

**Position Statement
on
Alternative Payment Models (APMs)
(Approved by the Board of Directors: November 7, 2015)**

Alternative payment models (APMs) are part of a federally legislated movement to create a value-based payment and care delivery system that is focused on quality, cost-effectiveness and health outcomes measures. The Medicare Access and CHIP Reauthorization Act (MACRA) passed in April 2015 takes a significant step in encouraging APM development through law by creating incentive payments under Medicare through either the Merit Based Incentive Payment System or participation in a qualified APM. The Centers for Medicare and Medicaid Services (CMS) has begun to implement these provisions and also continues to test and encourage the development of numerous APMs. CMS plans to move 50% of reimbursements under the traditional Medicare program to APMs and to tie 90% of such payments to value and performance. The American Medical Association/Specialty Society Relative Value Scale Update Committee (RUC) continues to consider these issues, and numerous states have worked with CMS to incorporate APM implementation into State Innovation Model (SIM) grants, also enabled through MACRA.

This changing health care landscape offers both risks and opportunities for dermatologists. Dermatologists need to actively participate in helping to determine how these innovative delivery of care models will affect patient care and access to dermatologic services. Taking an active role in this process can help ensure that dermatologists maintain the flexibility and resources necessary to provide care that is evidence-based, cost effective and convenient for our patients. Without the American Academy of Dermatology Association's (AADA)s involvement, alternative payment models will be developed by entities that lack dermatologists' unique knowledge and perspective, potentially leading to APMs that are neither good for patients nor financially viable for physicians. Participating in the development of APMs ensures that dermatology has a voice and can continue to advocate for the best care for patients.

The AADA continues to support fee-for-service¹ as a reimbursement option. However, APMs are a very real part of the reimbursement landscape and refusing to participate in their development would preclude the AADA from affecting key decisions about physician payment that are already occurring in multiple forums - at CMS, the RUC, with state innovators and private payers. This could result in financial penalties for dermatologists, and force them to participate in APMs that may not be appropriate, fair, feasible, or in the best interests of patients. We strongly believe that participating in their development offers the best chance of ensuring dermatology remains a valued and integral partner in health care.

For these reasons, we set forth the following principles:

1. The AADA supports, in a parallel effort to the APM optimization, noted below, the viability of fee-for-service* as a payment model;

¹ **Definition:** Fee-for-service (FFS) is a payment model where services are unbundled and paid for separately. Under FFS, physicians receive a fee for each service or procedure, and payments are issued after the services are provided.

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2. The AADA makes it a prioritized policy to educate members about the potential risks and opportunities that alternative payment models present due to CMS implementation of a mandated transition of health care reimbursement methods;
3. The AADA makes it a prioritized policy to advocate for the development and implementation of alternative payment models that incorporate efficacious, adverse effects, flexibility of decision-making for providers and patients, cost, encourage high quality dermatologic care, are not onerous for participating physicians, and are financially feasible for patients and physicians; and
4. The AADA strongly supports engagement in the policymaking process related to alternative payment models and/or value added payment models to ensure dermatologists will be able to participate in a meaningful manner, and that the models developed incorporate valid and meaningful quality metrics, are implemented with a reasonable timeline, and are financially viable for patients and physicians.

This Position Statement is provided for educational and informational purposes only. It is intended to offer physicians guiding principles and policies regarding the practice of dermatology. This Position Statement is not intended to establish a legal or medical standard of care. Physicians should use their personal and professional judgment in interpreting these guidelines and applying them to the particular circumstances of their individual practice arrangements.