Value-Based Care at a Crossroads: What's Next and How To Prepare

Background
The Trump administration will have its own vision on value-based care, creating specific priorities for the Center for Medicare & Medicaid Innovation (CMMI), the federal government's primary testing ground for payment and service delivery model innovation in Medicare, Medicaid, and the Children's Health Insurance Program. The Biden administration's 2021 CMMI Strategy Refresh emphasized health equity, expanded accountable care, innovation in care delivery, affordability, and system transformation. A 2023 Congressional Budget Office (CBO) report found that CMMI, despite being created to produce savings, has increased Medicare spending by about $5.5 billion. Congressional Republicans have used this finding to supplement their criticisms of the Biden administration's approach to healthcare innovation, which could fuel change in the Trump administration. Republican political leadership may leverage CMMI's $10 billion budget and waiver authorities to design and implement value-based care models that reflect the administration's goals. While specific actions remain unknown, the potential direction and key focus areas of CMMI can be forecast based on the work of the first Trump administration and incoming leadership.

Leadership Priorities Shaping CMMI's Future

The direction of CMMI will depend on who is confirmed at top leadership positions in the US Department of Health and Human Services (HHS) and the Centers for Medicare & Medicaid Services (CMS).

The Secretary's Vision

Robert F. Kennedy Jr., the recently confirmed HHS secretary, has repeatedly stressed the importance of addressing high rates of chronic diseases through his Make America Healthy Again (MAHA) campaign. During his confirmation hearings, he reiterated his concerns over high rates of chronic diseases, such as diabetes, cancer, asthma, and obesity, linking prevalence to high national healthcare spending. Most notably, Secretary Kennedy believes that value-based care can help address the burden of chronic disease and associated costs. During his testimony, he touched on several themes, including the role of direct primary care, leveraging advances in technology (*e.g.*, telemedicine and artificial intelligence), the importance of health education programming (*e.g.*, educating enrollees about healthy eating), and making healthcare more affordable (*e.g.,* use of health savings accounts). Secretary Kennedy directs 13 federal agencies and influences an array of public programs to help achieve his goals, including ensuring that existing and/or new CMMI models are aligned with MAHA. For example, Secretary Kennedy may want to see new models that specifically address diabetes and obesity (the current Medicare Diabetes Prevention Program (MDPP) Expanded Model has struggled with uptake). He may also want to modify existing models, such as the Enhancing Oncology Model (EOM), to move more upstream and focus on prevention and behavior change.

The Incoming CMS Administrator's Policy Agenda

As CMS administrator under former US President Joe Biden, Chiquita Brooks-LaSure prioritized expanding healthcare coverage, particularly through the federal Affordable Care Act Exchange Marketplaces and Medicaid. She championed broad state flexibilities, granting waivers that allowed states to test innovative healthcare delivery models. Her tenure was also deeply rooted in advancing health equity, with a particular emphasis on improving maternal health outcomes.

We should expect CMS to have a different focus under the Trump administration. Dr. Mehmet Oz, nominated for CMS administrator, has been an outspoken supporter of the Medicare Advantage (MA) program and is likely to pursue policies that further expand enrollment. With more than half of eligible Medicare beneficiaries (54%) enrolled in MA and growing, we could see regulatory changes that create a more favorable environment for MA growth, including relaxed restrictions on marketing and enhanced incentives for plans to leverage supplemental benefits to attract beneficiaries and improve wellness and address chronic disease.

Lessons Learned and the Path Forward

Liz Fowler, director of CMMI in the Biden administration, focused on incorporating equity into models and enacting longer-term system transformation. For example, many models, including the Accountable Care Organization Realizing Equity, Access, and Community Health (ACO REACH) Model, require participants to implement a health equity plan. As part of the CMMI Strategy Refresh, Fowler set an ambitious goal to have all Medicare fee-for-service and most Medicaid beneficiaries in an accountable care relationship by 2030. It remains to be seen if the incoming CMMI director will continue to pursue that goal and, if so, how.

Abe Sutton, who is expected to be the administration's pick to head CMMI, worked on value-based care initiatives in the first Trump administration, with a focus on market-based solutions and kidney care. Since then, he has worked at an investment firm with Adam Boehler. Given his background, Sutton may focus on quickly scaling high-performing models, refocusing CMMI's equity work on rural health, and emphasizing rapid return on investment (ROI). He may view long-model timelines negatively, as they run counter to private-sector investor expectations of ROI. The following are possible focus areas for CMMI under his leadership.

A Stronger Focus on Cost Containment

The incoming CMMI director is expected to prioritize cost containment as a central criterion for evaluating models, marking a shift from the Biden administration's focus on health equity and expanding access. This aligns with congressional Republican concerns, particularly House Energy and Commerce Committee Chairman Brett Guthrie (R-KY), who has been critical of models that do not prioritize clear federal savings. In May 2024, Representative Jodey Arrington (R-TX), chair of the House Budget Committee, and Representative Michael C. Burgess, MD (R-TX), chair of the Health Care Task Force, sent a letter to Comptroller General Gene Dodaro of the US Government Accountability Office (GAO) requesting an investigation on the cost of CMMI and its fiscal impact on the federal budget. Given these developments, we may see a heightened focus on models that demonstrate clear, measurable reductions in federal expenditures. The incoming CMMI director's focus on cost containment will be a key driver in the agency's agenda for the foreseeable future, shaping decisions on model design, evaluation, and implementation.

Case-by-Case Examination of Mandatory Models

Mandatory models have long been a point of contention, with supporters favoring them because of the reduction in participation bias that leads to more robust evaluations, and critics viewing them as examples of government overreach that stifles innovation and limits provider flexibility. A strong focus on cost containment militates in favor of incoming CMMI leadership relying on targeted mandatory models as they are often the most effective way to generate cost savings – an acknowledgement made by former CMMI Director Brad Smith. That said, new CMMI leadership may still reevaluate and modify key components of Biden-era mandatory models like the Transforming Episode Accountability Model (TEAM), which is scheduled to launch on January 1, 2026. Reevaluating these models would allow the Trump administration time to ensure that they align with key administration priorities. For example, CMMI may issue rulemaking to

withdraw the Decarbonization and Resilience Initiative, modify the inclusion of a social-risk adjustment in participants' target-pricing methodology, and remove the option to submit health equity plans. It is also possible that new CMMI leadership may go as far as to cancel these models, as in 2017, when the first Trump administration pared back the Obama-era mandatory cardiac and joint-episode payment models, and to focus mandatory participation in other areas.

Rapid Evaluation and Agile Decision-Making

In line with the Trump administration's goal of financial stewardship, CMMI leadership will likely prioritize rapid evaluation and scaling of effective models. Instead of waiting until years after a model ends, and potentially spending tens of millions in evaluation contracts, incoming CMMI leadership may favor shorter evaluation cycles that allow the agency to more quickly determine whether a model is producing cost savings and improved quality. Models like the Making Care Primary Model and the Guiding an Improved Dementia Experience (GUIDE) Model, which are slated to run for eight or more years, may be shortened significantly. Additionally, successful components of existing models may be scaled more aggressively, allowing for faster adoption across the Medicare and Medicaid programs. This approach signals a shift away from lengthy model timelines and toward a more agile, data-driven framework for testing and expanding value-based care.

New Homes for Model Participants

As models like ACO REACH and Kidney Care Choices (KCC) approach their scheduled sunset in 2026, a critical question emerges: Where will participants find their next value-based care opportunities? KCC, developed under the first Trump administration, seeks to enhance care coordination and outcomes for patients with chronic kidney disease. The Biden administration appeared to view the Increasing Organ Transplant Access (IOTA) Model as the logical next step in improving kidney transplant care. The key question now is whether the next administration agrees with IOTA's direction and chooses to retain the core of the model, even if they modify certain elements, such as its mandatory nature.

Similarly, ACO REACH was a reconfiguration of the Global and Professional Direct Contracting (GPDC) Model, launched under the first Trump administration. While GPDC prioritized reducing administrative burdens and expanding beneficiary choice, ACO REACH introduced a stronger emphasis on health equity, provider empowerment, and transparency. One possible successor to ACO REACH is the Geographic Direct Contracting Model, or "Geo." CMMI announced Geo in 2022 but never launched the model. Geo aimed to test whether a geographic-based approach to care delivery could improve health outcomes and reduce costs for Medicare beneficiaries across an entire region. Unlike previous models that focused on assigned beneficiaries, Geo would have allowed direct contracting entities (DCEs) to invest in entire communities based on local health needs. Similar to ACO REACH, Geo DCEs would have assumed 100% financial risk in exchange for enhanced flexibilities, such as preferred provider networks, advanced care coordination tools, and utilization management strategies, similar to MA.

Increased Provider and Supplier Flexibility

At the same time, the Trump administration is expected to increase flexibility for providers by loosening participation requirements and streamlining administrative processes. This includes reducing documentation obligations and removing regulatory barriers that prevent providers from entering value-based care arrangements because of, for example, stringent fraud and abuse laws. Incoming CMMI leadership may not limit flexibility to traditional providers such as hospitals and physician groups. There could be a push to recognize new supplier classes within CMMI models (as it did in the MDPP Expanded Model), allowing for a more diverse range of participants beyond traditional healthcare institutions. By broadening the types of entities eligible to participate in value-based care, the administration could foster greater innovation and competition, ultimately driving cost savings while improving patient outcomes.

Focus on Specialty Care

Many stakeholders, including medical societies, have been asking CMMI to adopt more specialty-specific models submitted to and recommended by the Physician-Focused Payment Model Technical Advisory Committee (PTAC). These stakeholders believe that CMMI has yet to fully adopt any PTAC-recommended payment model and may renew their efforts to urge the Trump administration to implement some of these concepts.

During the first Trump administration, CMMI developed specialty and episodic care models, such as KCC and Radiation Oncology Model, which aimed to test prospective payments for the treatment of cancer patients receiving radiotherapy. Conversely, the Biden administration pivoted and focused on creating and expanding primary care models, including the MCP and ACO REACH models. The second Trump administration could reprioritize specialty care, bolstered by Secretary Kennedy's interest in combatting chronic diseases, congressional Republicans' focus on specialty care, and broad investor interest in such models.

Some existing specialty care models, such as the EOM, could be expanded or enhanced under the second Trump administration. During the first Trump administration, for example, CMMI created KCC, which built on the Comprehensive End Stage Renal Disease (ESRD) Care Model created under former President Barack Obama. The incoming CMMI director could also resurrect the Radiation Oncology Model, the implementation of which was postponed both by Congress and, subsequently, the Biden administration.

Testing Drug Affordability Models

Lowering drug prices was a key priority of both President Trump's first administration and the Biden administration. The first Trump administration proposed the Most Favored Nation (MFN) Model that would have had Medicare pay no more than what other countries pay for the same high-cost Part B drug or biological. President Biden subsequently withdrew this model and issued an executive order that directed CMMI to test other models to lower prescription drug prices. In response, HHS released a report outlining three new models under development, including the Cell and Gene Therapy Access Model, which is currently accepting applications.

It will be important to watch how the Trump administration approaches drug pricing reform in the coming years. While President Trump has recently distanced himself from the MFN Model, his administration's focus on reducing drug prices remains strong, particularly under Secretary Kennedy. The Inflation Reduction Act of 2022 (IRA) may influence the Trump administration's approach, as it authorizes Medicare to negotiate prices of Part B and Part D drugs, reducing the urgency for additional drug pricing models. Incoming CMMI leadership could rely on Medicare to refine the IRA's Medicare Prescription Drug Negotiation Program (by incorporating stakeholder input as opposed to developing a new drug payment model), revive alternative drug pricing models, or take a multipronged approach.

An Expanded Value-Based Care Agenda

Incoming CMS leaders will have an opportunity to influence the direction of value-based care beyond CMMI models, including through policies directed at the Medicare Shared Savings Program (MSSP) and MA – and even down to the level of coding.

Potential Changes to MSSP

As a statutory program, MSSP will remain a cornerstone of the value-based care ecosystem, but its trajectory may shift under new CMS leadership. The program introduced the Health Equity Benchmark

Adjustment (HEBA) to the ACO methodology beginning on January 1, 2025. The HEBA is designed to ensure that benchmarks fairly reflect the costs of ACOs serving underserved populations, specifically those with a high proportion of dually eligible beneficiaries or those receiving the Medicare Part D Low-Income Subsidy. While HEBA's definition alone may not put it at risk, its explicit framing around health equity is likely to attract scrutiny considering the Trump administration's broader effort to dismantle diversity, equity, and inclusion (DEI) initiatives within federal programs. At the same time, there is growing momentum for MSSP to introduce a full-risk track, similar to ACO REACH, which could provide an alternative path for participants seeking greater financial accountability without shifting to a geographic model like Geo.

Realizing the Potential of MA

The MA program is also poised to play a significant role in the value-based care ecosystem. According to the Health Care Payment Learning and Action Network (HCPLAN), 43% of MA plan payments to providers in 2023 involved some form of two-sided risk. When including one-sided value-based care arrangements, that amount jumps to more than 64% of plan payments. Given the Trump administration's broader commitment to advancing value-based care, we may see new guidance or models designed to further accelerate value-based care adoption within MA.

A key consideration for the new administration involves the decision by the Biden administration to sunset the MA Value-Based Insurance Design (VBID) Model at the end of 2025. This model, which was intended to test new benefit and payment flexibilities in MA, is projected to cost the Medicare Trust Funds in excess of $4.5 billion. However, rather than abandoning the underlying goals of VBID, the incoming CMMI director may pursue a more refined approach that increases value-based care in the MA market, particularly as it relates to personalized care for chronic diseases and efforts to promote disease prevention.

The Role of the CPT Code Set

The Current Procedural Terminology (CPT®)[1] code set, which is created and maintained by the American Medical Association (AMA), is designated by HHS as a national coding set for physician and other healthcare professional services and procedures. Recently, the AMA published a report that identified areas for continued CPT evolution with respect to accelerating the shift to value-based care. Efforts to update the CPT code set in this manner may result in recognition of new types of practitioners (*e.g.*, peers and health coaches), new types of services (*e.g.*, non-medical social drivers of health), and new service delivery models (*e.g.*, digitally enabled care and bundled services). Stakeholders who are interested in getting more involved in these efforts can do so by attending CPT Editorial Panel meetings either in-person or virtually, submitting a code-change application, or seeking out leadership opportunities when there are openings on the CPT Editorial Panel, the CPT Advisory Committee, and/or the CPT Assistant Editorial Board.

Prepare for a Changing Landscape

With new CMS and CMMI leadership, significant changes are on the horizon that are likely to bring both opportunities and challenges. Now is the time to proactively prepare for broader system change, advocate for your key priorities, and defend against policy shifts that may negatively impact your organization.

For more information, please contact Simeon Niles, Maddie News, Julia Grabo, Lynn Nonnemaker, or Rachel Hollander.

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