

A Value-based Payment Model for Comprehensive SUD Care



A New Opportunity for Large Health Care Systems

Many health care systems treat high-intensity substance use disorder (SUD) patients, yet the traditional fee-for-service (FFS) model prioritizes volume over outcomes, leading to high costs, fragmented care and poor long-term recovery rates. With little financial incentive for care coordination or relapse prevention, FFS reinforces a cycle of crisis-driven treatment rather than sustained recovery. As a result, patients experience gaps in care, repeated acute interventions and limited access to the full range of services needed for lasting stability.

The Addiction Recovery Medical Home Alternative Payment Model (ARMH-APM) offers a value-based approach that replaces fragmented, service-based billing with bundled, outcomes-driven payments. By aligning financial incentives with sustained recovery, ARMH ensures patients receive coordinated, evidence-based treatment at every stage of care, closing gaps that contribute to relapse and unnecessary hospitalizations.

Health care systems that adopt ARMH can improve patient outcomes through earlier engagement, comprehensive treatment planning and long-term recovery support. More than just a payment reform, ARMH creates a financially sustainable path for delivering high-quality SUD services across the continuum of care.

The ARMH-APM provides a structured payment model that supports key SUD services that traditional FFS reimbursement often fails to fully fund:

- Withdrawal management (detox) to stabilize patients safely before entering long-term care.
- Residential and intensive outpatient treatment to provide structured recovery programs.
- Opioid treatment programs with medications for addiction treatment.
- Peer recovery and care coordination services to ensure engagement beyond acute treatment.

Calculate your potential savings with the [value opportunity calculator](#).



How ARMH Works

The ARMH-APM organizes payments into three episodes of care, replacing fragmented FFS reimbursements with a cohesive payment structure that supports long-term recovery.

- 1. Pre-recovery and Stabilization** services are typically reimbursed through FFS, leveraging existing coding and payment structures for emergency department, intensive care unit and primary care settings. However, to better integrate this phase into value-based care, the model encourages outreach and engagement payments or pay-for-performance incentives for providers. These incentives support early identification and patient transition into structured recovery services using evidence-based screening tools.
- 2. Recovery Initiation and Active Treatment** includes bundled payments that are adjusted for patient severity and designed to cover high-intensity care, including inpatient treatment, withdrawal management, residential services and intensive outpatient programs. The bundled payments are allocated for up to 12 months or until the patient has stabilized and transitions into the next phase of care. Payments can be structured prospectively or retrospectively, with quality achievement payments and shared savings bonuses tied to patient engagement, treatment adherence and transition into sustained recovery.
- 3. Community-based Recovery Management** shifts payments to a bundled structure that incorporates recovery disruptions rather than reimbursing each relapse/recurrence as a separate event. This phase prioritizes long-term engagement, covering outpatient recovery services, peer support, social determinants of health interventions and relapse prevention efforts. Because setbacks are anticipated within the bundled payment, providers are incentivized to offer proactive recovery support and coordinate care to prevent unnecessary transitions back to higher-intensity treatment.



Is ARMH Right for Your Health Care System?

By replacing FFS with a value-based structure, ARMH reduces inefficiencies, improves patient outcomes and aligns financial incentives with long-term recovery.

Consider these questions:

- Does your system serve a large volume of high-intensity SUD patients?
- Do you currently offer or want to expand to multiple levels of care and a full range of SUD services across the continuum of care?
- Are you looking for a financially sustainable alternative to FFS reimbursement for SUD treatment?

If the answer is yes to any of these, the ARMH-APM is a flexible framework to transition into value-based care, support a broader range of SUD services and improve financial stability while enhancing patient recovery outcomes.

To learn more, visit the Alliance for Addiction Payment Reform at incentivizerecovery.org or email Sr. Director Eric Bailly at Eric@ThirdHorizon.co.