

# Now & Next

## Healthcare Alert

May 28, 2025

### **CMS announces alternative payment model strategic direction**

By Whitney Phelps and Freddy R. Lopez

The Innovation Center will focus on promoting evidence-based prevention, empowering beneficiaries, and expanding choice and competition.



#### **What's the impact?**

- New payment models will emphasize evidence-based prevention, require providers to take on risk, and promote cost savings and quality improvements.
- Initiatives will support multi-payer approaches, independent and rural providers, increase data transparency, and broaden care options, including virtual and at-home care.

The Centers for Medicare & Medicaid Innovation (the Innovation Center, formerly known as CMMI), a component of the Centers of Medicare & Medicaid Services (CMS), an Agency of the US Department of Health & Human Services (HHS) recently released a [White Paper](#) setting forth its strategic direction for 2025 and beyond. The paper doubles down on the commitment to value-based care by learning from the previous 15 year test models to transform healthcare

delivery through three strategic pillars: promoting evidence-based prevention, empowering beneficiaries, and expanding choice and competition.

## **CMS's Innovation Center outlines its goals**

The Innovation Center will focus on:

- / New reimbursement models in Original Medicare that drive multi-payer approaches at the state level, including testing dual models in Medicare Advantage and Medicaid.
- / Initiatives that provide value for prescription drugs and promote efficiency through devices and technology.
- / Engaging independent providers, along with aggregators, and targeting discrete patient populations.

Healthcare costs will be driven down through prevention (eliminating or reducing the costs associated with severe diseases) and by increased competition creating broader provider choices, and existing models will be modified to emphasize preventive care and ensure cost savings.

Underlying this vision is a commitment to protect federal taxpayers by: disincentivizing unnecessary care; requiring all providers in a model to assume some level of downside risk, including individual providers and not just conveners or aggregators; reducing the state's role in rate setting for healthcare services; and refining and simplifying benchmark methodologies. In other words, the Innovation Center will support models that generate savings and improve quality.

## **Promote evidence-based prevention**

The Innovation Center's strategy is to promote prevention at every stage—primary to avoid disease occurrence, (e.g., health and nutrition counseling, tobacco cessation); secondary (screenings to detect disease early), and tertiary (disease management) (e.g., diabetes and blood pressure control). By incentivizing both providers and beneficiaries to engage in evidence-based preventive services, the Innovation Center aims to improve patient outcomes and reduce long-term health system costs. Models will seek to engage beneficiaries to incent healthy lifestyles and community-based organizations to address nutritional needs, and provide disease management education and exercise support.

## **Empower beneficiaries**

The Innovation Center recognizes the challenges posed by a fragmented health system and seeks to bridge these gaps through enhanced data transparency and patient engagement tools to empower individuals to make informed decisions and actively participate in their health

journeys. In addition, models will look to provide cost and quality performance data to foster consumer engagement tools and transparency of data between providers and providers and patients. The Innovation Center will look to issue waivers to support their initiatives, including for predictable cost-sharing for beneficiaries receiving certain services, drugs, or devices. Lastly, all models will require that beneficiaries receive care from entities accountable for health outcomes and costs, through global risk and total cost of care models.

## **Expand choice and competition**

The Innovation Center proposes a suite of initiatives to increase market competition and patient choice. The strategy includes expanding value-based payment programs to independent providers, community health centers, and rural practices, by supporting these providers in value-based arrangements through shared savings and prospective payments. Additionally, the Innovation Center plans to promote site-neutral payments, broaden care delivery options—including virtual and at-home care—and standardize administrative processes, including quality measures, to reduce burdens on providers. In addition, future models will look to change certificate of need requirements, which raise jurisdictional challenges between the state and federal governments.

## **Continued emphasis on value-based care models**

The release of the White Paper by the Innovation Center signals a continued public policy focus on value-based care. Stakeholders can position themselves for value-based payments by watching how new models evolve, including the regulatory adjustments and technological advancements made and are needed to support the broader adoption and effectiveness of value-based care models.

The Innovation Center announced that new models will be forthcoming. Nixon Peabody is closely following updates coming out of the CMS Innovation Center and has tremendous experience advising providers in this arena.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

**Whitney Phelps**

518.427.2659

[wphelps@nixonpeabody.com](mailto:wphelps@nixonpeabody.com)

**Freddy R. Lopez**

213.629.6038

[flopez@nixonpeabody.com](mailto:flopez@nixonpeabody.com)

