



Governor's Office of Health Transformation

John R. Kasich, Governor

Greg Moody, Director

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Ohio Receives Federal Grant to Advance Health Care Payment Innovation

Funds will support ongoing state efforts to pay for value, improve care

COLUMBUS – Greg Moody, director of the Governor's Office of Health Transformation (OHT), today announced that Ohio has received a competitive federal award to accelerate the state's work to improve overall health system performance through payment innovation and service delivery improvements. The \$3 million State Innovation Model (SIM) Design Award will be used to develop and implement evidence-based health care strategies that improve the health of individuals rather than simply treat disease.

"In many ways, health care payment systems are designed to reward volume and not value," said Director Moody. "This results in higher costs but without a corresponding improvement in quality. Rather than letting our current health care payment systems continue to drain the value out of the care we buy, Ohio is working to implement innovative payment models that will create expectations of better care and deliver improved health outcomes. Our goal is to promote wellness and prevention through effective, patient-centered care that meets the health needs of individuals and creates a healthy and productive workforce."

Ohio will use the SIM grant to develop a comprehensive plan to expand the use of patient-centered medical homes (PCMH) and episode-based payments for acute medical events to most Ohioans who receive coverage under Medicaid, Medicare and commercial health plans. The Governor's Office of Health Transformation will lead the design team in partnership with the Governor's Advisory Council on Payment Innovation, which includes representatives from prominent Ohio employers, health plans, health systems and consumer advocates. The design phase will last six months and conclude with a plan to implement both models statewide.

"Governor Kasich created the Office of Health Transformation to help reform Ohio's health care payment and delivery systems, and this award is an opportunity to significantly improve overall health system performance," said Moody. "We have already made great strides, and we look forward to working with our public- and private-sector partners to take another leap forward."

"We applaud Governor Kasich for his leadership on this important issue," said David Blom, OhioHealth President and CEO. "Transforming our health payment systems will require a collaborative effort by payers, providers and health care consumers, and we look forward to participating in this important project under the leadership of the Governor's Office of Health Transformation."

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“Stepping forward to lead the transformation of our health payment systems requires a collaborative and supportive effort by the state and federal government, health insurance and care management organizations, health care providers and health care consumers,” said Michael Barnhart, Ohio’s AARP state president. “AARP is appreciative of the Governor providing us the opportunity to serve. Issues such as this are extremely important to all our members. I look forward to participating fully in this important project and working collaboratively with the Governor’s Office of Health Transformation.”

Ohio has already taken significant steps to increase the use of PCMH, a primary-care-based model that stresses patient-centered care, care coordination and integration, quality and safety and enhanced access. Cleveland, Columbus and Cincinnati have all developed multi-payer PCMH pilots, and the state has funded the PCMH Education Pilot Project to provide technical assistance to convert 50 primary care practices in underserved areas to PCMH status and use those sites for training in advanced primary care.

Episode-based payments, in which payment is based on an individual’s acute medical event rather than a series of services linked to treating that event, directly reward providers for high-quality, patient-centered, cost-effective care in the right setting. The payment methodology promotes care coordination, evidence-based approaches, appropriate settings of care and value-conscious use of diagnostics. Governor Kasich’s Jobs Budget (HB 153) authorized the state to update diagnosis-related groups for Medicaid payments to hospitals, which will lay the groundwork for future episode-based payment reforms.

Created by Governor Kasich in January of 2011, the Office of Health Transformation has launched a series of payment reform initiatives, [including a multi-payer care delivery system for Medicare-Medicaid enrollees](#), [health homes for Ohioans with a severe mental illness](#) and a [10 percent set-aside within the Ohio Medicaid nursing home rate that links payment to person-centered outcomes](#). In January 2012, [Ohio joined Catalyst for Payment Reform](#), an independent, national non-profit organization that leverages the collective strength of private- and public-sector health-care purchasers to achieve better value and quality in health care. [New contracts with Ohio’s Medicaid managed care plans](#) will increase expectations regarding the national performance standards that managed care plans must meet to receive financial incentive payments, and plans will be required to develop incentives for providers that are tied to improving quality and health outcomes for enrollees.

Ohio was one of 16 states to receive a SIM Design Award, but one of only two states (Idaho) to receive the maximum grant award of \$3 million. The state and its partners will contribute \$4.1 million in funding and in-kind resources for the design phase of the SIM project. For more information on Ohio’s design grant application and Ohio’s efforts to pay for health care based on value and not volume, see: <http://www.healthtransformation.ohio.gov/CurrentInitiatives/Payforhealthcarebasedonvaluenotvolume.aspx>.

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