes to help [combat health inequities](#). Even more states could implement these models in 2024. This article provides guidance for designing APMs and how to implement them.

Centers for Medicare & Medicaid Services recently approved [New York's 1115 Waiver Amendment](#), which includes investments in health equity initiatives as well as APMs that incentivize hospitals to focus on the value of care and not the volume of care.

How APMs Can Help Reduce Health Inequities?

APMs incentivize changes to care delivery that can help make care more accessible, drive better patient outcomes, and reduce health inequities. The Health Care Payment Learning & Action Network's (HCPLAN) created the [Theory of Change](#)¹, illustrating how APMs can be structured to advance health equity. According to HCPLAN, APMs should be designed in a way that advances health equity and avoids unintended consequences. It is important to avoid creating APMs that inadvertently penalize providers serving communities that are underserved by the health care system and people with complex needs, potentially exacerbating health disparities. States implementing APMs should focus on three key areas listed below:

PERFORMANCE MANAGEMENT

Data collection related to health disparities sheds light on specific needs of the impacted populations. Social determinants of health (SDOH) are incorporated in payment rate models through risk adjustment to more accurately measure the acuity of populations under-represented in health claim data. This can lead to enhanced payment incentives for providers serving underserved populations by health care system with higher acuity.

PAYMENT INCENTIVES AND STRUCTURES

Upfront payments are made to providers to allow them to expand their service area to communities underserved by the health care system and support the implementation of the model. Prospective payments are then made to reward providers that are meeting pre-determined metrics for improving health equity.

CARE DELIVERY REDESIGN

Provisions are established to support the implementation of care delivery that promotes health equity. These provisions include enabling person-centered care, bolstering a workforce that understands the needs of diverse populations, and providing access to high-quality and timely interpretation services.

¹ [Theory of Change](#) was created by HCPLAN.

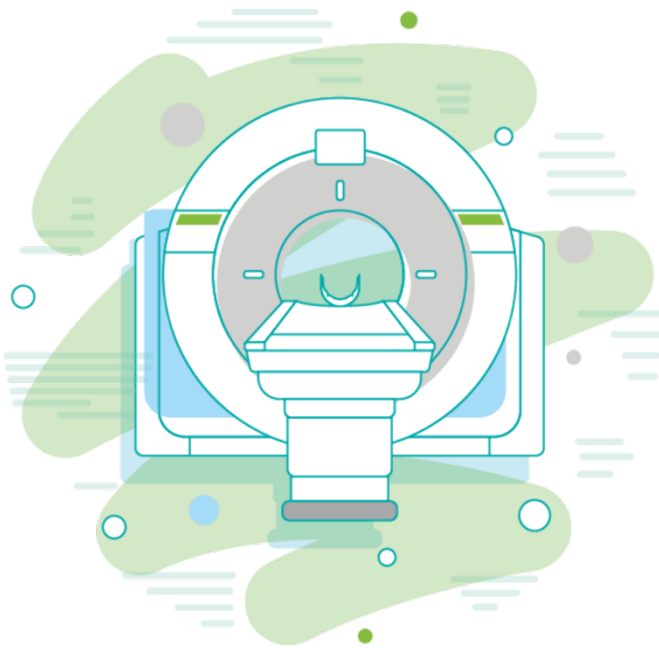
APMs in Medicaid

Some states have already implemented Alternate Payment Models, and others are interested in following their leads. APMs can potentially help to reduce health inequities and result in savings to the states by providing preventative care and early detection of severe medical conditions before they produce large costs.

Recently, CMS proposed changes² to the Medicaid program that will add additional requirements for provider arrangements between the states and the managed care plans. These changes are intended to improve quality and health outcomes, equitable access to care, and reduce health equity issues.

The State of Minnesota conducted a [Medicaid Study](#) in 2021 that evaluated health disparities in Minnesota's Medicaid population. The study suggests that state Medicaid programs should address health inequities stemming from racism and discrimination and this study can be used as a framework to conduct reviews of existing health disparities within states' population. States can then use this data to better design and implement APMs into their Medicaid programs.

Many states have already begun implementing APMs, but 2024 may be the year APMs in Medicaid really take off.



Tennessee has made several changes to its Medicaid program, including the addition of the [Episodes of Care Program](#) in 2014 to improve the quality of care across episodes. This initiative achieved \$38 million in savings to the state.

Minnesota launched the [Minnesota Integrated Health Partnership \(IHP\)](#) in 2013 to implement a model that provides a portion of savings to providers that can show an overall savings across their population while maintaining or improving the quality of care.

² [Proposed rule from CMS](#) published on May 3, 2023.

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