CMS' AHEAD Model

The Maryland Model Moves Cross-Country, Aiming for Transformative Impact

Building off the quantitative success of all-payer hospital models like Maryland, coupled with directives to improve health equity in U.S. healthcare, the Centers for Medicare and Medicaid Services (CMS) will be opening applications for up to 8 states to become part of the 11-year All-Payer Health Equity Approaches and Development (AHEAD) pilot program.

When the AHEAD model is implemented in a state, it will fundamentally change a hospital's business model and strategy. Health systems should begin to evaluate the opportunity within this program and size the impact it could have for their organization, should their state participate. Specifically, a health system's evaluation should inform potential revenue effects, up-front lobbying efforts, and strategic planning implications of such a dynamic shift in the payment landscape.

The Key Features of the AHEAD Model

- **CMS is requesting applications for up to 8 states to join a variation of the established Maryland all-payer model that will run from 2024-2034.** The application period runs through spring of 2024, with pre-implementation running from July 2024 through December 2026, depending on state readiness. Each state participating will receive $12 million per year in funding from CMS to stand up and administer the program.
- **The flagship model in the rule is the hospital global budget (HGB) program.** It seeks to create a single budget for Medicare Fee for Service (FFS), Medicare Advantage, Medicaid, commercial, state employee health plans, and Marketplace-qualified health plans. This effectively creates a blended, single market rate (an "all-payer" rate). The AHEAD program's objective is to improve the total health of a state population and lower costs, curbing cost growth and advancing health equity by reducing disparities in health outcomes. Creating a single, blended rate will ensure equity among care delivery across populations and reduce rate growth shifting between payer classes.
- **Along with the hospital program, CMS has proposed a Primary Care AHEAD program.** Specifically focused on advancing primary care programs, this program will include a prospective per-beneficiary payment directly to physicians (including federally qualified health centers) that includes prescriptive practice transformation requirements.
- **CMS is leaving a considerable number of critical model design decisions to the states.** For example, the methodology for developing these blended capitation payment rates is left up to the states if they are experienced in doing so, but it will default to CMS's own FFS global budget methodology if not. This will likely create thematically similar but structurally different AHEAD models during the pilot period.
- **CMS is ensuring private payer participation through incentives and compulsion.** CMS is mandating that at least 1 private payer participate by 2026 for each state chosen and has created incentives for others to do so voluntarily, specifically in the hospital global budget model. Participating states would be accountable for state-specific Medicare and all-payer cost growth, primary care investment targets, and population health outcomes.

What This Means for Provider Organizations

The AHEAD model will initially start out as an opt-in and narrowly targeted (8 states) program, which will limit the overall impact to healthcare organizations. However, we believe there are 2 considerations for organizations in these states to contemplate as a result:

Consideration #1:
There may be meaningful opportunity in proactively participating in the early pilots.

- Applying states will need a participating hospital or health system network. Hospitals and health systems in states that apply will need to assess their willingness and ability to manage against a total cost of care.
- Hospital/health system participation in AHEAD will provide predictable but capped annual revenue for attributed lives across all payers. Early participation may provide non-financial benefits as well, such as early learnings from the new model and a voice in shaping the final version of a more permanent nationwide model.

Consideration #2:
Participation will likely be compulsory over the long-term, given CMS's success with the focused all-payer pilot in Maryland and prior pilot rollouts, such as the ESRD carve-in.

- Given current and predicted CMS financial challenges, coupled with the real need to improve health equity across the country, it's reasonable to hypothesize that AHEAD is the initial foray into fundamental transformation of the U.S. hospital financial model.
- The implications will be profound: Loss of ability to negotiate payment rates for hospital services with payers with the value of services determined by the state and a profit dynamic that shifts from increasing utilization and payer-specific market share to management of utilization and lowest-cost effective setting.

What Provider Organizations Need to Do Now

The model is light on details and raises more questions than answers in terms of how it will be designed and rolled out by state or region. Additionally, the design flexibility CMS is granting individual states likely points to 8 distinct models during the pilot. However, there are things provider organizations can do today to stay ahead of changes precipitated by this model.

- **Internal assessment:** Assign an internal resource to lead efforts on the AHEAD program. Understand your organization's opportunities in a rate-neutral and capitated payment environment. Size the financial impact to the organization and begin to understand how these changes affect strategic planning.
- **Regulatory outreach:** Engage state officials to gauge interest and willingness to participate in AHEAD. The tenor of engagement will depend on the internal analysis of the opportunities or risks to the system.
- **Proactive planning:** Develop a mirrored strategy to the organization's approved enterprise strategic plan that contemplates a fully capitated, rate-neutral environment. Assess how strategic or investment decisions change as a result.

We Can Help.

Contact us to learn more about how the AHEAD program may create opportunities or present new risks for your health system.

Nick Herro
Director
nherro@chartis.com

Steve Prosser
Principal
sprosser@chartis.com

CHARTIS