



June 10, 2024

Chiquita Brooks-LaSure, Administrator
Centers for Medicare and Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

Re: Comments on the FY 2025 Inpatient Prospective Payment System and Long-Term Care Hospital Prospective Payment System Proposed Rule [File code CMS–1808–P]

Dear Administrator Brooks-LaSure:

Arnold Ventures welcomes the opportunity to comment on the Centers for Medicare and Medicaid Services (CMS) “FY 2025 Hospital Inpatient Prospective Payment System (IPPS) and Long-Term Care Hospital Prospective Payment System (LTCH PPS) Proposed Rule” that was published in the Federal Register on May 2, 2024.

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our work on provider payment reform aims to reorient the health care system toward delivering higher quality, less costly care that improves health outcomes. A primary focus is accelerating the adoption of population-based payment models which give providers greater flexibility to deliver the care their patients need while holding them accountable for quality and total cost of care. Testing innovative approaches aimed at improving efficiency – including total cost of care models and approaches that can work in coordination with them – presents an important opportunity for CMS to shift providers away from fee-for-service payment, which often results in inefficient and inequitable care.

We want to thank the agency for its important work to improve the Medicare program, given your many competing priorities, and for the opportunity to provide input. Our comments focus on the Transforming Episode Accountability Model (TEAM), a mandatory model from the Center for Medicare and Medicaid (CMMI) that will test whether episode-based payments for five high-cost procedures reduce Medicare spending while maintaining or improving quality of care. We support the inclusion of mandatory models in CMMI’s portfolio of alternative payment models, including the TEAM model. In what follows, we discuss the importance of having mandatory models.

Mandatory models play an important role in CMMI’s portfolio of models

The Affordable Care Act established CMMI in 2010 to design and test innovative payment and delivery system reforms intended to reduce costs and improve quality of care in the Medicare, Medicaid, and CHIP programs. A key aspect of CMMI’s legislative mandate is to generate evidence on the extent to which new models are able to maintain quality while reducing costs or improve quality without increasing costs. The evaluation of CMMI models is a statutory requirement and necessary for determining whether new models meet criteria for expansion via certification by CMS’s chief actuary.¹

¹ [Patient Protection and Affordable Care Act of 2010](#), Pub. L. No. 111-148, 124 Stat. 119. 2010.



Mandatory models are important because they have several design features that enable more robust evaluation than voluntary models. First, mandatory models enable the construction of stronger methodological approaches to evaluation which enhance the validity of results. Because participation in voluntary models is not random and these models are prone to selective participation effects, it is more difficult to evaluate their effects. For example, if participants in voluntary models are atypical, it can be challenging to determine whether any observed difference in outcomes between participants and the comparison population is due to the model rather than underlying, unobserved differences in the two populations. In mandatory models, by contrast, the models are tested on a more representative set of participants, which allows for rigorous evaluation and enhances the generalizability (external validity) of the results.^{2,3,4} Second, mandatory models are often tested on a greater number of participants. Larger sample sizes can enable impacts from the model to be seen more clearly and can generate more precise estimates of the model's effects. Lastly, in a voluntary model, the evaluation may not capture systemic effects that would occur if all providers within a market were to participate (as occurs in a mandatory model) instead of only certain providers in each market.⁵

Mandatory models enable stronger designs with the potential to generate greater overall savings

A key challenge with voluntary models is that they must be designed to encourage and sustain voluntary participation while also creating strong incentives for participants to redesign care delivery and generate savings to the government. This tension and selective participation into models limit the ability to test models with stronger financial incentives and more risk and can reduce models' ability to generate overall cost savings to the system and the Medicare program. A recent Congressional Budget Office report on the budgetary effects of CMMI noted that CMMI may be able to achieve larger savings if it shifted from voluntary to mandatory models.⁶

Another challenge with voluntary models is selective participation – that is, the participation of providers that expect to benefit financially from the model. This includes greater participation among providers who may be able to benefit without having to change behavior because of where the benchmarks or target prices are set. This concern has been well-documented by academic researchers and experts. The Medicare Payment Advisory Commission (MedPAC) has noted that providers in voluntary models tend to be the ones more likely to benefit financially (e.g., receive shared savings) and those who choose not to participate tend to be more likely to experience financial penalties.⁷ In the voluntary Medicare Shared Saving program, for example, much of the growth in government savings from the program has been an artifact of selective participation (that is, the entry and exit of accountable care organizations (ACOs)

² Liao JM., Pauly MV., Navathe AS. [When Should Medicare Mandate Participation In Alternative Payment Models?](#) Health Affairs, Vol 39(2). Feb 2020.

³ Gronniger T., Fiedler M., Patel K., Adler L., Ginsberg P. [How Should the Trump Administration Handle Medicare's New Bundled Payment Programs?](#) Health Affairs Forefront. April 2017.

⁴ Levy S., Bagley N., Rajkumar R. [Reform at Risk-Mandating Participation in Alternative Payment Plans.](#) New England Journal of Medicine, 378(18). May 2018.

⁵ Liao JM., Pauly MV., Navathe AS. [When Should Medicare Mandate Participation In Alternative Payment Models?](#) Health Affairs, Vol 39(2). Feb 2020.

⁶ Congressional Budget Office. [Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation.](#) September 2023.

⁷ Medicare Payment Advisory Commission. [Chapter 2: Streamlining CMS's Portfolio of Alternative Payment Models.](#) June 2021.



based on their established spending compared to their benchmarks).⁸ Similarly, there was selective participation in CMMI’s earlier episode-based payment model, Comprehensive Care for Joint Replacement, when hospitals were given the opportunity to opt out of the mandatory model about halfway through. An economic evaluation found that when hospitals were allowed to opt out, the main driver of continued participation was whether the hospital was more likely to benefit financially without any change in behavior.⁹ To avoid this issue, MedPAC has expressed support for a national mandatory episode-based payment model, which would ensure all relevant providers and beneficiaries are included.¹⁰

Setting benchmarks and target prices and implementing models with greater financial risk or stronger savings incentives is also more challenging in a voluntary model.¹¹ The design of these model features needs to be balanced against participation incentives generous enough to attract providers into the model, including higher cost providers with the greatest potential to generate savings to the system. Balancing these considerations likely results in models that are more favorable to providers and limits the likelihood the model reduces costs and generates savings to the government.

Mandatory models enable broader and more equitable reach

Voluntary models may face limited participation and selection effects that limit broad and equitable reach to patients. Mandatory models, by contrast, have the potential for greater geographic reach that captures a wider variety of providers and more representative patient populations.^{12, 13} The potential for wider reach to patients under mandatory models can enhance equity by ensuring a greater diversity of patients have access to care delivery changes intended to improve patient care and outcomes such as enhanced coordination across providers.

Conclusion

Thank you for the opportunity to comment on the proposed rule. Please contact Erica Socker at esocker@arnoldventures.org and Mark Miller, Arnold Ventures’ Executive Vice President of Health Care, at mmiller@arnoldventures.org with any questions.

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⁸ McWilliams JM., Chen AJ. [Understanding The Latest ACO “Savings”: Curb Your Enthusiasm and Sharpen Your Pencils—Part 1 | Health Affairs](#). Health Affairs Forefront. November 2020.

⁹ Einav L., Finkelstein A., Ji Y., Mahoney N. [Voluntary Regulation: Evidence from Medicare Payment Reform](#). The Quarterly Journal of Economics, Vol 137(1). Feb 2022.

¹⁰ Medicare Payment Advisory Commission. [Chapter 2: Streamlining CMS’s Portfolio of Alternative Payment Models](#). June 2021.

¹¹ Congressional Budget Office. [Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation](#). September 2023.

¹² Liao JM., Pauly MV., Navathe AS. [When Should Medicare Mandate Participation In Alternative Payment Models?](#) Health Affairs, Vol 39(2). Feb 2020.

¹³ Liao JM., Kilaru AS., Joo JH., Crowley AP., Navathe AS. [Equity Through Episode-Based Payment: Features Of The Transforming Episode Accountability Model](#). Health Affairs Forefront. May 2024.