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What to Take Away from CMMI's Early Termination of Four Demonstration Models

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On March 12, 2025, in one of the Trump Administration's first actions with respect to the Center for Medicare and Medicaid Innovation (CMMI), CMMI **announced** that it would prematurely terminate four alternative payment model (APM) demonstration models by December 31, 2025. CMMI's decision was not entirely unexpected. In response to a 2021 report from a Congressional advisory committee recommending that CMMI "streamline" its portfolio of demonstrations, the Biden Administration initiated a 10-year "strategic refresh" of CMMI. Similarly, a critical report from the Congressional Budget Office (CBO) about the net cost initiated a wave of criticism from Republicans. Combined with the Trump Administration's hyperfocus on reducing government spending (based on CMMI's estimation, terminating the demonstrations early will save the federal government $750 million), it is not particularly surprising that CMMI was targeted for some cuts.

Less clear is why these specific demonstrations were targeted and whether CMMI's decision to terminate the demonstrations is merely the continuation of a calculated, years-long push to reform the way CMMI operates, or whether it foreshadows the beginning of a significant pullback in the use of alternative payment model (APM) demonstrations to test out the use of value-based care in federal health care programs.

CMMI's Plan to Terminate Demonstrations

The four demonstrations that CMMI will terminate at the end of the year are below, including their original performance periods:

- **Maryland Total Cost of Care** (TCOC) (2019 – 2026). Building on prior demonstrations in Maryland, the TCOC implemented a "global budget" funding system through which hospitals in the state receive a population-based payment amount to cover all hospital services provided during the year rather than fee-for-service (FFS) payments. The TCOC also allowed hospitals that achieved savings under the TCOC to make incentive payments to nonhospital health care providers (e.g. physician groups) who partnered and collaborated with the hospital and performed care redesign activities aimed at improving care.

- **Primary Care First** (PCF) (2021 – 2026). The PCF is a voluntary demonstration model offered in 26 states and regions to test whether delivery of advanced primary care can reduce the total cost of care. Through this demonstration, participating primary care practices receive a prospective population-based payment (based on the total number of Medicare FFS beneficiaries attributed to each practice, and adjusted for the acuity of the attributed beneficiaries) to provide primary care services, and flat visit fees for face-to-face encounters. Primary care practices are eligible for additional bonus payments based on performance on various quality metrics.

- **ESRD Treatment Choices** (ETC) (2021 – 2027). The ETC is a mandatory demonstration designed to test payment adjustments for certain end-stage renal disease ("ESRD") facilities and managing clinicians.

- **Making Care Primary** (MCP) (2024 – 2034). The MCP is a demonstration designed to provide a pathway for primary care clinicians with varying levels of experience in value-based care to gradually adopt prospective, population-based payments while building infrastructure to improve behavioral health and specialty integration and increase access to care. While the other three models that CMMI will terminate early were already scheduled to terminate in the next year or two, the MCP model only started in July 2024 and was intended to run through 2034.

CMMI also stated that it intends to reduce, or look for opportunities to change the **Integrated Care for Kids** (2020 – 2026) demonstration and does not plan to move forward with the **Medicare $2 Drug List**

and Accelerating Clinical Evidence demonstrations, which had been announced but had not yet been implemented.

CBO Report from September 2023 Indicated CMMI Increased Spending

CMMI was created by the Affordable Care Act (ACA) in 2010 to test payment models (i.e. demonstrations) in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). That same year, CBO, which is an independent agency that provides Congress with analyses and estimates on federal economic and budgetary decisions, estimated that CMMI would save the federal government $10.3 billion over the following decade, offsetting the estimated $7.5 billion that CMMI was expected spend to operate the models. In September 2023, however, CBO reported that most of the CMMI demonstrations between 2011 and 2020 increased Medicare's direct spending by $5.4 billion (or 0.1% of net Medicare spending). By April 2024, Republicans on the House Budget Committee were uniformly calling for an investigation into CMMI's spending and operations.

A closer examination of the September 2023 CBO report creates a more complicated and nuanced picture of CMMI's operations. For one, the September 2023 report did not include the Medicare Shared Savings Program (MSSP), which was also created by the ACA in its calculation of costs. While the MSSP is a permanent model operated by CMS rather than CMMI, CBO acknowledged the fact that its design has been informed by the CMMI's ACO demonstrations. CBO estimated that this program generated small net savings for the government. The September 2023 report also only assessed demonstrations where provider participation was voluntary. While this decision was logical – most of the demonstrations that CMMI launched during the period were voluntary – mandatory versions of these models could have resulted in more significant net savings. Finally, CBO acknowledged in the report that six of the 49 demonstrations it analyzed produced net savings, including four of which have been certified by the CMS Office of the Actuary for expansion.

Nonetheless, it is not surprising that the new Administration, particularly given its purported focus on substantially cutting government spending, saw terminating CMMI demonstrations as a way to accomplish these goals. The March 12 announcement estimates that eliminating the demonstrations early will save the federal government $750 million (although no detail is provided on how CMMI calculated these potential savings).

MedPAC Report and Biden's Strategy Refresh

Criticism of and initiatives to reform CMMI precede the September 2023 CBO report, however. In response to a 2021 report by the non-partisan Medicare Payment Advisory Committee (MedPAC), which advises Congress on Medicare payment reforms, CMMI had begun the process of "streamlining" its portfolio of demonstrations. While the 2021 MedPAC report identified a variety of concerns with CMMI, the biggest issue MedPAC focused on was the sheer number of simultaneous demonstrations being tested by CMMI, and the operational complexity they created. As noted, during that first decade, CMMI tested 49 APMs. While acknowledging the "valuable information" generated by the demonstrations, MedPAC ultimately concluded that CMMI's large portfolio created significant overlap between various simultaneous demonstrations. As a result, many providers and beneficiaries were participating in multiple demonstrations at the same time, which MedPAC argued diluted the incentives imposed by each demonstration and complicated the ability of CMMI to properly analyze the impact of specific demonstrations. MedPAC ultimately recommended that CMMI streamline its portfolio. Among other things, MedPAC also noted that some of the demonstrations needed a longer performance period (which is typically five years) for the benefits to truly materialize, and further stated that CMMI's heavy reliance on bonus payments to entice provider participation, which is a feature of the voluntary demonstrations, created some selection bias and often reduced the net savings of the demonstrations.

In response to the MedPAC report, the Biden Administration announced a "**Strategy Refresh**" in 2021 to incorporate lessons from the prior decade. Notably, this Strategy Refresh included a statement that CMMI was "undertaking an internal review of its portfolio of models," and incorporated MedPAC's recommendation to streamline its portfolio of demonstrations. As such, it is unclear whether the decision to prematurely terminate the demonstrations above represents a change by the new Administration, or whether they are indicative of pre-existing reforms that CMMI was undertaking.

The Case on Maryland

At first glance, the state most affected by the terminations is clearly Maryland, which has integrated its entire hospital system into the TCOC demonstration. Maryland has **a rich history of utilizing APMs**, having operated under federal waivers since 1977 that have allowed it to set hospital payments for all Medicare, Medicaid, and commercial payers. Until 2014, the state used prospective diagnosis-based payments for each hospital admission, similar to the Medicare hospital payment system, which successfully reduced the rate of spending per hospital admission. Corresponding increases in the volume of hospital admissions, however, limited the impact of this all-payer rate setting on controlling overall hospital spending. The TCOC model sought to address this issue by changing the payment methodology from prospective diagnosis-based reimbursement to a hospital global budget. **By all indications**, the TCOC has largely succeeded in generating a reduction in hospital spending.

For Maryland and its hospitals, the ultimate impact of the TCOC demonstration termination will likely not be significant because of forthcoming changes. Even though the TCOC was previously set to end at the end of 2026, the state was reportedly planning on winding the program down at the beginning of 2026 year anyway. Beginning in 2025, Maryland plans to implement a new CMMI demonstration waiver called the **Advancing All-Payer Health Equity Approaches and Development** (AHEAD) model, which is heavily inspired by the TCOC demonstration. While Maryland will be the only state participating in the AHEAD model in 2026, Connecticut, Hawaii, New York, and Vermont plan to implement the AHEAD model in 2027.

The impact of the early termination of the PCF demonstration on primary care providers in Maryland is more complicated, however. The AHEAD model also includes bonuses for participating primary care providers, although, unlike the TCOC, providers must agree to participate in the state's Medicaid "transformation efforts." It is unclear what percentage of Maryland primary care providers already participate in Medicaid, although **historically**, the share of Maryland physicians that participate in Medicaid has been lower than the percentage that participate in Medicare due to lower payment rates by the former program. As such, terminating the PCF model early may incentivize some Maryland primary care providers to begin participating in the AHEAD model, and thus accepting Medicaid patients, early. While this would benefit Medicaid beneficiaries by increasing their access to providers, the **significant cuts to Medicaid that congressional Republicans are currently contemplating** complicate the picture.

Looking Forward and AHEAD

For right now, the impact of the demonstration terminations appears to be limited, both for Maryland and more broadly for other stakeholders involved in other demonstrations. Recent Republican complaints notwithstanding, payment and delivery demonstrations have long enjoyed some level of bipartisan support. Notably, CMMI stated in the March 12 announcement that it had "determined its other active models can meet the Center's statutory mandate—either as is or with future modification—and therefore will continue moving forward." An unnamed source **told the publication Axios** that CMMI still planned on going forward with the AHEAD model.

As such, there is currently no indication that CMMI has imminent plans to announce the termination of other demonstrations, or terminate the AHEAD model, both of which would have a larger effect on stakeholders. Nonetheless, the wild card is the current Administration's propensity for rapidly changing its approach to various issues without notice, and the potential for cuts to CMMI's budget to pay for other priorities. With this in mind, nothing, including the future of CMMI demonstrations, should be considered certain.

Authors

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