

CENTER FOR HEALTH INFORMATION AND ANALYSIS

ANNUAL REPORT SERIES

**ADOPTION OF ALTERNATIVE
PAYMENT METHODS
IN MASSACHUSETTS 2012-2014**

MARCH 2016



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For more information on Alternative Payment Methods, please refer to the Center for Health Information and Analysis's methodology paper, available here: <http://www.chiamass.gov/assets/docs/r/pubs/15/APM-Methodology-Paper.pdf>

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Alternative Payment Methods (APMs) are methods of payment used by payers to reimburse providers not solely based on a fee-for-service (FFS) basis in which some of the financial risk associated with both the occurrence of medical conditions as well as the management of those conditions is shifted from payers to providers to incentivize efficiency and quality of health care delivery.

For more information on Alternative Payment Methods, please refer to the Center for Health Information and Analysis's methodology paper, available here:
<http://www.chiamass.gov/assets/docs/r/pubs/15/APM-Methodology-Paper.pdf>

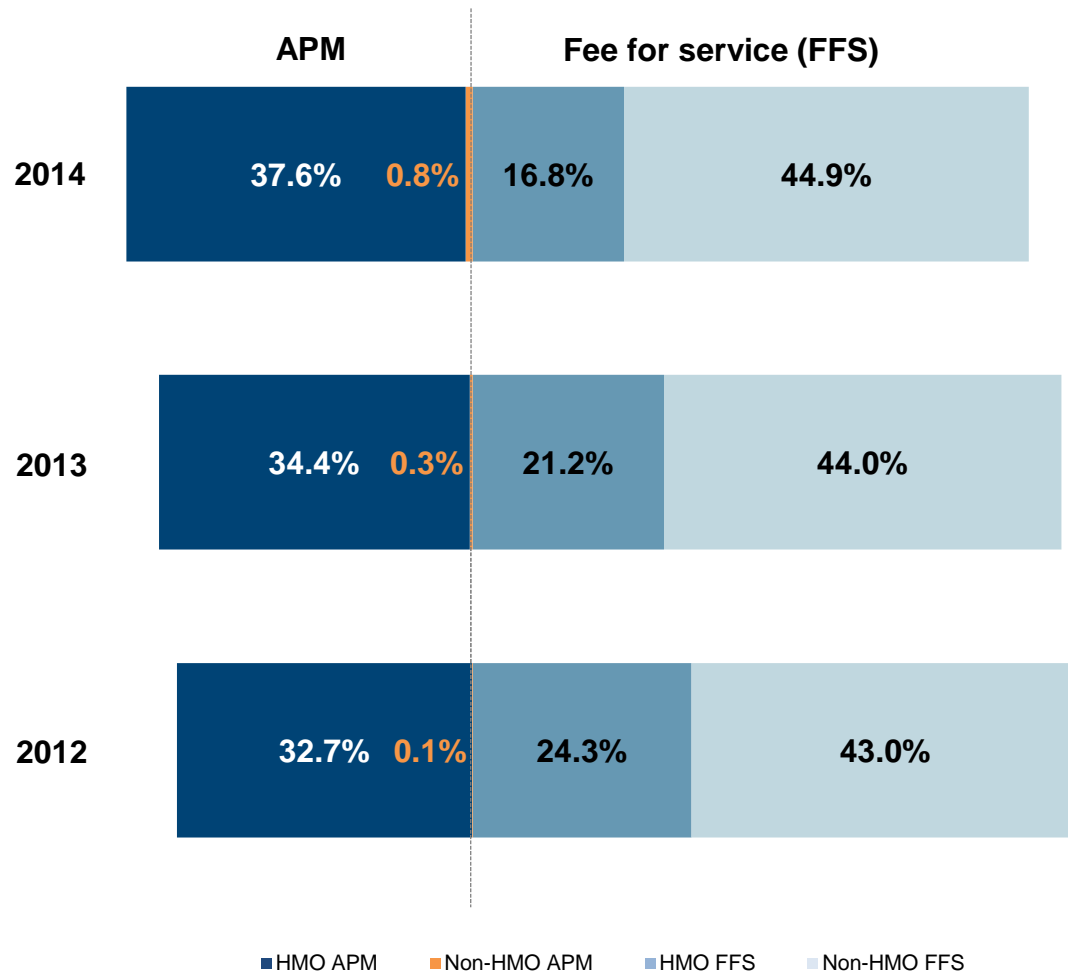
Payer Abbreviations

Charts use the following payer name abbreviations:

Payer Name	Abbreviation
Aetna Inc.	Aetna
Blue Cross Blue Shield of Massachusetts	BCBSMA
BMC HealthNet Plan	BMCHP
CeltiCare Health Plan of Massachusetts	CeltiCare
Connecticut General Life Insurance Company; Cigna Health and Life Insurance Co. (EAST); Cigna Health and Life Insurance Company (CHLIC)	Cigna
Fallon Health	Fallon
Harvard Pilgrim Health Care	HPHC
Health New England	HNE
Minuteman Health, Inc.	Minuteman
Neighborhood Health Plan	NHP
Tufts Health Plan	Tufts HP
Tufts Health Plan - Network Health	Tufts HP-Network Health
UniCare Life and Health Insurance Company	UniCare
UnitedHealthcare	United

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Adoption of Alternative Payment Methods (APMs) in the Commercial Market, 2012-2014

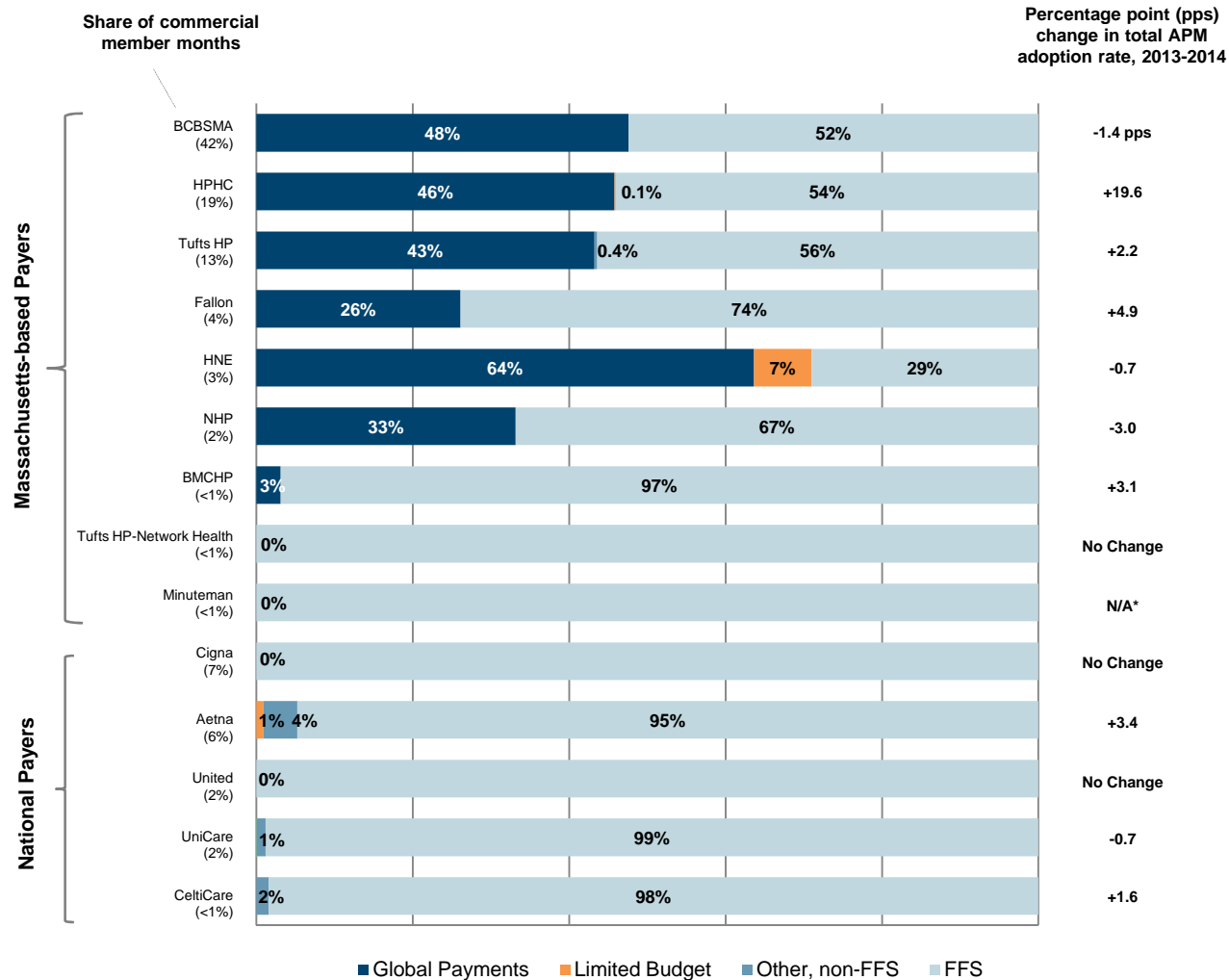


In recent years, APM adoption in the commercial market rose from 32.8% in 2012 to 38.4% in 2014.

APMs were implemented almost exclusively within HMO products. APMs associated with non-HMO products accounted for less than 1% of commercial member months in 2014.

At the same time, the prevalence of HMO products among Massachusetts members decreased from 57.0% in 2012 to 54.4% in 2014.

Adoption of APMs among Commercial Payers, 2014



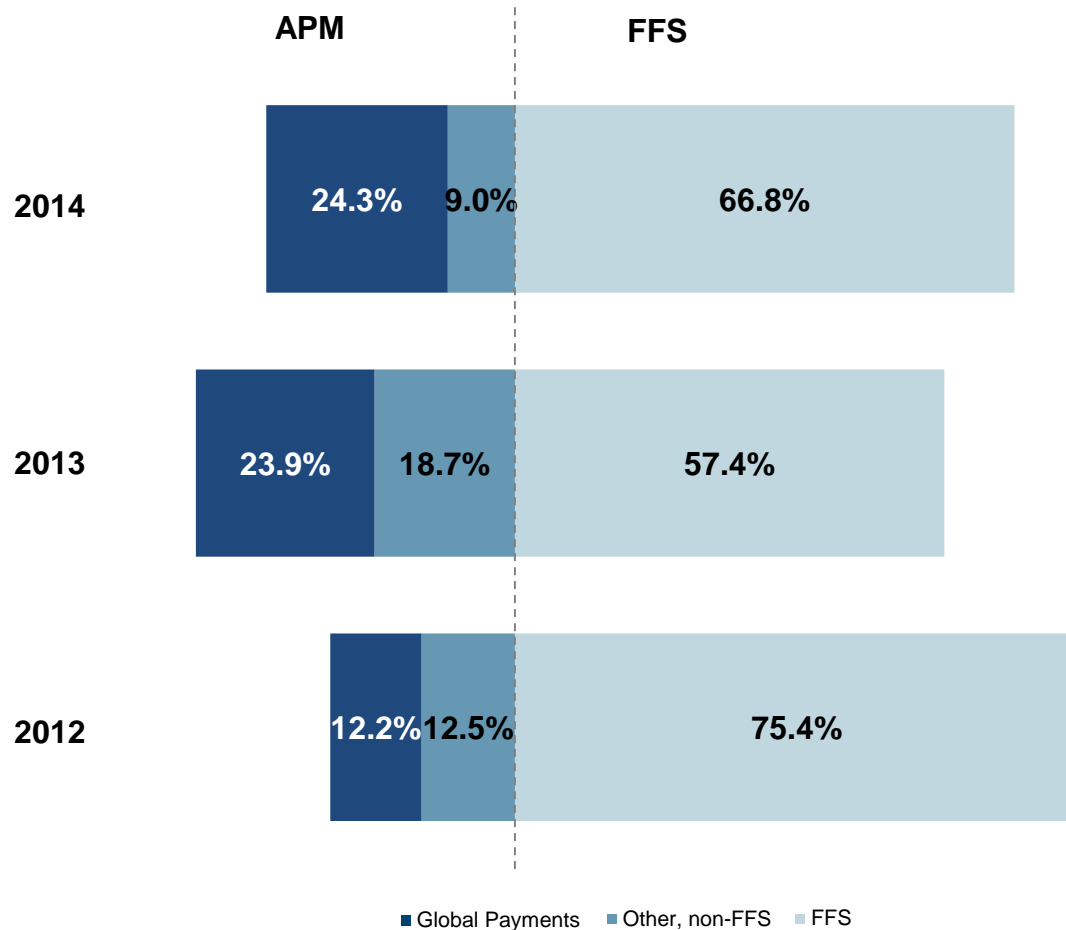
APM adoption varied across payers in the commercial market, from a low of 0% for several payers to a high of 71% (HNE).

Massachusetts-based payers were more likely to adopt APMs than national payers.

Most payers reported little to no change in APM adoption, with the exception of HPHC (+19.6 percentage points), Fallon (+4.9 pps), Aetna (+3.4 pps) and BMCHP (+3.1 pps).

**Note: Minuteman began offering products in 2014.*

Adoption of APMs in the MassHealth MCO Market, 2012-2014



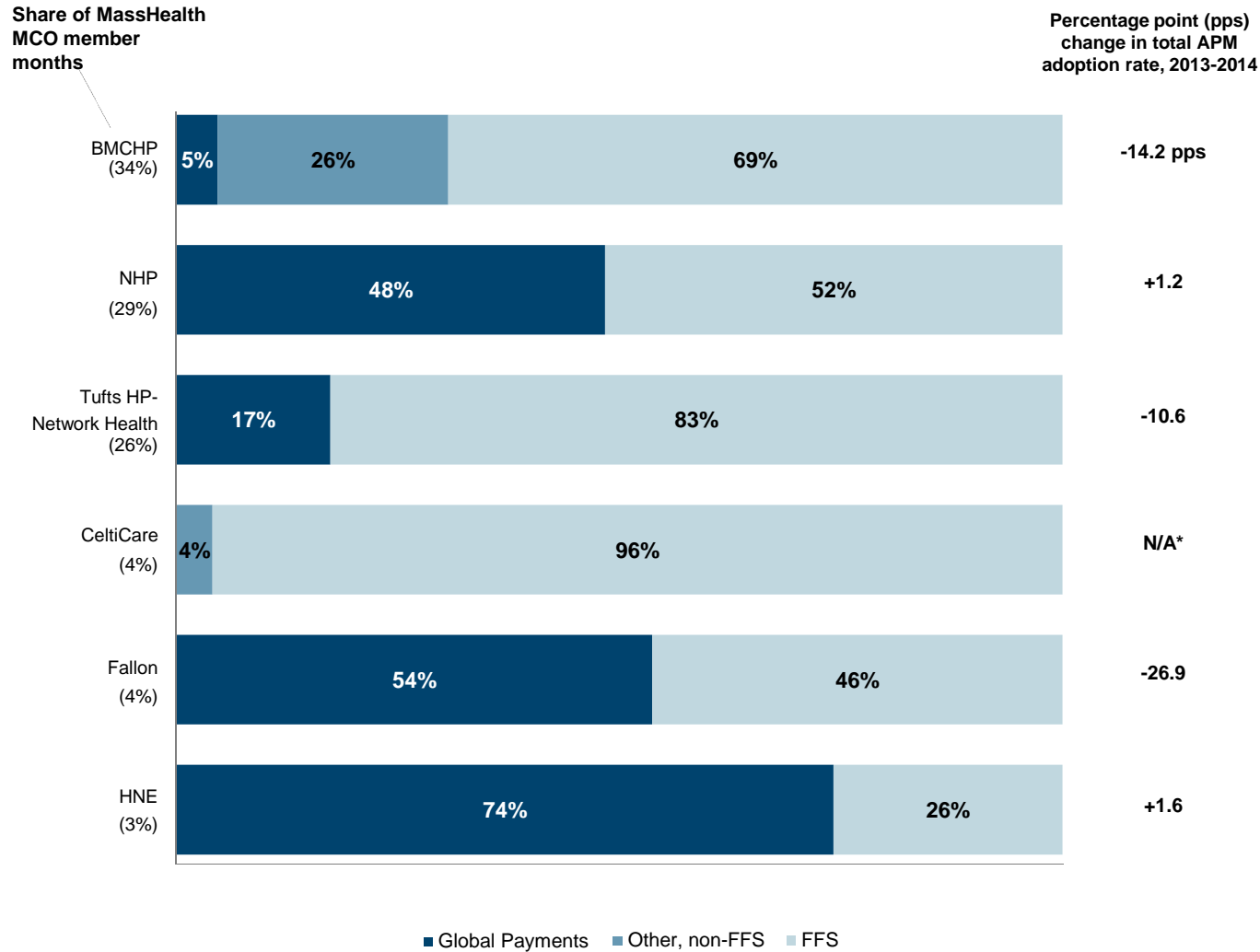
After increasing between 2012 and 2013, adoption of APMs in the MassHealth MCO market fell more than nine percentage points from 42.6% in 2013 to 33.3% in 2014.

Payers attributed the decline to a combination of factors:

- increased enrollment under the ACA
- transitioning of members into MCOs from discontinued forms of coverage
- the majority of new contracts with providers involved FFS arrangements
- expansion into new geographic areas

While APM adoption fell in proportionate terms, the number of member months under APMs actually increased, due to overall MCO enrollment growth.

Adoption of APMs among MassHealth MCOs, 2014



APM adoption varied across MCOs, from a low of 4% (CeltiCare) to a high of 74% (HNE).

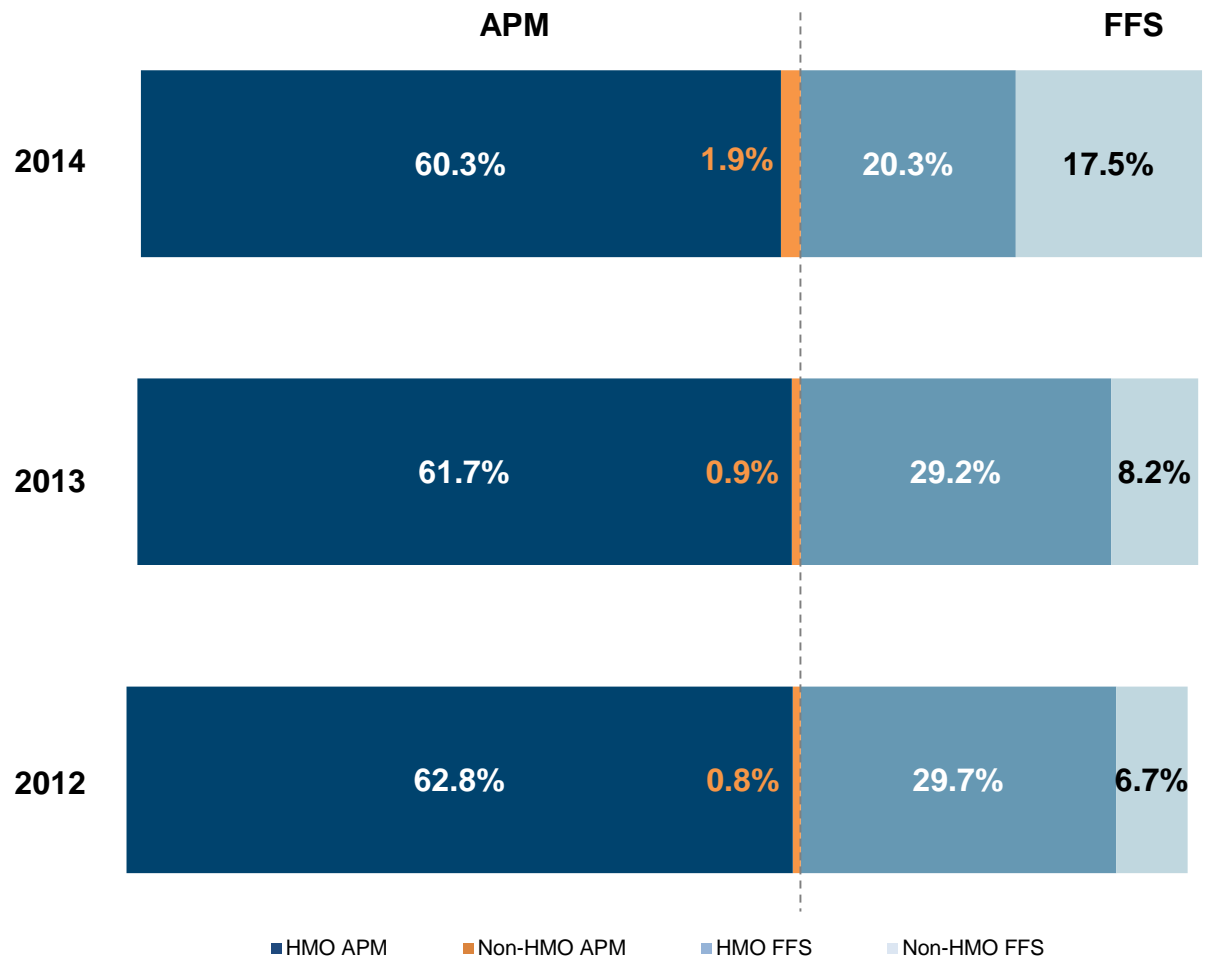
Three out of six MCOs reported declines in APM adoption between 2013 and 2014.

Fallon, BMCHP and Tufts HP-Network Health reported double-digit percentage point declines (-26.9, -14.2 and -10.6 pps, respectively).

While APM adoption fell in proportionate terms for some payers, total member months under APMs actually rose for Fallon, due to overall MCO enrollment growth.

**Note: CeltiCare was not a MassHealth MCO plan in 2013.*

Adoption of APMs in the Medicare Advantage Market, 2012-2014

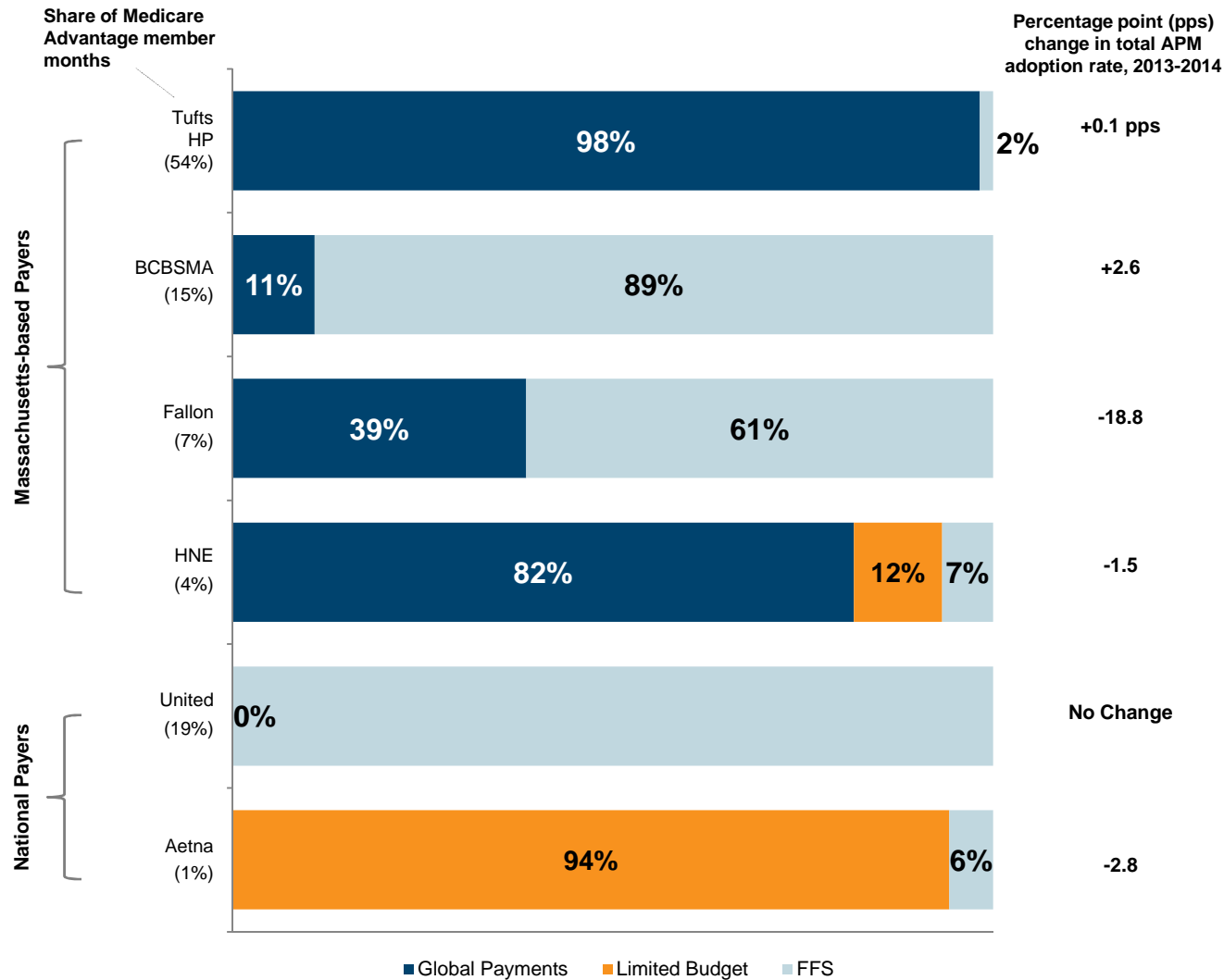


APM adoption remained stable in the Medicare Advantage market between 2012 and 2014.

Prevalence of non-HMO products increased from 7.5% in 2012 to 19.4% in 2014.

APMs continued to be implemented predominantly within HMO products.

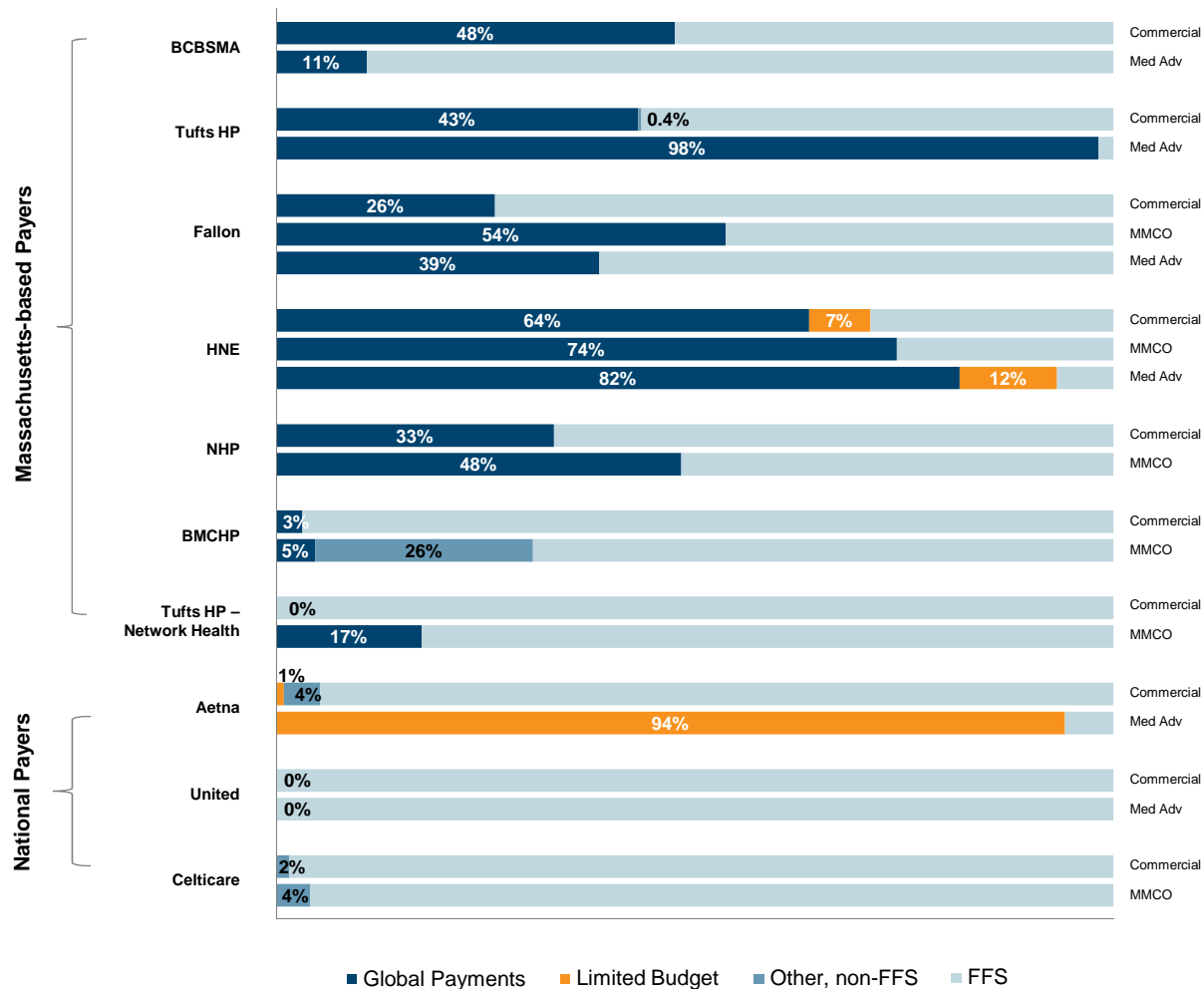
Adoption of APMs among Medicare Advantage Plans, 2014



APM adoption varied across Medicare Advantage plans, from a low of 0% (United) to a high of 98% (Tufts).

Most payers reported no change or slight declines in APM adoption. However, APM adoption fell substantially for Fallon between 2013 and 2014 (-18.8 percentage points).

Adoption of APMs across Insurance Categories by Payer, 2014



Adoption of APMs varied across insurance categories offered by the same payer.

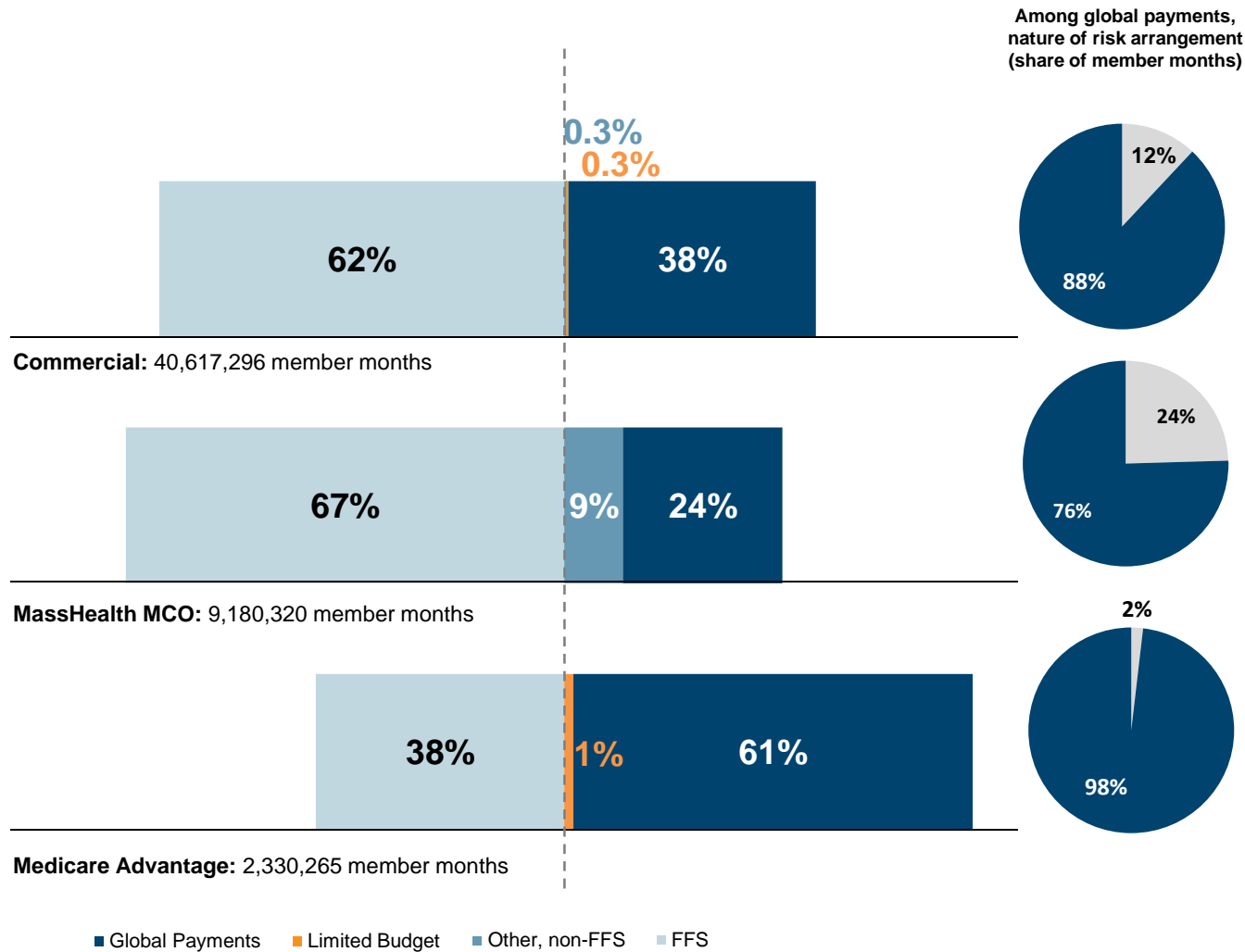
For most payers, APM adoption was higher for MassHealth MCO and Medicare Advantage than for commercial products, except for BCBSMA.

HNE reported high APM adoption rates across all three of its insurance categories (>70%).

Note: Only payers offering products in more than one insurance category are included. Payers are listed in order of decreasing commercial market share (according to shares of statewide commercial member months).

Abbreviations:
MMCO: MassHealth MCO
Med Adv: Medicare Advantage

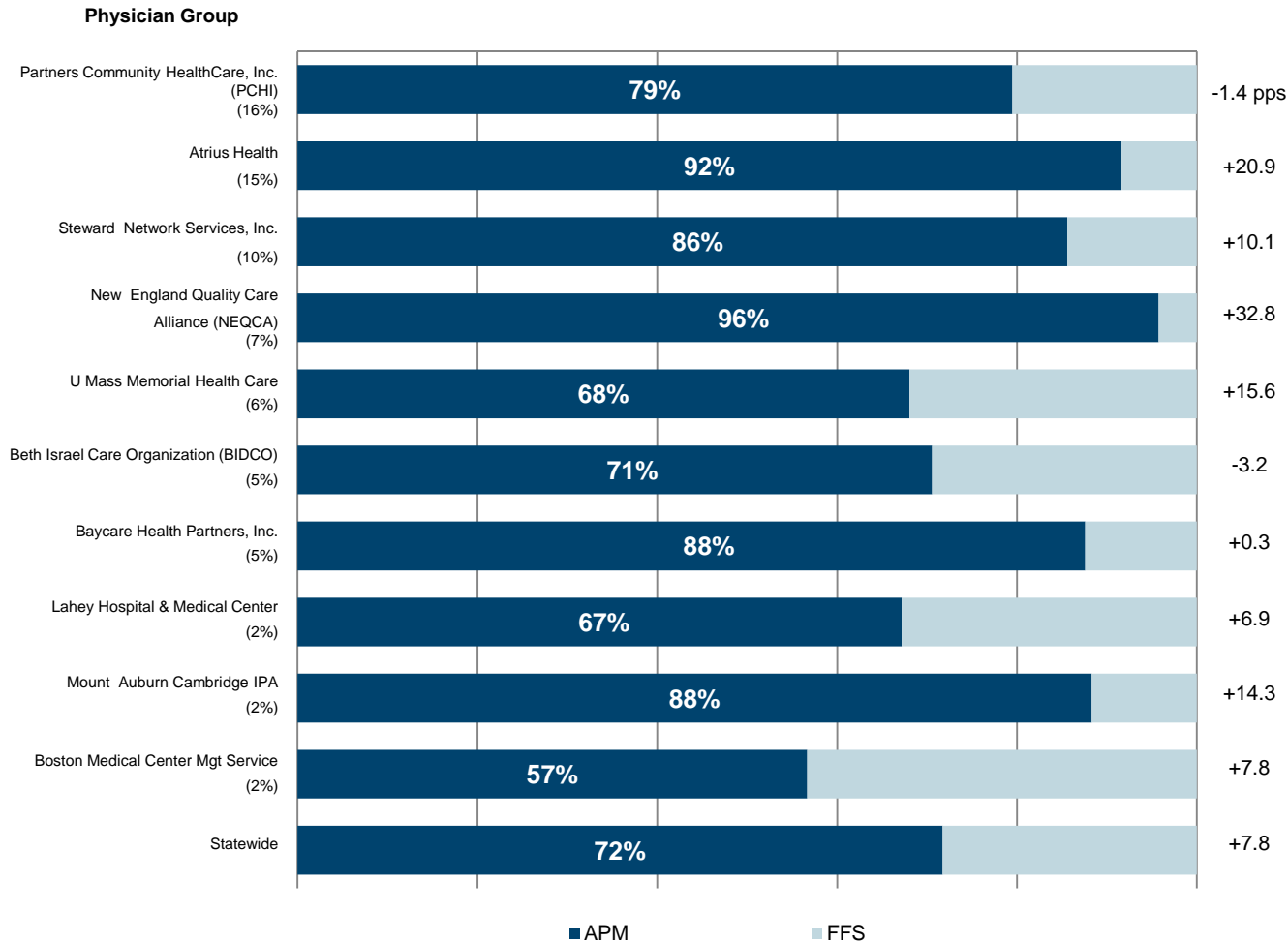
Global Payment Adoption and Risk, by Insurance Category, 2014



Among commercial and Medicare Advantage payers, most members under global payment arrangements were covered by contracts where providers assumed both upside and downside risk (88% and 98%, respectively).

A slightly smaller share of members under MassHealth MCO global payment arrangements were covered by contracts involving two-sided risk (76%).

Proportion of Commercial HMO Members under APMs for the Ten Largest Physician Groups, 2014

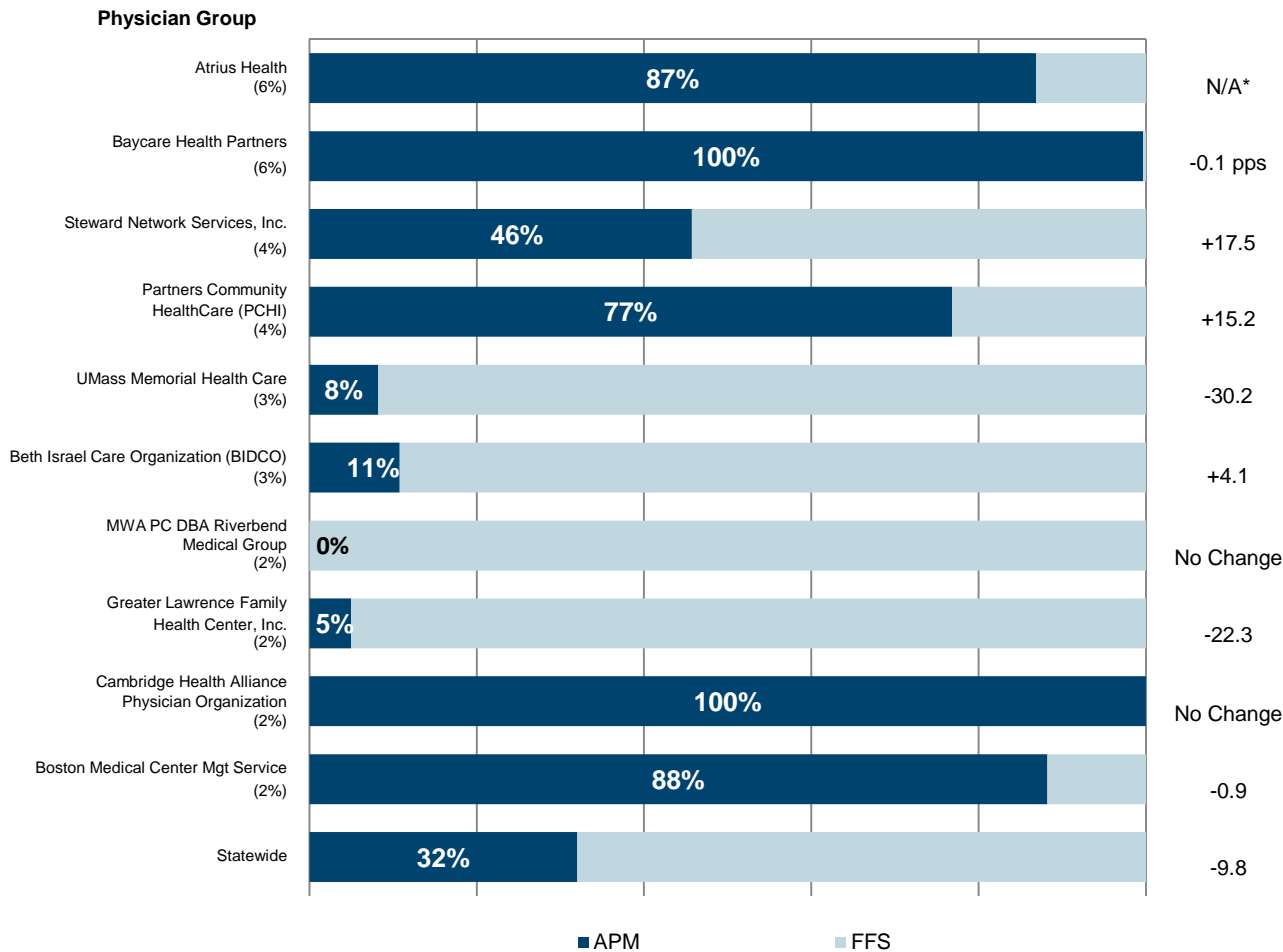


APM adoption varied across the largest physician groups in the commercial HMO market, from a low of 57% (BMC Mgt Service) to a high of 96% (NEQCA).

Most of the largest physician groups experienced increases in APM adoption within HMO products between 2013 and 2014. Exceptions included PCHI (-1.4 percentage points) and BIDCO (-3.2 pps).

Note:
Figure includes the largest physician groups according to share of total Commercial HMO member months in 2014.

Proportion of MassHealth MCO Members under APMs for the Ten Largest Physician Groups, 2014



APM adoption varied across the largest physician groups in the MassHealth MCO HMO market, from a low of 0% to a high of 100% (Baycare Health Partners and Cambridge Health Alliance Physician Organization).

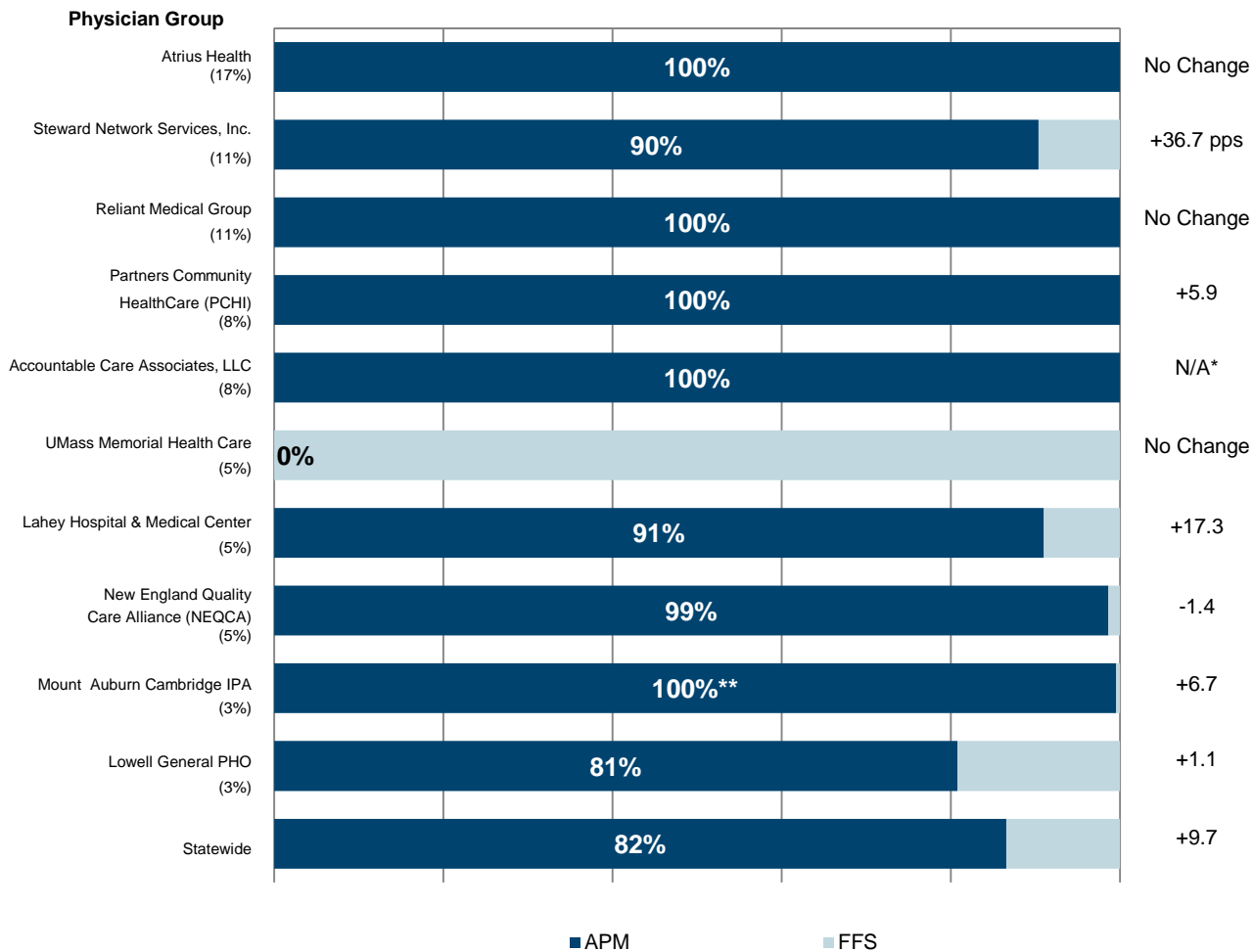
Changes in APM adoption from 2013 to 2014 varied across physician groups, from a low of -30.2 percentage points (UMass Memorial Health Care) to a high of 17.5 pps (Steward).

Notes:

Figure shows the largest physician groups according to share of total MassHealth MCO HMO member months in 2014.

*Due to changes in local practice groups, Atrius Health data is not comparable between 2013 and 2014 for MassHealth MCOs.

Proportion of Medicare Advantage Members under APMs for the Ten Largest Physician Groups, 2014



Percentage point (pps) change in total APM adoption rate, 2013-2014

APM adoption was high (>80%) among nearly all of the largest physician groups in the Medicare Advantage HMO market.

Most of the largest physician groups experienced increases in APM adoption within HMO products between 2013 and 2014. Steward Network Services had the largest increase (+ 36.7 percentage points).

Notes:

Figure shows the largest physician groups according to share of total Medicare Advantage HMO member months in 2014.

*Accountable Care Associates was not reported by Medicare Advantage payers in 2013.

**APM adoption for Mount Auburn Cambridge IPA was 99.55%, which rounded up to 100% for labeling purposes. This is why a small FFS segment is visible in the chart.

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