



MISSOURI
RURAL HEALTH TRANSFORMATION

APM Materials

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What are APMs?

Alternative Payment Models (APMs), also known as **Value Based Payment (VBP)** or **Value Based Reimbursement (VBR)**, shift payments to providers from fee-for-service to rewards for achieving outcomes, such as improvements in patient quality, clinical outcomes, experience, and/or total cost of care

Fee-for-service (FFS)



Payment per unit of service delivered



Creates incentives to increase the volume of services



- Potential to incentive overutilization
- Implicit "penalty" for reducing utilization
- Subject to revenue volatility based on fluctuations in patient volume

Alternative payment models (APM)



Rewards for quality of care, experience, and/or management of cost/utilization



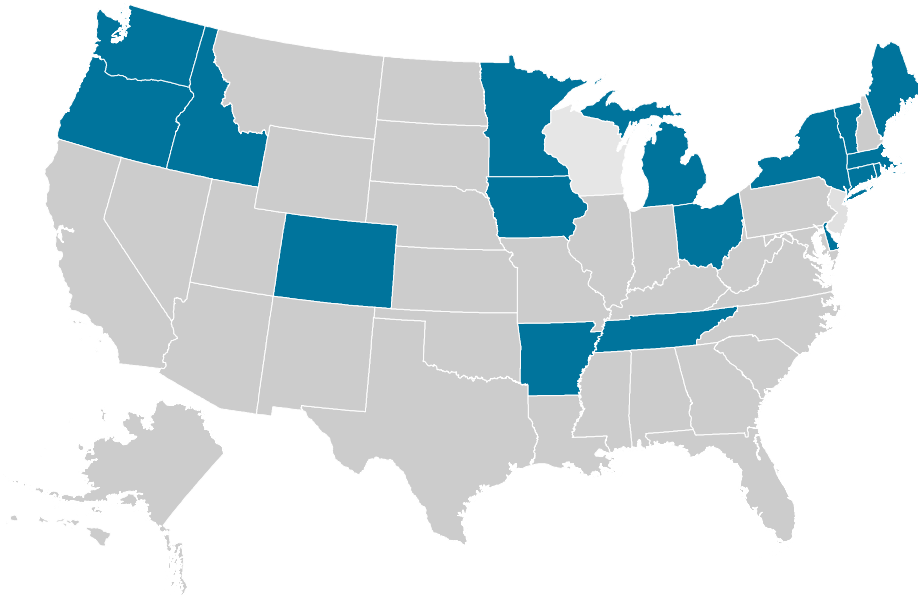
Creates incentives for improvements and/or achievement of better performance



- Creates incentive for better performance
- May offset costs from care management or other investments not otherwise reimbursed
- May stabilize income at lower volume

APM adoption has expanded over the past decade – Medicaid example

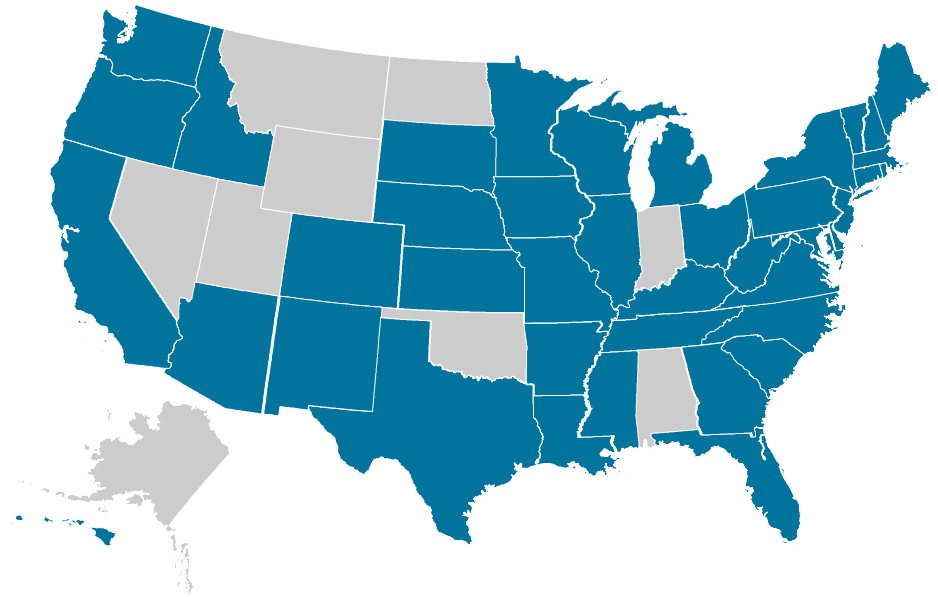
Initial State Innovation Model test grants



2014

Select State Innovation Model Grants

State models, plus other forms of APM design



Today

Most states have some form of APM innovation

Source: [SIM Grant Round 1](#), [SIM Grant Round 2](#), [KFF: States Reporting Medicaid Managed Care Requirements for APMs \(2022\)](#), [State Requirements for MCOs to Implement VBP Models \(2022\)](#), State Medicaid websites

There are different potential APMs models, each with unique features

Group 1

1
Pay-for-performance

2
Additional per member per month (PMPM) payments

Group 2

3
Shared savings models (upside only)

4
Two-sided risk

Group 3

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Capitation

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Primary care capitation

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Hospital global budgets

Group 4

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Episode-based / bundled payments

Group 1: Pay-for-Performance and per member per month (PMPM)

	<u>Typical eligible providers</u>	<u>Scope of accountability</u>	<u>Upside / downside</u>	<u>Illustrative clinical opportunities</u>
<p>1 Pay-for-Performance Bonuses or penalties based on quality, utilization, and/or cost performance</p>	<ul style="list-style-type: none"> • Hospitals • PCPs • Specialists 	<ul style="list-style-type: none"> • Subset of services delivered by the participating provider 	<ul style="list-style-type: none"> • Often "upside" bonuses only • Sometimes "downside" penalties 	<ul style="list-style-type: none"> • Improve adherence to evidence-based care • Improve outcomes • Reduce avoidable utilization or cost
<p>2 Per member per month (PMPM) payment in addition to fee-for-service Fixed monthly payment per patient to support activities like care coordination or other activities not covered by fee-for-service payments</p>	<ul style="list-style-type: none"> • PCPs • Care management entities 	<ul style="list-style-type: none"> • Care management and/or other services delivered by the participating provider 	<ul style="list-style-type: none"> • Typically "upside" as incremental revenue • May be predictable based on volume or contingent on performance 	<ul style="list-style-type: none"> • Expand care coordination and outreach • Improve chronic disease management • Support non-billable activities

Group 2: Shared savings and two-sided risk models

	Typical eligible providers	Scope of accountability	Upside / downside	Illustrative clinical opportunities
<p>3 Shared Savings Models (upside only) Share in savings if costs are below a target; no penalties / loss sharing if costs are above target</p>	<ul style="list-style-type: none"> • PCPs • Integrated delivery systems • ACOs or other joint ventures including PCPs 	<ul style="list-style-type: none"> • Total cost of care for attributed members, including care delivered by other providers 	<ul style="list-style-type: none"> • Upside (bonuses) only 	<ul style="list-style-type: none"> • Improve chronic disease management • Reduce avoidable utilization • Shift care to lower-cost settings
<p>4 Two-Sided Risk Share in savings if costs are below target; share in losses if costs are above target</p>	<ul style="list-style-type: none"> • Advanced ACOs • Integrated health systems • Mature value-based organizations 	<ul style="list-style-type: none"> • Total cost of care for attributed members, including care delivered by other providers 	<ul style="list-style-type: none"> • Upside (bonuses) and downside (penalties) 	<ul style="list-style-type: none"> • Improve chronic disease management • Reduce avoidable utilization • Shift care to lower-cost settings

Group 3: Capitation and global budgets models

	<u>Typical eligible providers</u>	<u>Scope of accountability</u>	<u>Upside / downside</u>	<u>Illustrative clinical opportunities</u>
<p>5</p> <p>Capitation Fixed payment per patient to cover most or all care needs</p>	<ul style="list-style-type: none"> • Integrated delivery systems • IPAs or large group practices • ACOs or other JVs 	<ul style="list-style-type: none"> • Total cost of care for attributed members, including care delivered by other providers 	<ul style="list-style-type: none"> • Upside (providers retain any savings) • Downside (responsible for costs above capitation rate) 	<ul style="list-style-type: none"> • Improve chronic disease management • Reduce avoidable utilization • Shift care to lower-cost settings
<p>6</p> <p>Primary care capitation Fixed payment per patient to cover primary care services</p>	<ul style="list-style-type: none"> • PCPs (whether independent or employed) 	<ul style="list-style-type: none"> • Primary care for attributed members 	<ul style="list-style-type: none"> • Upside (providers retain any savings) • Downside (primary care utilization may exceed expectations) 	<ul style="list-style-type: none"> • Improved screening and prevention • Improve chronic disease management • More efficient access to primary care including eVisits, telehealth
<p>7</p> <p>Hospital Global Budgets Fixed annual payment to a facility / network to cover all hospital services</p>	<ul style="list-style-type: none"> • Hospitals • Integrated delivery systems 	<ul style="list-style-type: none"> • Total hospital costs for attributed patients, typically including changes in care delivered by other hospitals 	<ul style="list-style-type: none"> • Upside (providers retain any savings) • Downside (responsible for hospital costs above expectations) 	<ul style="list-style-type: none"> • Improve chronic disease management • Reduce avoidable utilization • Shift care to lower-cost settings

Group 4: Episode-based / Bundled Payments

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Episode-based / bundled payments

Typical eligible providers

- Hospitals
- PCPs
- Specialists
- Post-acute care providers

Scope of accountability

- Total cost for a clinical episode, including care delivered by other providers

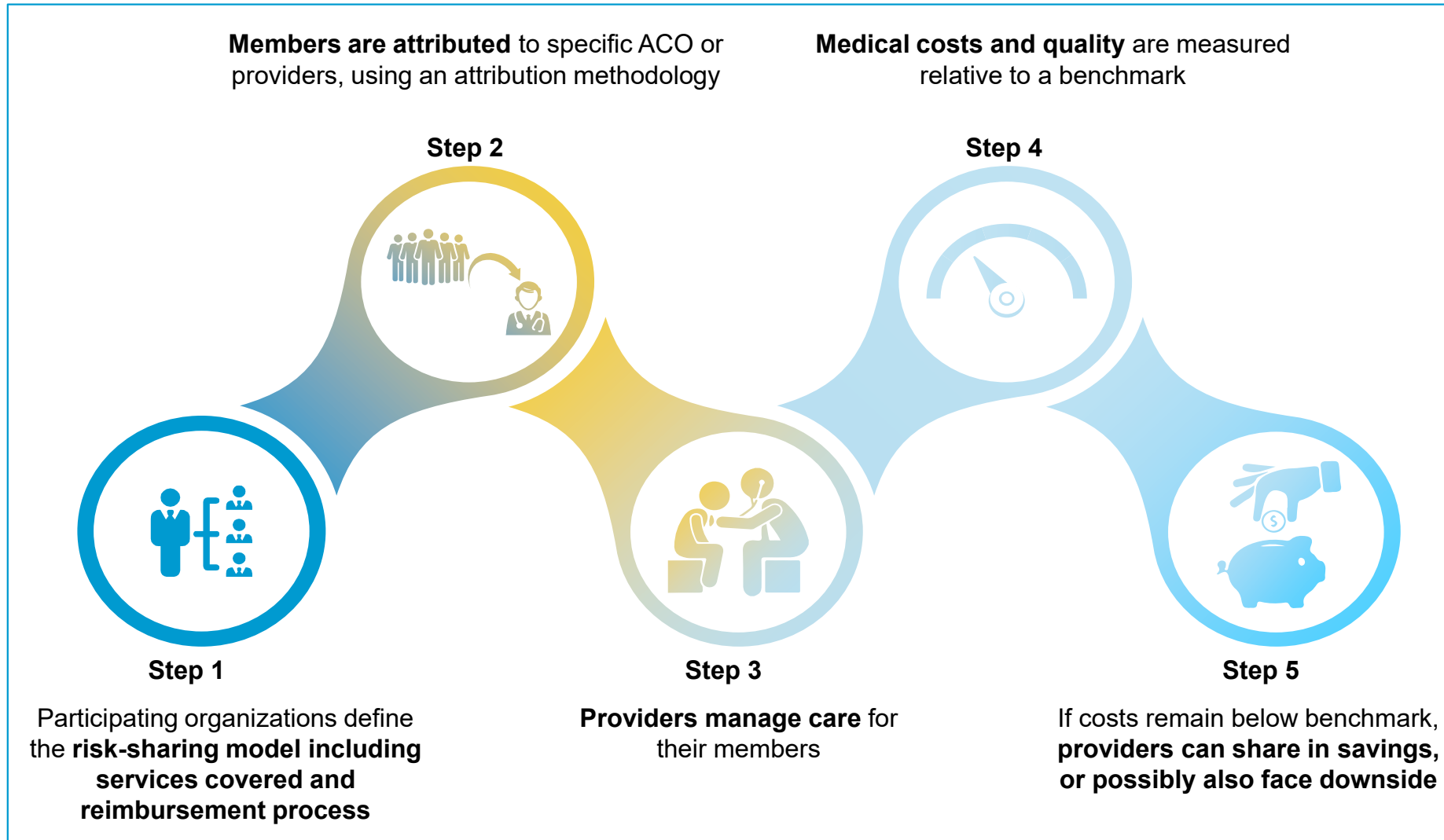
Upside / downside risk

- Upside (providers retain any savings)
- Downside (responsible for costs above target or budget)

Illustrative clinical opportunities

- Reduce avoidable utilization
- Shift care to lower-cost settings

Process of APM operationalization



Operational capacity for APMs

The survey asks about the potential functions and tools within your organization that could enable APMs

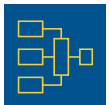
Potential functions



Patient engagement / population health management staff: Staff supporting patient outreach, care coordination, and population health activities



Quality improvement / performance management staff: Staff responsible for quality reporting, metric tracking, and performance improvement



Care model re-design staff: Staff focused on redesigning workflows and care delivery processes for value-based care



Data analytics / reporting staff: Staff responsible for analyzing and reporting clinical, operational, and financial data



APM management staff: Staff managing APM contracts, reporting, reconciliation, and operational oversight

Tools



EHR reporting tools: EHR-based dashboards and reporting used to track quality, utilization, and outcomes



Data warehouse / analytics platform: Integrated analytics tools used for benchmarking, reporting, and performance analysis



Population health management platform: Tools used for patient registries, risk stratification, outreach, and care gap management



Care coordination / referral platform: Platforms supporting referrals, transitions of care, and provider coordination



Spreadsheets / manual tracking: Manual tools used to track performance, outreach, attribution, and reporting activities