









States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model Hospital Global Budget Factsheet

What is a Hospital Global Budget?

A pre-determined, fixed annual budget for hospital inpatient and outpatient facility services. Under the AHEAD and similar CMS Innovation Center models, global budgets are calculated based on a review of Medicare payments in fixed baseline period, with adjustments to account for inflation and changes in populations served and services provided.

([CMS Total Cost of Care and Hospital Global Budgets](#), 2023)

Why should hospitals participate in hospital global budgets?

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|  <p>Initial investment to support transformation in early years of the model</p> |  <p>Opportunity to earn bonus for improving health equity and quality while contributing to population health in their community</p> |
|  <p>Increased financial stability and predictability when revenue is decoupled from fee-for-service</p> |  <p>Ability to share in savings from reduced potentially avoidable utilization and more efficient care delivery</p> |
|  <p>Opportunity to enhance business practices to focus partnerships with up and downstream partners</p> |  <p>Flexibility for hospitals to experiment with CMS' approach to care delivery and system reform</p> |
|  <p>Opportunity to participate in system learning for best practices in a population-based payment model</p> |  <p>Potential use of waivers to support care delivery transformation</p> |

How will Hospital Global Budgets differ by payer in the AHEAD Model?

Hospital global budgets provide the incentives and flexibility for hospitals to improve quality, population health, and health equity. Hospitals that choose to participate in the AHEAD Model will receive a Medicare FFS, Medicaid, and commercial payer hospital global budgets.

Medicare FFS

- States with statewide rate setting authority or hospital budget authority may develop their own Medicare hospital global budget methodology, subject to CMS approval
- States without this authority will use a CMS-designed Medicare FFS hospital global budget methodology

Medicaid

- States will be required to implement a Medicaid hospital global budget payment for hospitals participating in AHEAD during the first performance year in alignment with principles outlined by CMS
- The state Medicaid agency will be responsible for developing a Medicaid-specific hospital global budget methodology, with technical assistance, guidance, and review from the CMS Innovation Center and the Center for Medicaid and CHIP Services (CMCS)

Medicare Advantage & Commercial Payers

- Commercial payer participation will help ensure that larger portions of participating hospitals' revenues are included in a hospital global budget and maximize hospital participation
- States will design commercial hospital global budget methodologies in alignment with CMS principles
- Payer participation is voluntary; however, participating states must recruit at least one payer to participate in hospital global budgets by the second performance year. This may include state employee health plans.

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Hospital Global Budget Factsheet

How is the CMS Medicare FFS Hospital Global Budget determined?

Hospital global budgets are built “bottom up” from past net patient revenue within the facility (inpatient and outpatient). This historic baseline will be adjusted for inflation, demographic shifts, and other trends for each Performance Year before applying adjustments.



Historical Revenue Calculation

CMS will calculate the hospital's historical revenue for eligible hospital services, combining 3 years of historical data with percentage weightings more heavily applied to recent years.



Adjustments

CMS will apply adjustments to calculate the budget for each PY and reflect accountability for quality and reducing avoidable utilization:

- Baseline adjustments (e.g., wage index)
- Trend adjustments (e.g., inflation, demographic shifts in age and pop. size)
- AHEAD-specific adjustments (see below)



Global Budget Payments

Each participating hospital will receive a fixed global budget in the form of prospective, bi-weekly payments for Medicare FFS in place of FFS claims for PPS hospitals and cost-based reimbursement for critical access hospitals (CAHs).

The full CMS methodology will be shared with hospitals as part of the recruitment activities, with resources explaining hospital global budgets and sample calculations available for informing participation decisions.

AHEAD-Specific Medicare FFS Hospital Global Budget Adjustments



Transformation Incentive Adjustment: Upward adjustment to invest in enhanced care coordination in the first two years of the Model Performance Period



Health Equity Improvement Bonus: Upward adjustment based on hospital performance on disparities-sensitive measures focused on closing gaps in health care outcomes, starting in the second performance year



TCOC Performance Adjustment: Upward or downward adjustments, phased in over time, based on TCOC of beneficiaries residing in a hospital service area. CAHs and safety net hospitals implementation will be delayed



Effectiveness Adjustment: Downward adjustment based on a portion of hospital's calculated potentially avoidable utilization starting in the second performance year, with a delay for CAHs and safety net hospitals



Quality Adjustments: Based on performance in CMS national quality programs for PPS hospitals. CAH quality adjustments will be upside-only during the first four performance years of the Model



Clinical and Social Risk Adjustment: Adjustment likely based on Hierarchical Condition Category (HCC), Area Deprivation Index (state and national), dual-eligibility status, and Part D LIS status

Which Providers may receive Medicare Hospital Global Budgets?



Acute Care Hospitals



Critical Access Hospitals



Rural Emergency Hospitals

Acute care hospitals, CAHs, and Rural Emergency Hospitals will be eligible to participate in Medicare hospital global budgets under the AHEAD Model

- CMS will not require hospital participation in the Model, but use of Medicare hospital global budgets is required for hospitals that choose to participate
- Hospital Participants must be a Medicare-enrolled facility in good standing with CMS and located in the participating state or sub-state region.
- In participating states that enact enabling legislation during the performance period, eligible facilities will also include Rural Emergency Hospitals