

September 2023

New CMS Model for States: States Advancing All-Payer Health Equity Approaches and Development

Overview

The Centers for Medicare & Medicaid Services (CMS) has announced a new voluntary, **state-based** total cost of care (TCOC) model called the States Advancing All-Payer Health Equity Approaches and Development Model or **AHEAD Model**. Through the AHEAD Model, CMS seeks to drive state and regional health care transformation and **multi-payer alignment** across Medicare, Medicaid, and private coverage, with the goal of improving the total health of a state population and lowering costs. This model will allow states to collaborate with CMS to curb health care cost growth, improve population health, and advance health equity by reducing disparities in health outcomes.

The AHEAD Model builds upon the work of existing state-based models, including the Vermont All-Payer Accountable Care Organization Model, the Maryland Total Cost of Care Model, and the Pennsylvania Rural Health Model (PARHM). Unlike these other programs that have operated in only a single state, CMS will implement AHEAD and its state-based TCOC approach concurrently across multiple states.

The model is scheduled to run for a total of 11 years, which is much longer than past value-based care models led by CMS, or even the State Innovation Model (SIM) initiatives that many states have overseen. This longer time horizon reflects recognition by CMS that a longer-term timeframe is warranted to allow states to implement new approaches and achieve meaningful improvements in health outcomes and cost savings.

Model Components

The AHEAD Model consists of three primary model components:

- **Cooperative agreement funding** from CMS to support initial investments for states to begin planning activities.
- **Hospital global budgets** to provide a fixed amount of revenue for a specific patient population, encouraging hospitals to eliminate avoidable hospitalizations. CMS envisions increased investments in primary care under AHEAD may generate savings on hospital global budgets over time.
- **Primary Care AHEAD** is the primary care component of the model and allows for alignment between Medicare and Medicaid efforts to transform primary care. The model aims to increase Medicare investment in primary care with the state.

The three main participants in the AHEAD Model (aside from CMS) include:

- **States** will work with CMS to implement the model within their state, or a specific region within the state. States will be responsible for achieving statewide quality and equity targets and will be held accountable for statewide targets across all payers. States will work with CMS to develop hospital global budgets and primary care transformation strategies.
- **Hospitals** will be offered prospectively set global budgets with incentives to manage population health and improve health outcomes, which can provide more stable and predictable funding than fee-for-service. Participating hospitals will be required to meet quality and health equity performance measures.
- **Primary Care practices** that participate in AHEAD will receive increased investments, including Medicare care management fees, and practices will be responsible for reaching performance goals on quality measures.

Health Equity Strategy

The AHEAD Model puts heavy emphasis on health equity, including parameters around a model governance structure to convene a wide range of perspectives to inform model activities and goals, a mandatory Statewide Health Equity Plan, and adjustments for social risk incorporated into hospital global budgets and Primary Care AHEAD payment methodologies.

Impact on States

Potential benefits of participation

The AHEAD Model provides states an opportunity to collaborate with CMS to curb health care cost growth, improve population health, and advance health equity by reducing disparities in health outcomes. Participating states will receive up to \$12 million over six years of cooperative agreement funding to support their participation in the model and can tap into enhanced Medicare investments and incentives for hospitals and primary care providers within their state.

CMS is accepting up to eight state participants in the AHEAD Model over two application periods in 2024. Selected AHEAD Model states will participate in one of three cohorts that allows for different timing for pre-implementation activities. The first round of applications are due in Spring 2024, and the second round is due in late 2024.

Mercer's Role

With expertise in Medicaid policy and rate setting, TCOC benchmarking and measurement, data analytics, quality measurement, clinical approaches to improve quality of care, and employer healthcare consulting, Mercer is well-equipped to assist states throughout the application and implementation processes. Our experience on related initiatives, such as the PARHM and SIM

initiatives in several states, can provide valuable insights and expertise for states interested in the AHEAD Model.

If you have questions specific to your state, please contact [Scott Katterman, FSA, MAAA, MPH](#), [Yelena Barzilla, LLB, LLM, CHC](#), or your specific state programs. You may also email us at: mercergovernment@mercerc.com.

Caveats and limitations

Mercer is not engaged in the practice of law, or in providing advice on taxation matters. This report, which may include commentary on legal or taxation issues or regulations, does not constitute and is not a substitute for legal or taxation advice. Mercer recommends that readers secure the advice of competent legal and taxation counsel with respect to any legal or taxation matters related to this document or otherwise.

Visit our website

For more information on our insights and services, visit our website: <https://www.mercer.com/government>.