A model for healthcare transformation: Delivery system reform incentive payments program

Healthcare costs in the United States account for more than 17 percent of the nation’s gross domestic product, with those costs expected to climb to nearly 20 percent in the near future, making the U.S. healthcare system the most costly in the world.\(^1\) Contributing to the rising costs are a rapidly aging population and chronic health problems being addressed through a fragmented care delivery system.\(^2\) Recognizing the need to improve the nation’s care delivery system, states across the country are currently exploring ways to embrace and implement the “Triple Aim” approach adopted by the Centers for Medicare and Medicaid Services (CMS) for achieving healthcare system redesign, which includes improving the health of the population, improving patient outcomes and experiences, and reducing per capita cost of healthcare.

Some of the most significant efforts to date represent major federally driven transformations of the care delivery and the payment systems that underpin healthcare in the United States. There is a wide range of current opportunities for states to explore related to transformation, including Statewide Innovation Model (SIM) grants. These initiatives provide support to states for the development and testing of state-based models for multipayer payment and healthcare delivery transformation in an effort to realize the three dimensions of the Triple Aim and improve health system performance for residents in participating states. In addition to these sizable efforts, many states are leveraging the Section 1115 Demonstration Waiver, and specifically, Delivery System Reform Incentive Payments (DSRIP). While healthcare system transformation efforts across the country range in size and scope, from targeted pilot demonstration projects to massive sweeping reform initiatives, healthcare reform is in full swing.

**DSRIP overview**

The DSRIP program is being implemented through the CMS Section 1115 Demonstration Waiver process, and was developed to address critical healthcare issues throughout a participating state and allow and enable the comprehensive reform and transformation of the healthcare delivery system. DSRIP serves as the mechanism for participating states to reward providers for the successful implementation of reform efforts. States design and implement new projects or fund existing projects that are geared towards achieving the Triple Aim. Ultimately, states work to achieve or surpass baseline metrics through measurable outcomes, and meet specific milestones to access the funds. Currently, seven states have approved DSRIP projects, including California, Kansas, Massachusetts, New Jersey, New Mexico, New York, and Texas. Alabama has submitted an Section 1115 Demonstration Waiver for CMS approval. In the seven approved waivers, CMS has allowed for a significant amount of flexibility for each state to tailor the respective DSRIP programs to the specific local needs of each state.

While each state designed a unique DSRIP program, all of the programs are focused on measurable outcomes based on a set of metrics, for example, reducing avoidable hospital

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2. Issues in International Health Policy. The Commonwealth Fund, May 2012.
admissions, which must be established in advance of program approval. These metrics are subsequently used to assess the success of the programs and dictate payment. According to the Section 1115 Demonstration Waiver, DSRIP programs must be budget neutral, and all of the states must identify a state source of funding to match federal money provided by CMS. Originally, DSRIP was more singularly focused on safety net hospitals, which are distinguished by the commitment to provide access to care for people with limited or no access to healthcare due to financial circumstances, insurance status, or health condition. However, as the program has evolved, the focus has expanded to accommodate more sweeping reform efforts including a focus on community-based providers, a more standardized option of project selections, and a more prominent focus on payment reform. There are indications that the more recent DSRIP approvals, including New York State, which has a clear focus on full system transformation and payment reform, may signal where the DSRIP programs are headed.

**Considerations of delivery system reform**

A DSRIP program represents a fundamental transformation of a state’s healthcare delivery system and subsequent payment structure. In order to achieve a complete transformation and reform of their care delivery system, states are considering a number of essential elements. The elements include:

- **Innovative payment reforms:** Reforming the manner in which healthcare services are financed is a foundational element to achieving long-term and sustainable healthcare transformation. Aligning the payment model with performance metrics will support a shift towards a value-based payment model while moving away from a fee-for-service model, ultimately, rewarding value over volume. Streamlining the payment system is a key to achieving sustainable system reform. Payment systems may be fractured with numerous requirements for varying payment types. In many cases, requirements such as policies, utilization, coverage, and attribution are redundant, conflicting, or burdensome. The challenge is to achieve some level of consistency among contracts while not being overly prescriptive, so as to restrict innovation.

- **Consistency in performance metrics:** Having a uniformly applied set of metrics by which an entity’s transformation can be assessed is crucial to achieving healthcare reform. In addition, states are highlighting transparency in producing and administering the metrics, intended outcomes, and existing infrastructure to support an organization’s ability to achieve the desired outcomes. States are measuring success over a set of milestones, which may vary in scope and complexity.

- **Information technology and population health:** Planning for and proactively and effectively managing population health will require strategic information technology planning, including discussion on data sharing and privacy protection. In addition, paying for achievement of outcomes and performance means developing transparent and easy to access, timely data.

- **New workforce strategies:** Depending on the goals of a state’s healthcare reform effort, transformation may encourage a shift in workforce from one sector of healthcare delivery services to another, for example, from hospital or in-patient care to primary care. This integrated system will require collaboration and communication across multiple service types spanning the entire care continuum. Based on population healthcare needs and the intended outcome of their transformation program, states are encouraging program participants to develop workforce strategies that identify professions needing to be redeployed, retrained, and those requiring increased staffing. States’ workforce strategies have included, but are not limited to, behavioral health, long-term care, emergency room care, substance abuse, development disabilities, as well as administrative professionals and pharmacies.

- **Role of state government:** To support the successful transformation, state governments are learning the regulatory impacts and level to which regulatory changes are necessary, supporting IT improvements in healthcare technology, and leveraging data to inform policy decision making. State governments are also supporting wide collaboration among stakeholders to include providers, payers, consumers, trade organizations, and experienced transformation advisers.

- **Collaborative learning and infrastructure:** To the greatest extent possible, lessons learned, leading practices, and existing infrastructure are being leveraged to facilitate the successful transformation of the healthcare delivery system. Common administrative functions and IT infrastructure are two of the elements that may be shared among stakeholders in a delivery system reform effort. However, leveraging healthcare domain innovators to highlight program successes is one method to support the reform effort while championing the successful work of advanced stakeholders.

- **Technical assistance to leaders of healthcare reform and practice sites:** Healthcare transformation is a massive undertaking that affects multiple disciplines and services. To achieve a successful transformation, states have utilized technical support throughout their project application and implementation efforts. Healthcare reform will require technical assistance in areas to include but not limited to project management, clinical governance and IT strategy, governance, finance, and workforce.
**Happening across the nation**
Since California’s approval in 2010, six additional states have approved DSRIP programs, and Alabama’s request is pending CMS approval. While all were designed and implemented differently, at their core they are focused on meeting the Triple Aim. A brief summary of each state’s DSRIP program is included below.

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<th>State</th>
<th>Program Details</th>
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<td><strong>California</strong></td>
<td>The first DSRIP program approved in 2010, California’s 21 designated public hospitals received DSRIP payments in exchange for meeting preset milestones of the 12–19 projects in five major focus areas. The total DSRIP funding is $6.67 billion over five years.</td>
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<td><strong>Massachusetts</strong></td>
<td>Massachusetts’s project, called Delivery System Transformation Initiative (DSTI), was approved in 2011. The program is focused on developing integrated delivery systems to improve care coordination and develop patient-centered medical homes. The DSTI is led in seven safety net hospitals totaling $628 million over three years.</td>
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<td><strong>Texas</strong></td>
<td>Texas’s program is centered on the creation of Regional Healthcare Partnerships, anchored by public hospitals that selected from a menu of projects, which resulted in 1,277 active projects aimed at supporting coordinated care and quality improvements through 20 Regional Healthcare Partnerships. The Texas DSRIP programs total $11.4 billion over five years.</td>
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<td><strong>New Jersey</strong></td>
<td>Approved in 2012, all acute care hospitals in New Jersey are eligible to participate in the $166.6 million DSRIP program. Hospitals may qualify to receive incentive payments for implementing quality initiatives within their community and achieving measurable, incremental clinical outcome results demonstrating the initiative’s impact on improving the New Jersey healthcare system.</td>
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<td><strong>Kansas</strong></td>
<td>Approved in 2013, the DSRIP program is a smaller program at $60 million, with two eligible hospitals including a large public teaching hospital (University of Kansas) and a children’s hospital (Children’s Mercy). Both hospitals need to implement two projects out of ten focus areas that have the potential to impact population health on a statewide basis.</td>
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**New Mexico**
Approved in 2014, New Mexico’s $29 million venture is another smaller program. New Mexico’s DSRIP program is limited to sole community providers and state teaching hospitals; protocols are still in development, but each provider has its own set of projects.

**New York**
Approved in 2014, New York’s program is focused on reducing hospital use by 25 percent over five years. This $6.92 billion initiative focuses on safety net hospitals and others who will need to implement between 5 and 11 projects centered on delivery integration and population health management.

**Alabama**
The state recently submitted a Section 1115 Demonstration Waiver including DSRIP. In the DSRIP program plans submitted, Alabama will create Regional Care Organizations, which will be responsible for coordinating care for all Medicaid recipients.

**A final thought**
As it continues to evolve, DSRIP represents a significant undertaking for states. States must develop detailed plans and methodologies with a clear focus on well thought-out objectives. It remains one of the most substantial avenues to implementing meaningful whole system delivery reform. Additionally, delivery system transformation represents a foundational step in a longer journey towards payment reform. Delivery system transformation and payment reform will likely establish a sustainable shift toward improved quality of care, improved population health, and reduced costs, creating the healthcare system of tomorrow.
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