ConnectedHealthInitiative

Value-based Payment Reform:
LEVERAGING SOFTWARE AS A SERVICE FOR CARE MODEL INNOVATION

Executive Summary

A wide range of Software as a Service (SaaS) innovations, including artificial intelligence (AI), with demonstrated capabilities to improve patient outcomes, augment population health management, reduce costs, and support the healthcare workforce remain excluded or grossly underutilized in the Medicare program. The Centers for Medicare & Medicaid Services (CMS) operates multiple, siloed payment systems governed by outdated and inflexible regulatory requirements, resulting in inconsistent and often inadequate coverage for software solutions, such as AI tools that make patient-generated health data (PGHD) collected through remote monitoring solutions actionable. Further, the lack of clear, consistent criteria for evaluating and covering new SaaS interventions, combined with

price-setting methodologies that do not capture their unique value, discourages investment and slows the integration of potentially transformative technologies into beneficiary care. As a result, Medicare beneficiaries are systematically deprived of timely access to innovations that could improve outcomes and efficiency in care delivery. It is vital that such capabilities are fully leveraged to realize value-based payment (VBP) goals set by Congress long ago.

The time for policymaker action to address these challenges is now. To support policymakers in overcoming these barriers, CHI addresses recent payment reform efforts, examines structural obstacles, and offers targeted recommendations to better align payment policies with care model innovation. CHI's key recommendations include:

1. Modernize Today's Payment Models to Enable Technology Adoption

▷ **Remove Barriers for Virtual and Software-Driven Care:**
Outdated statutory and regulatory restrictions that prevent reimbursement for virtual care, Remote Patient Monitoring (RPM), and SaaS clinical interventions should be eliminated, especially when these modalities have demonstrated clinical effectiveness and cost savings.

▷ **Update Payment Models to Recognize and Support SaaS Innovations:**
Current Medicare payment systems (e.g., the Medicare Physician Fee Schedule) are not designed to accommodate or incentivize the adoption of SaaS technologies. CMS must accelerate its efforts to revise these foundational payment structures to recognize and reimburse for modern care delivery tools, including AI-enabled solutions.

2. Support Care Model Innovation in Value-Based Payment Models (VBP)

▷ **Focus on Technology's Capabilities in Achieving Value-Based Care Goals:** VBP models should be intentionally structured to promote, not just allow, innovative care models that leverage PGHD for preventive care, chronic disease management, and care coordination.

▷ **Incorporate Technology Costs into Payment Calculations:** Payment models must reflect the real costs associated with implementing and maintaining advanced technologies, not just traditional clinical services. This includes recognizing the ongoing expenses of data analytics, interoperability, and digital infrastructure.

▷ **Promote Data-Driven Care:** Encourage and support the development of robust data analytics capabilities within care delivery organizations. This involves not only adopting electronic health records (EHRs) but also transforming EHR data into actionable insights for population health management, risk stratification, and targeted interventions.

3. Address Policy-Induced Barriers to Innovation

▷ **Reform Model Eligibility and Coverage Decisions:** The exclusion of virtual providers from the Medicare Diabetes Prevention Program is an example of policy-induced barriers. Policymakers should revisit such decisions to ensure that evidence-based, technology-enabled care models are eligible for participation and reimbursement in federal programs.

▷ **Enable Flexibility for Emerging Technologies:** Policymakers should create pathways for the rapid evaluation and integration of new technologies, such as SaaS AI and RPM, into covered services, reducing lag times between innovation and adoption.

4. Foster Organizational Readiness and Capability

▷ **Support Organizational Transformation:** Success under VBP requires complex changes in workflow, resource allocation, and organizational culture. CMS and other payers should provide technical assistance, learning collaboratives, and financial support to help organizations build the capabilities needed for care model innovation.

▷ **Encourage Multidisciplinary Teams and Care Coordination:** Policymakers should promote the use of multidisciplinary teams and care coordination mechanisms to address both medical and social needs, thereby improving outcomes and reducing unnecessary utilization.

Ultimately, payment reforms must be deliberately designed to enable and incentivize the adoption of modern SaaS and AI technologies and care model innovation. Removing policy barriers, updating payment systems, and supporting organizational transformation are all essential to achieving the goals of value-based care: improved quality, lower costs, better patient experience, and clinician well-being.