

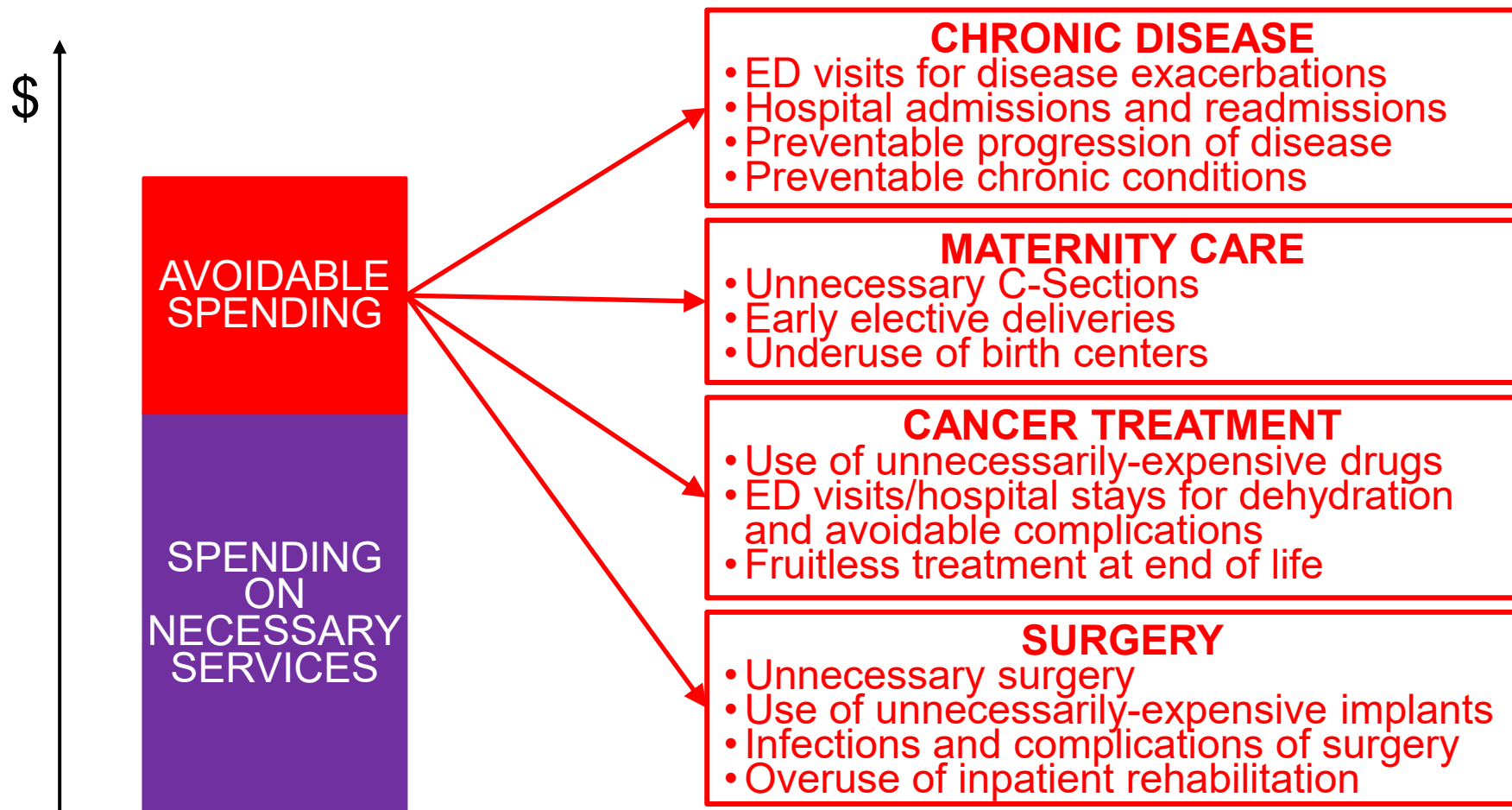


VALUE-BASED PAYMENTS THAT SUPPORT VALUE-BASED CARE

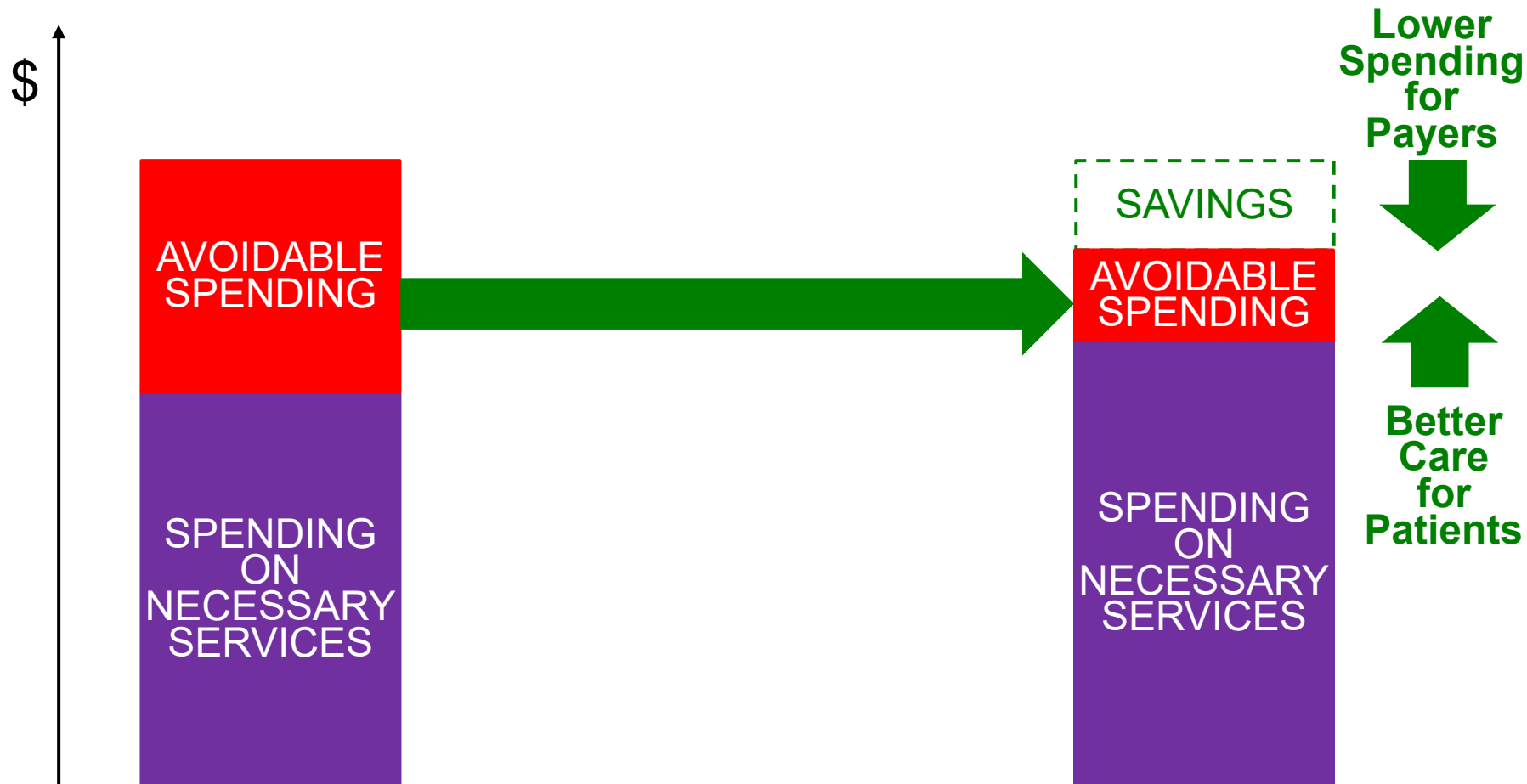
Harold D. Miller
President and CEO
Center for Healthcare Quality and Payment Reform

www.CHQPR.org

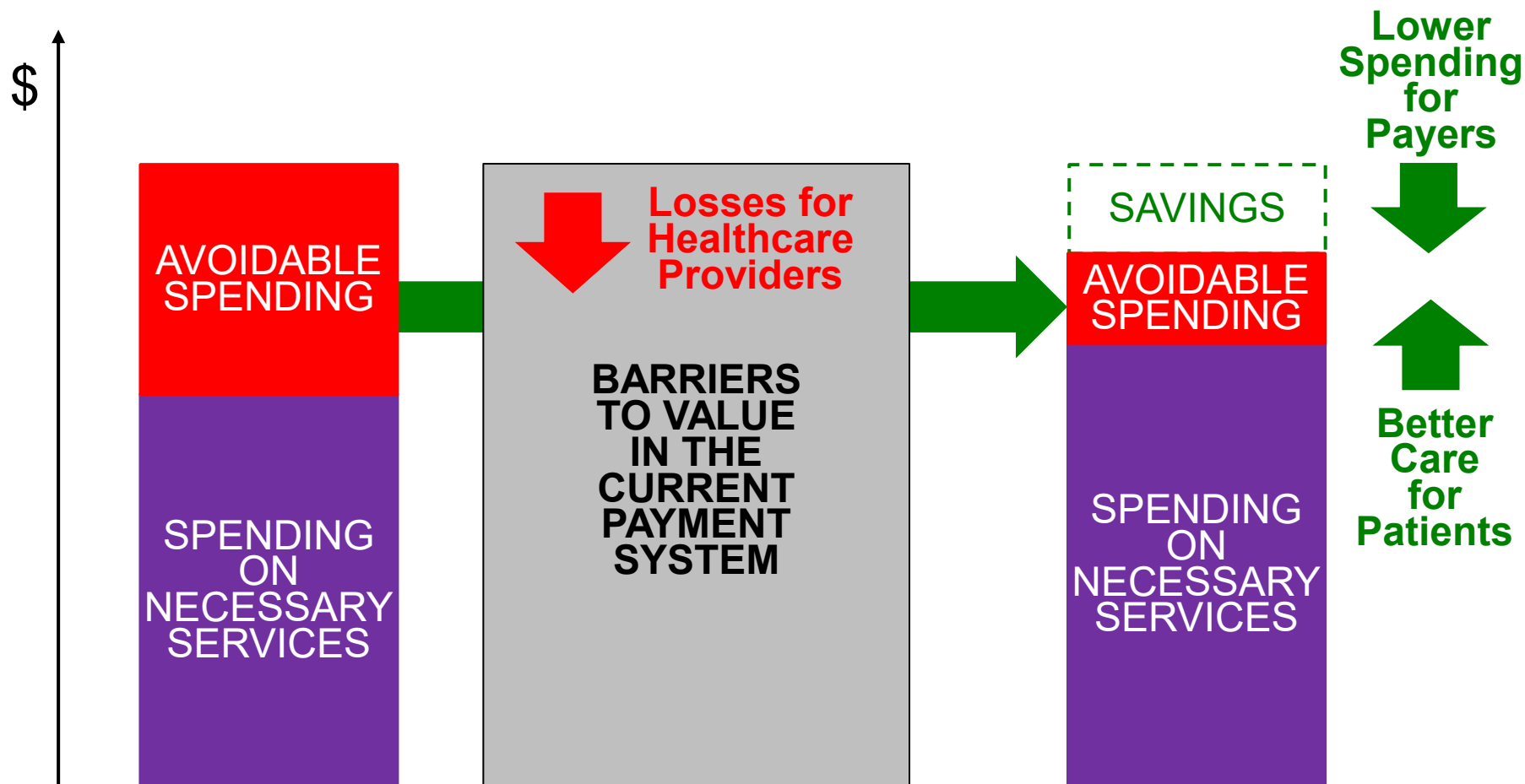
A Significant Portion of Healthcare Spending is Avoidable



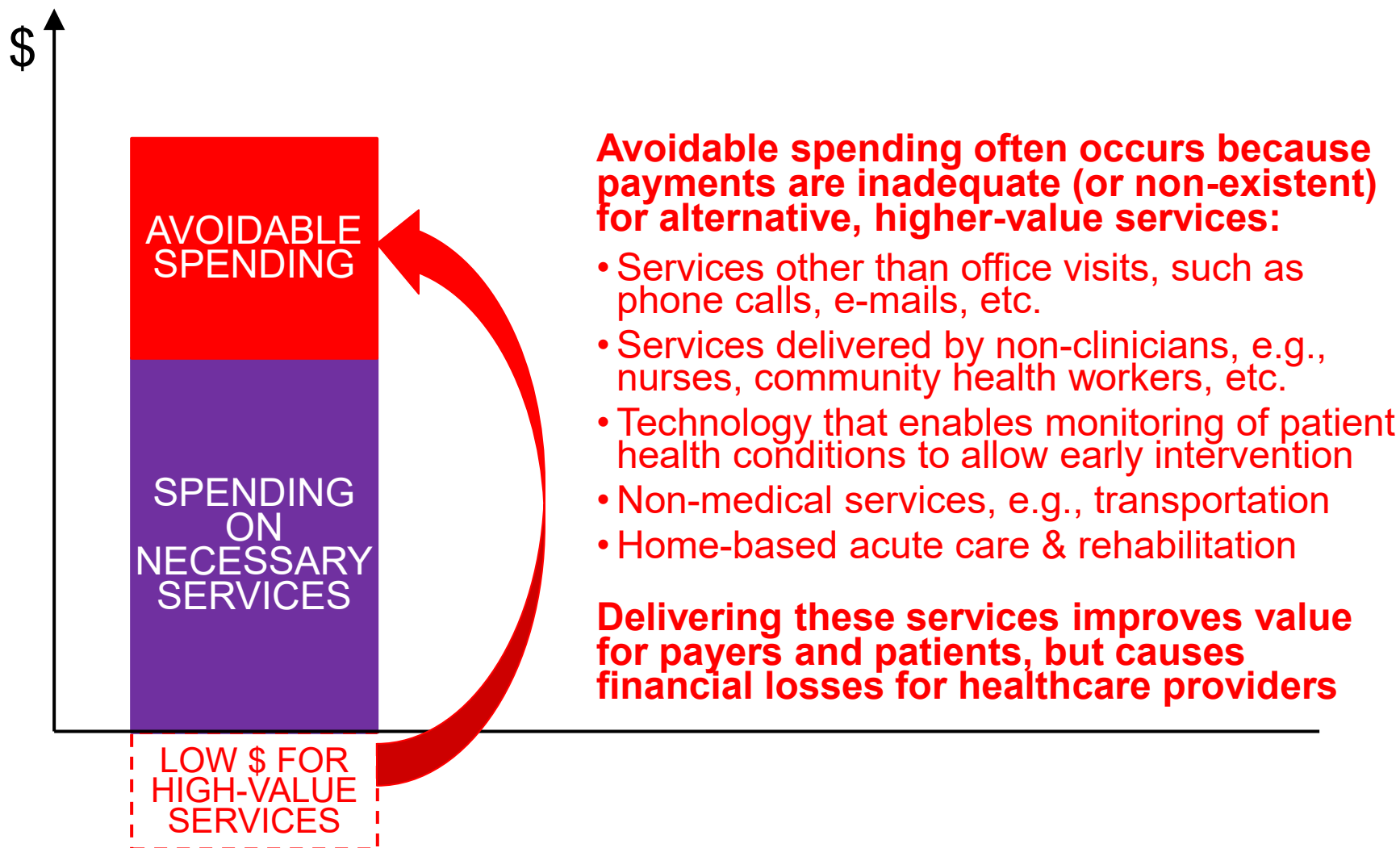
Value-Based Care Can Be a Win-Win for Payers & Patients



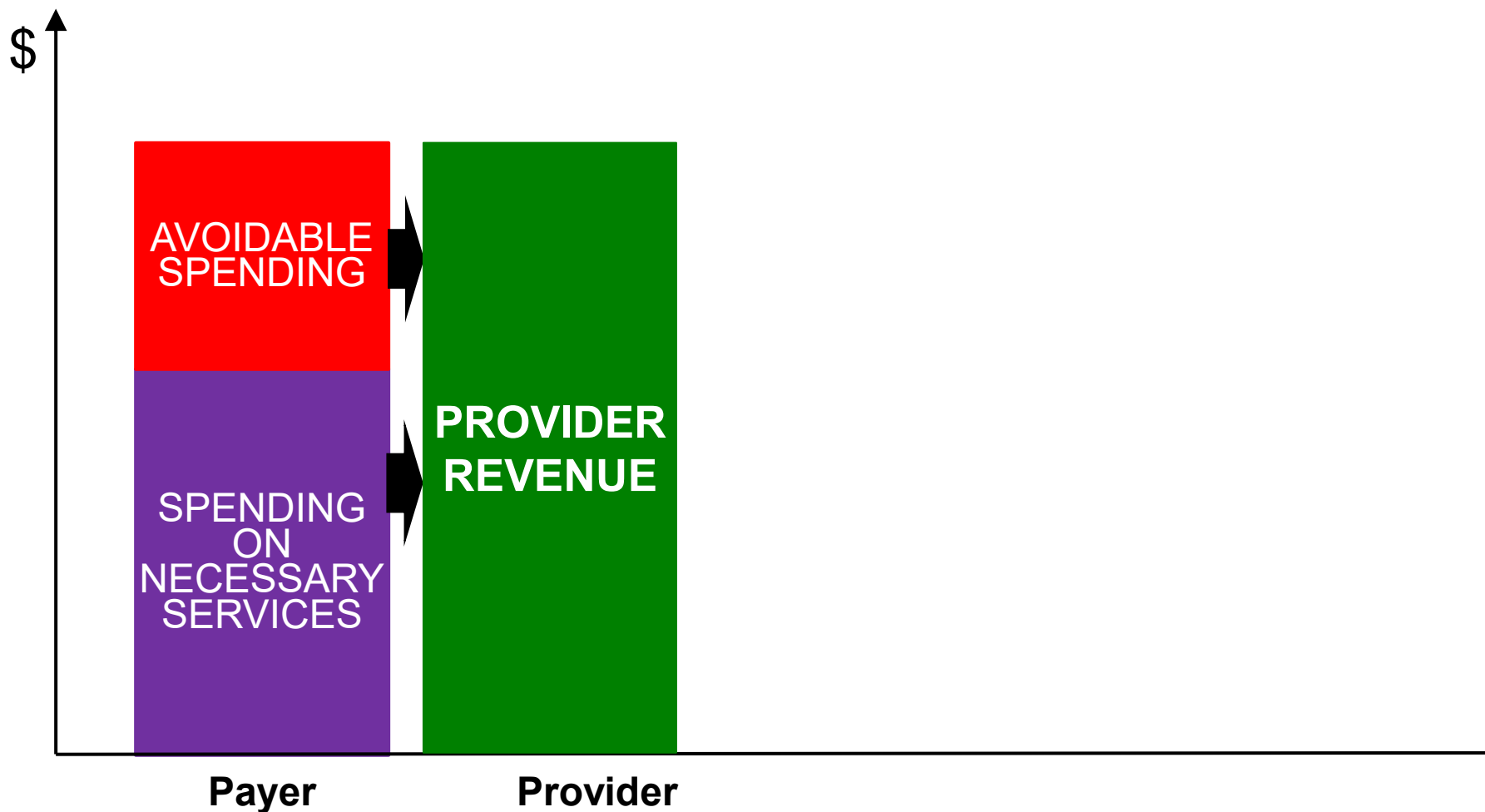
Barriers in the Payment System Create a Win-Lose for Providers



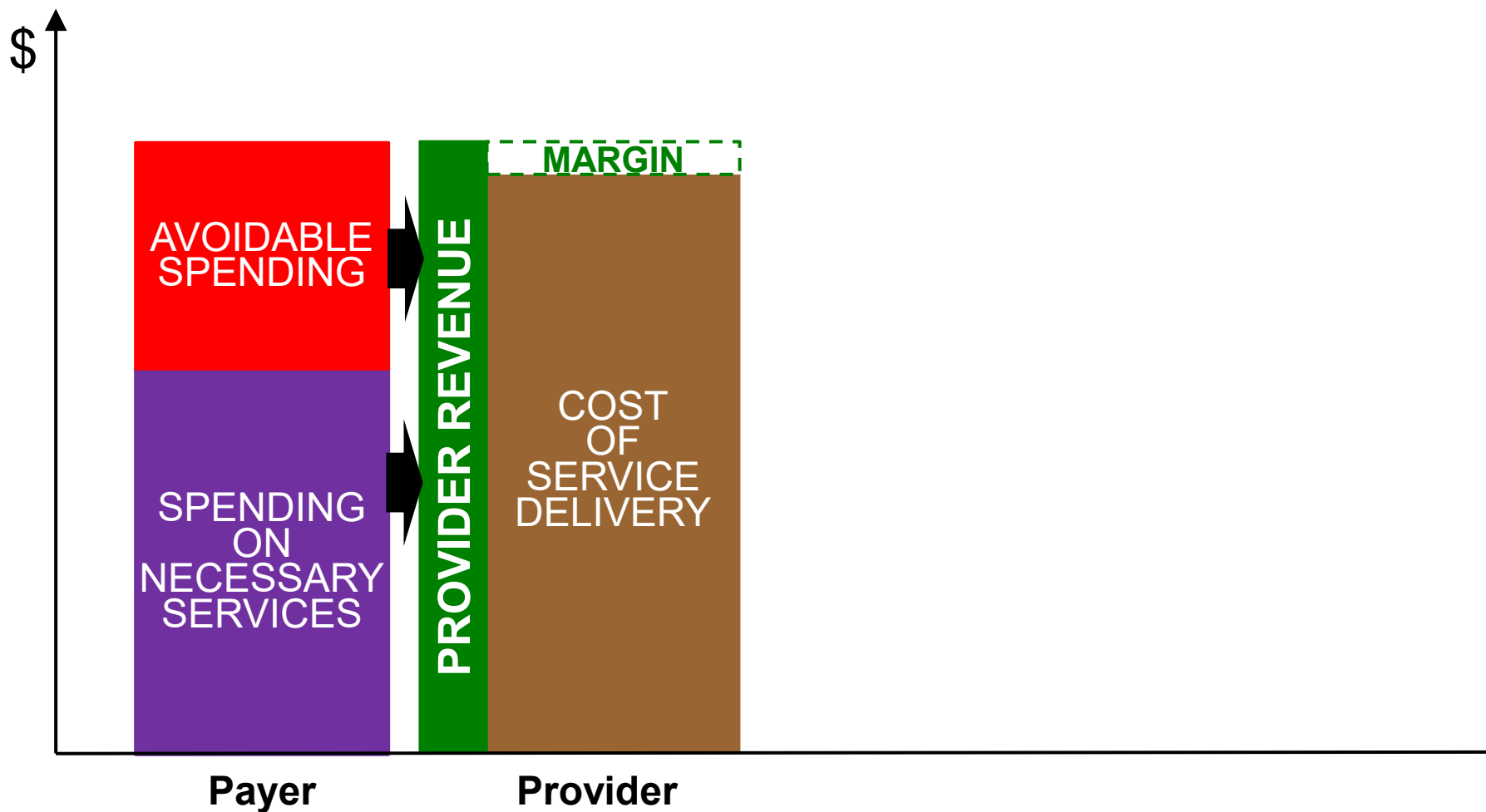
Barrier #1: Inadequate Payments for Higher-Value Services



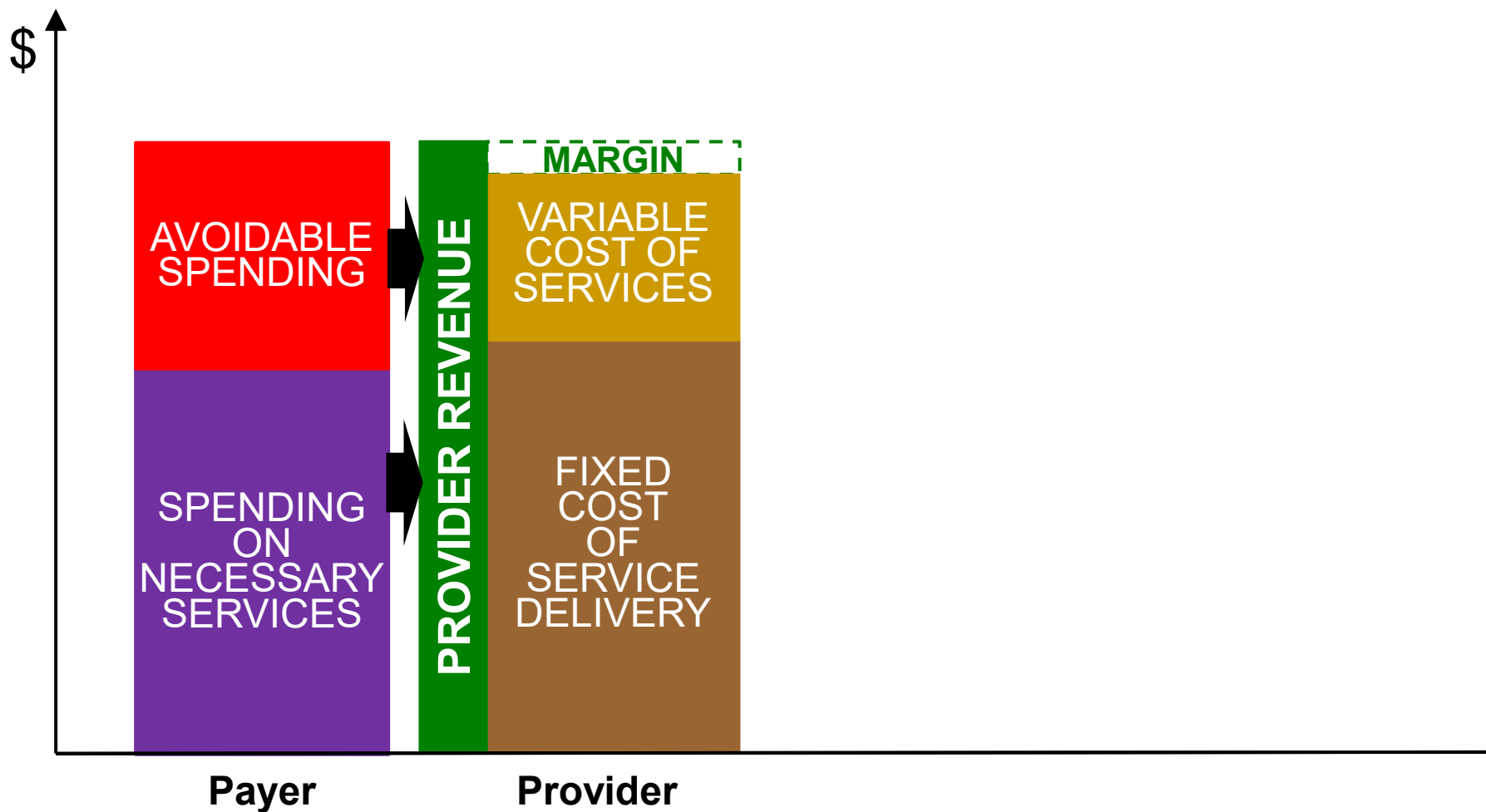
Barrier #2: “Avoidable Spending” is *Revenue* for Providers



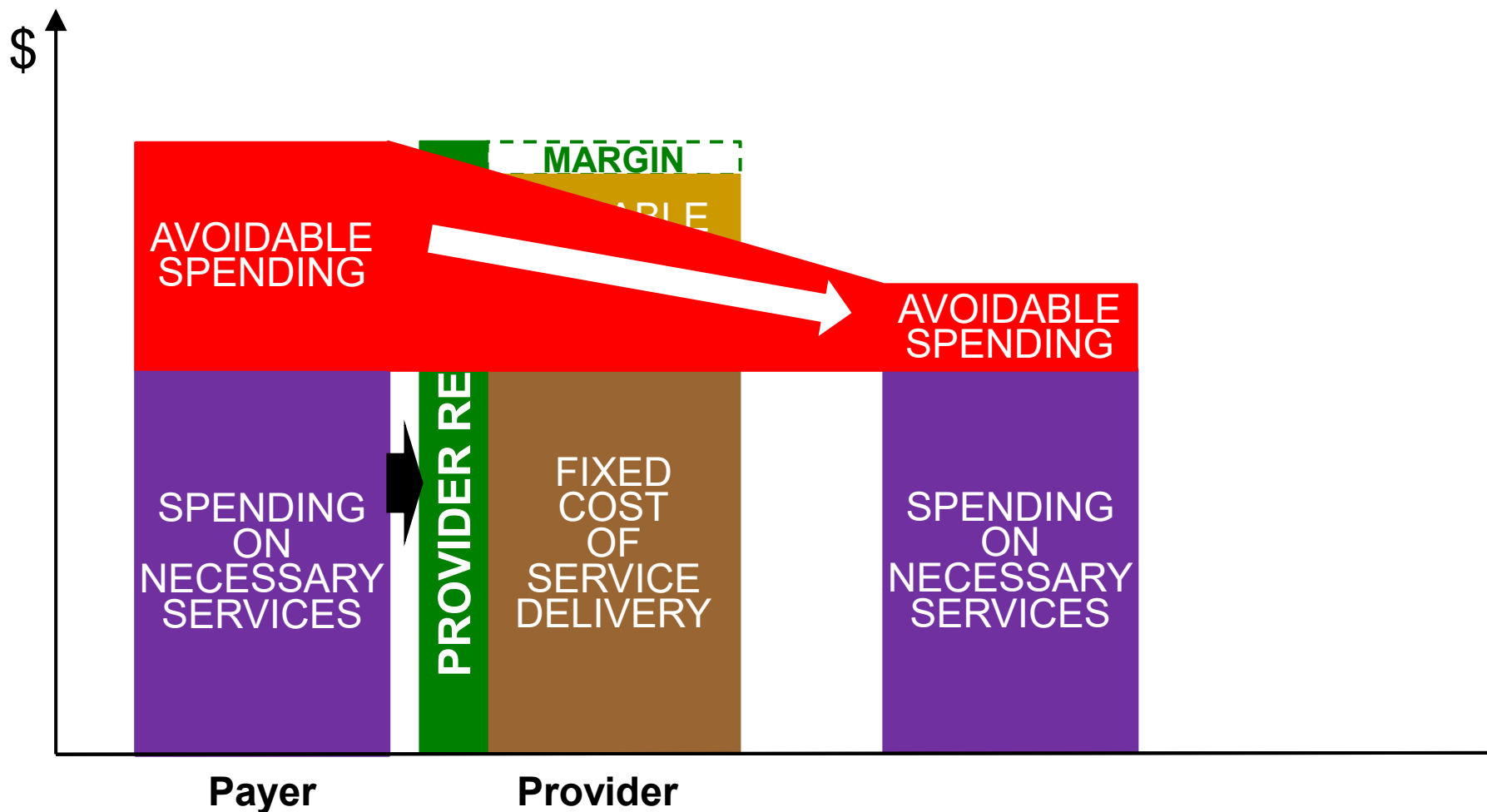
Providers Use the Revenue to Pay for the Costs of Services



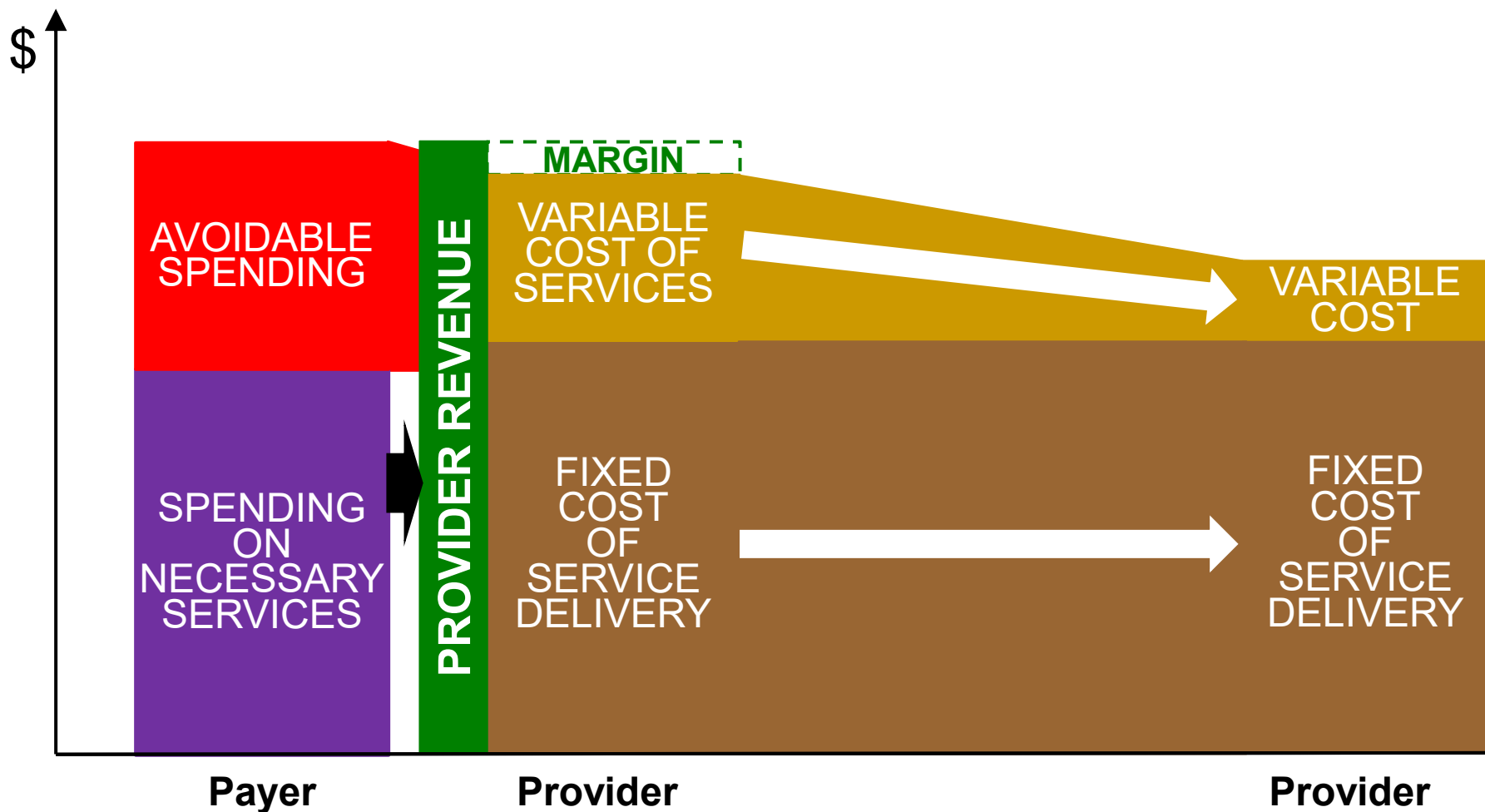
The Majority of Costs May Be Fixed (in the Short Term)



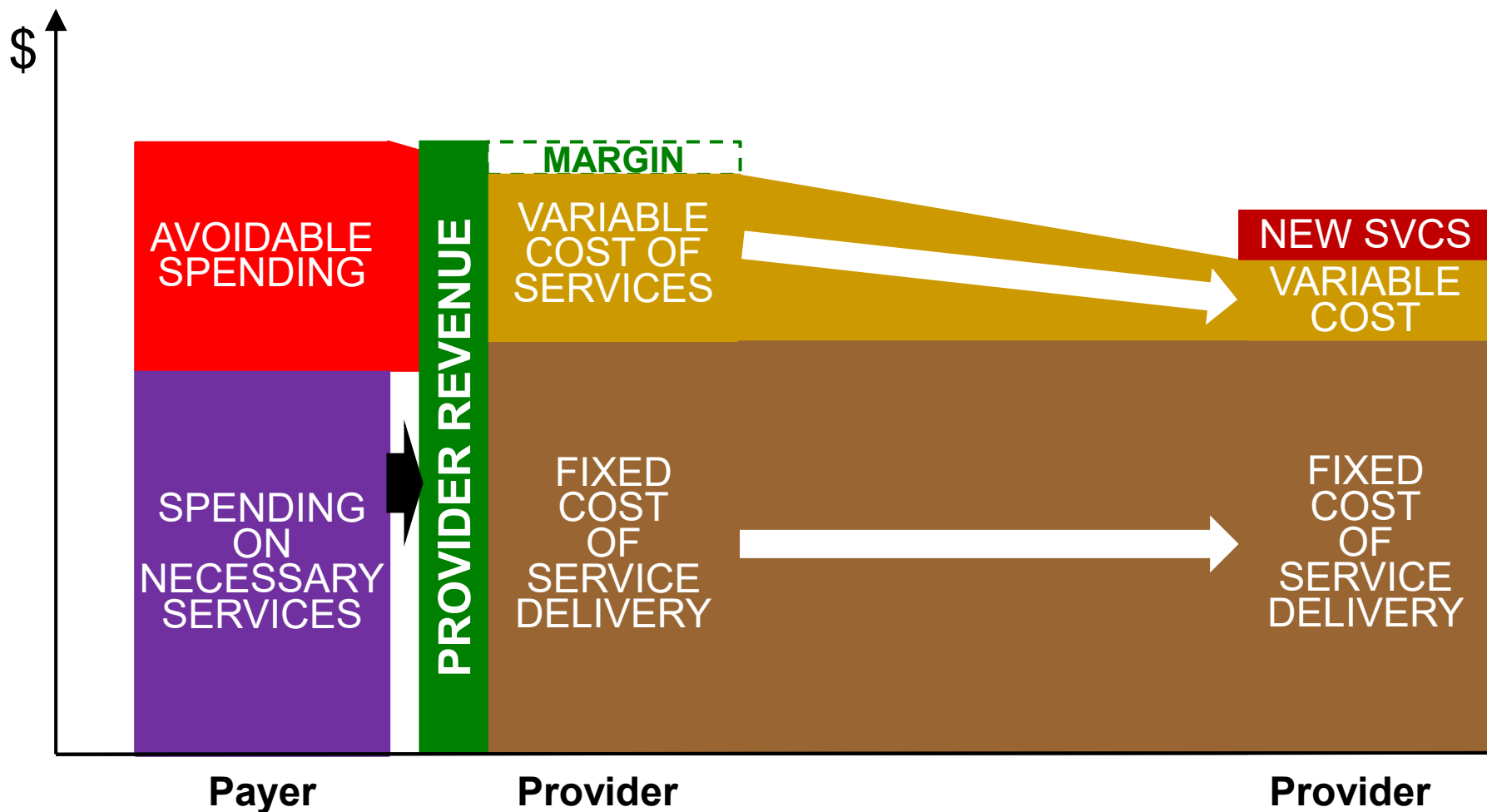
When Healthcare Providers Reduce Avoidable Services...



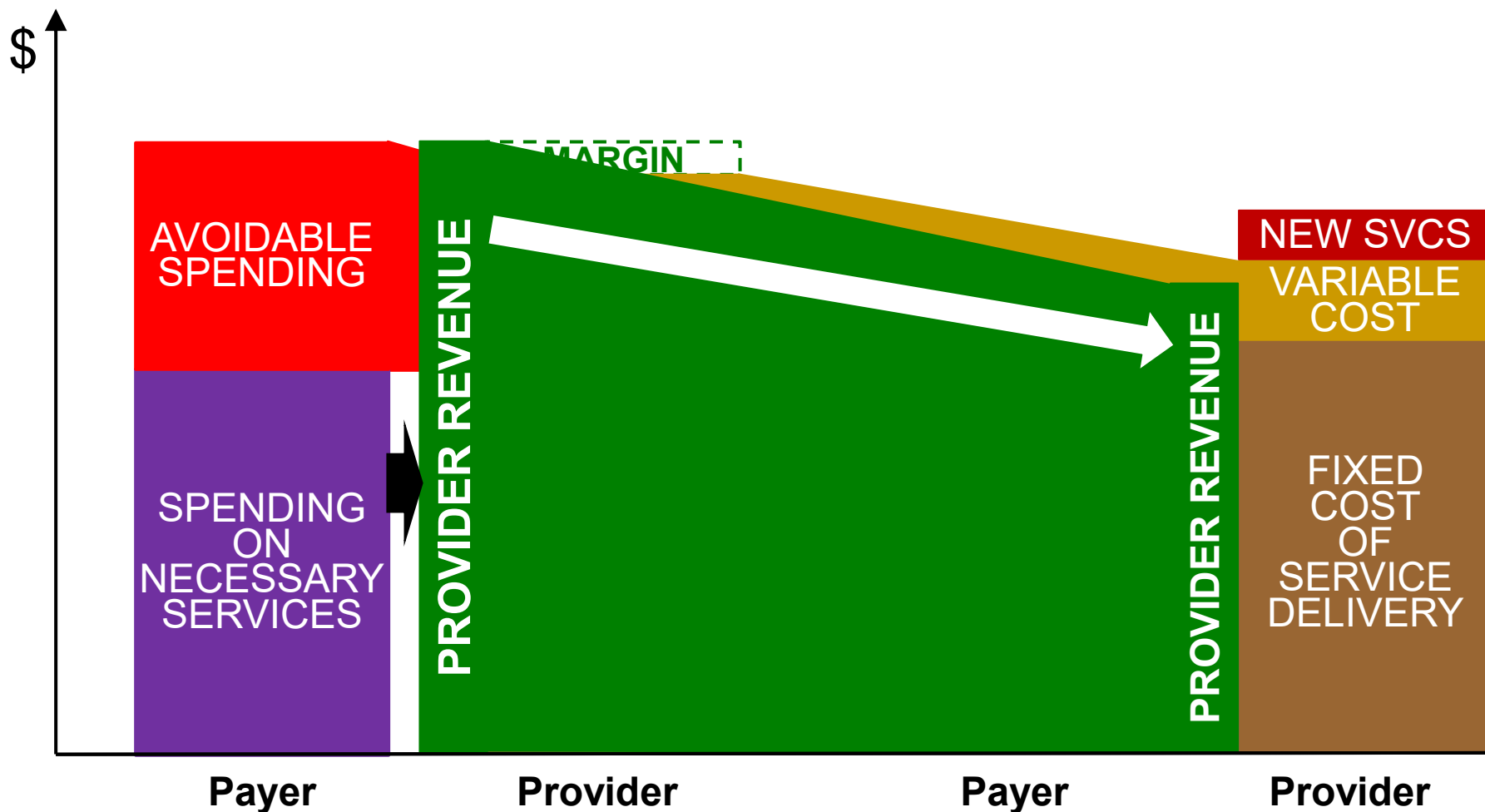
... Variable Costs Decrease, But Fixed Costs Do Not



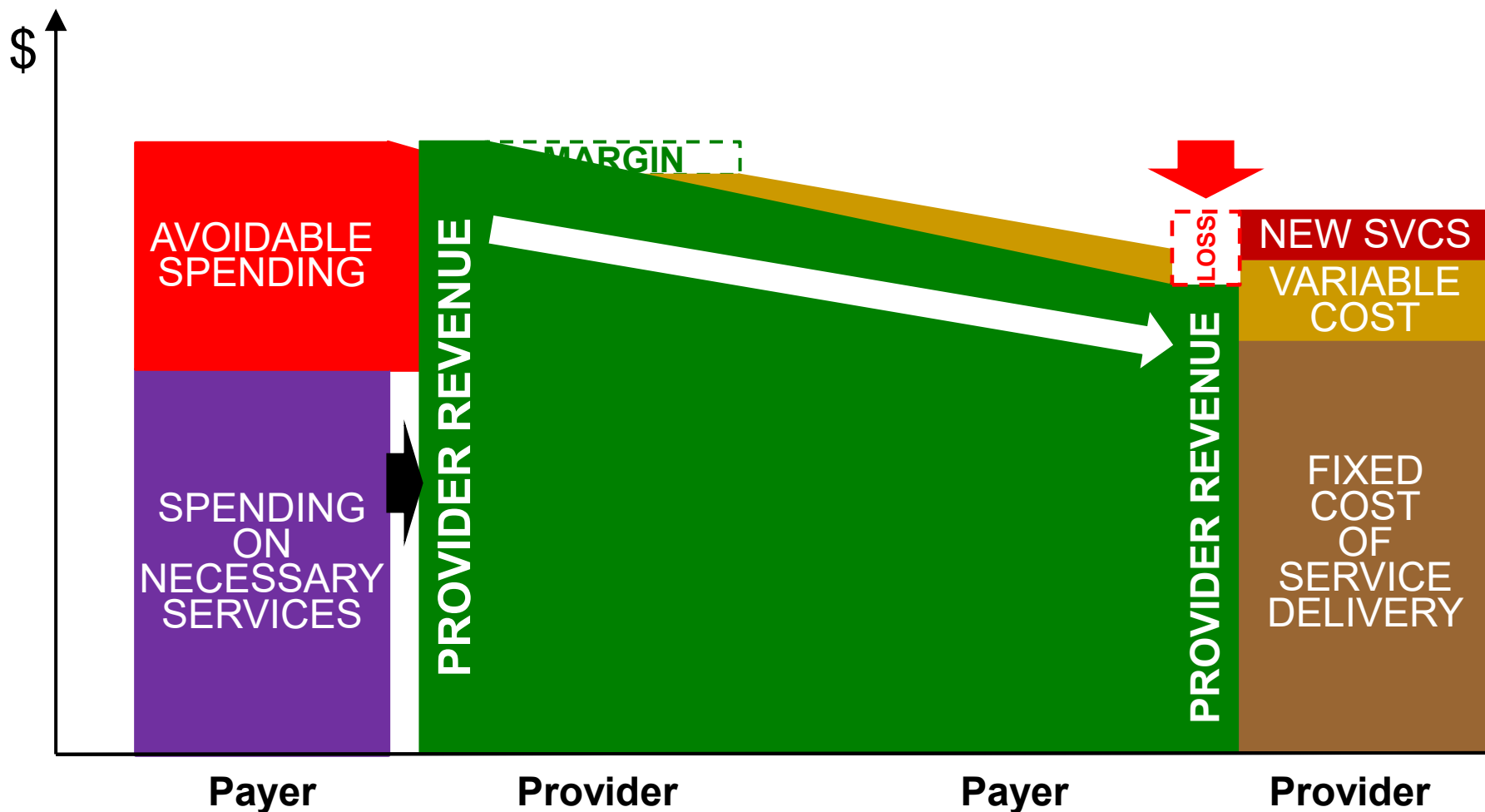
...Plus Added Costs of Delivering New High-Value Services



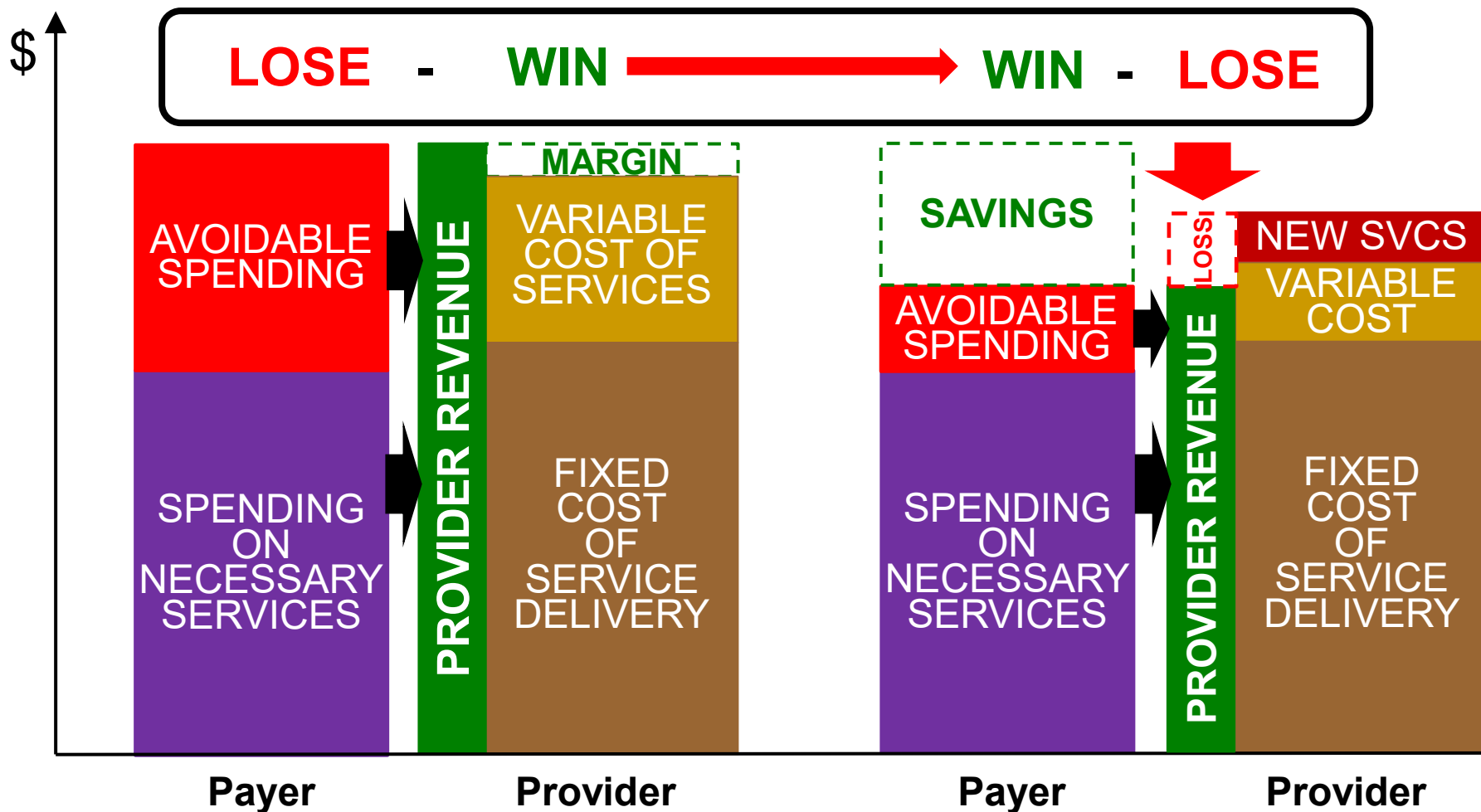
Revenues Decrease in Direct Proportion to Service Volume...



...Resulting in Financial Loss for Healthcare Providers

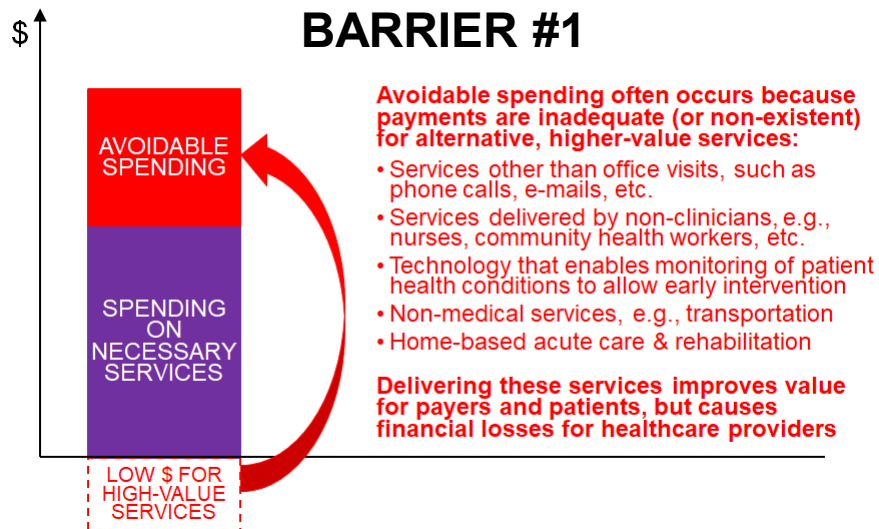


Win-Lose: Savings for Payers, Losses for Providers

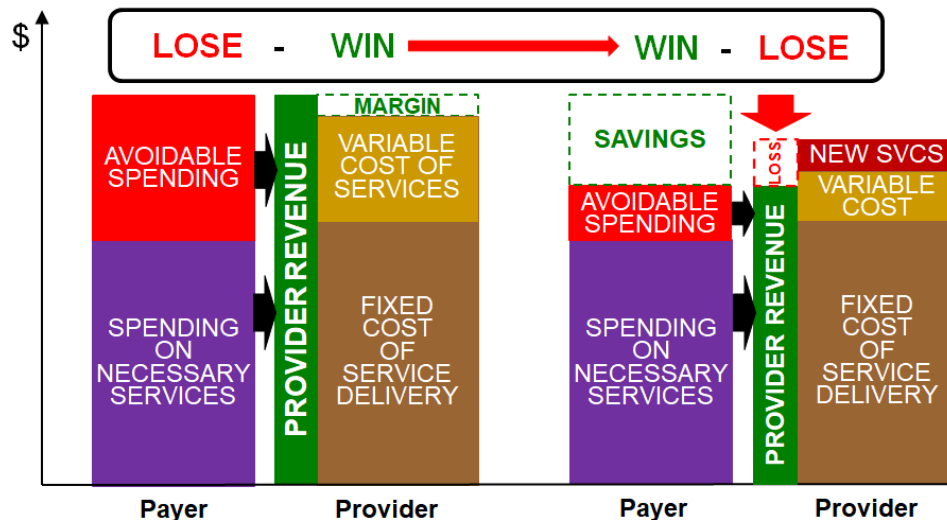


Value-Based Payment Must Remove the Barriers to Better Care

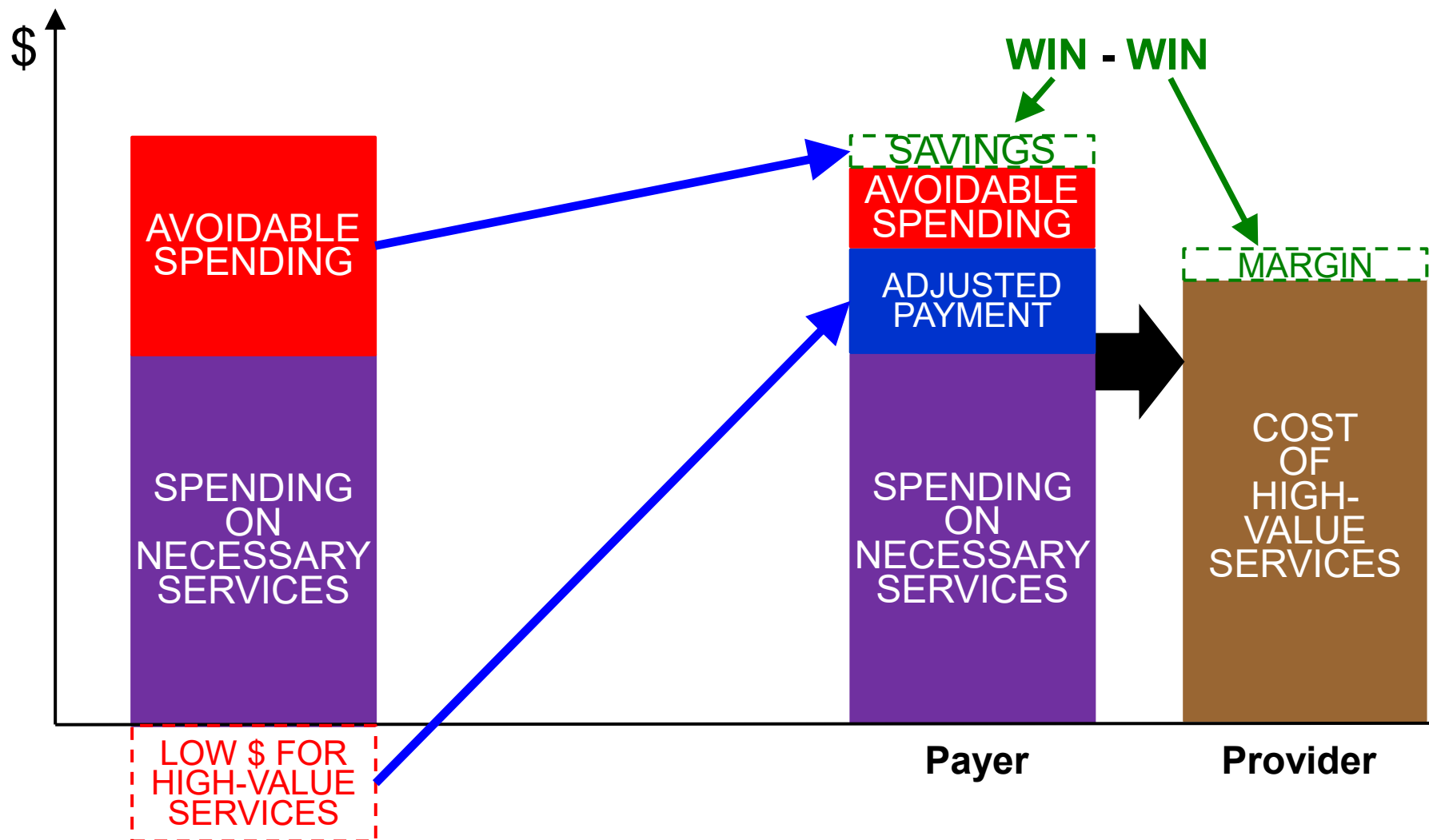
BARRIER #1



BARRIER #2



Win-Win = Savings AND Adequate Payment for Services



Example: Value-Based Care for Inflammatory Bowel Disease (IBD)



Lawrence Kosinski, MD
Gastroenterologist
Chicago, USA

“Project Sonar”
www.SonarMD.com

Opportunity for Savings in IBD



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Chicago, USA

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AVOIDABLE SPENDING OPPORTUNITY:

- >50% of spending for patients with inflammatory bowel disease paid for hospital admissions of patients with exacerbations of their disease
- <33% of hospitalized patients saw their physician in the 30 days prior to hospital admission

Higher-Value Approach to Care for IBD Patients



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CARE REDESIGN:

- Proactive outreach to patients and monitoring of their symptoms using a smartphone app (“Sonar”)
- Early intervention by nurse and physician when problematic symptoms are identified

Barriers in Current Payment System



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BARRIER TO IMPLEMENTATION:

- No payments for nurse or monitoring technology

Change in Payment to Overcome Barriers



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PAYMENT CHANGE:

- Additional payment to physician practice to hire nurse and use symptom monitoring technology

Result: Better Care at Lower Cost for IBD



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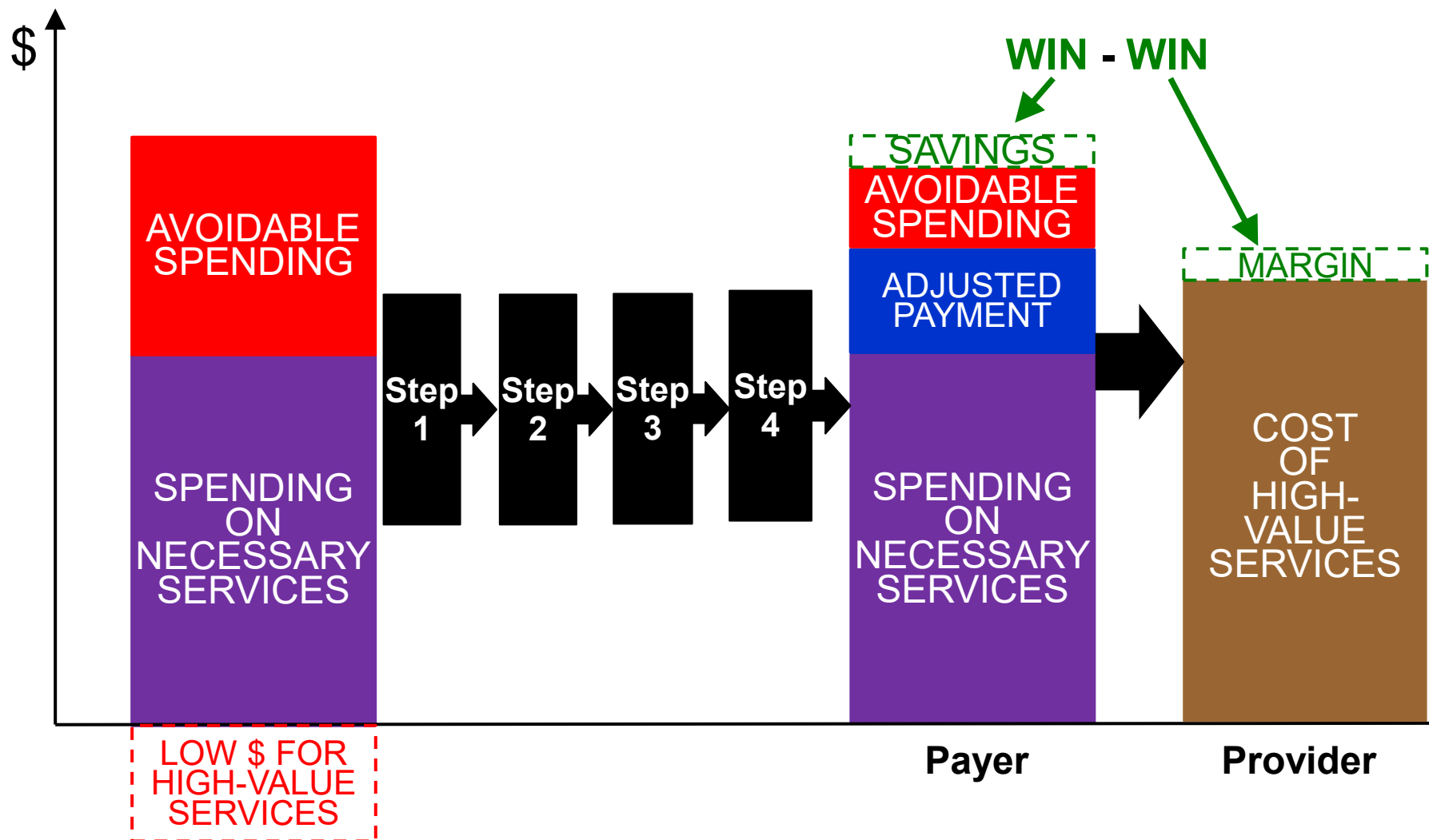
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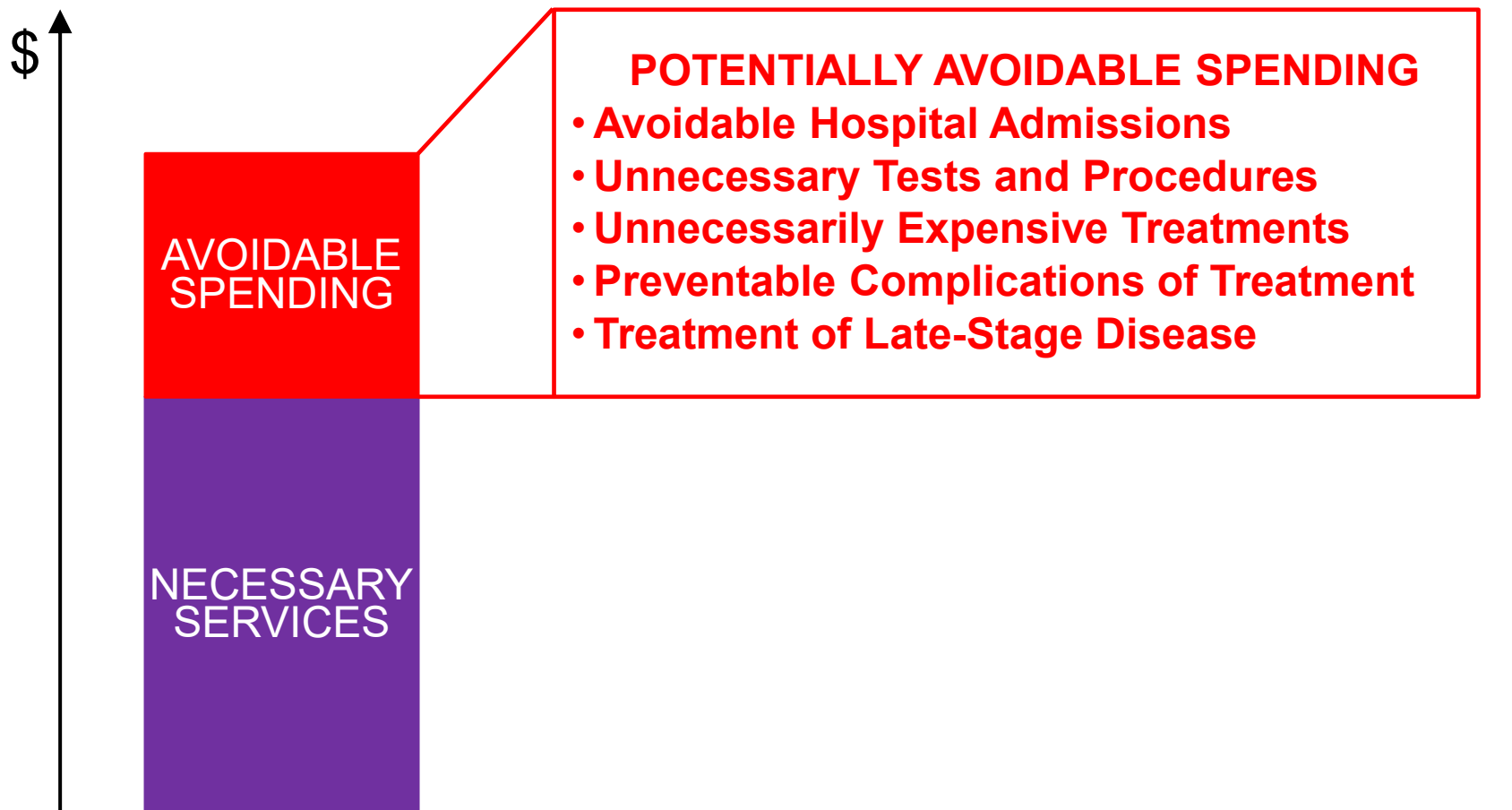
RESULTS:

- 50% reduction in hospital admissions
- 10% reduction in total spending even with higher payments to physician practice for nurse

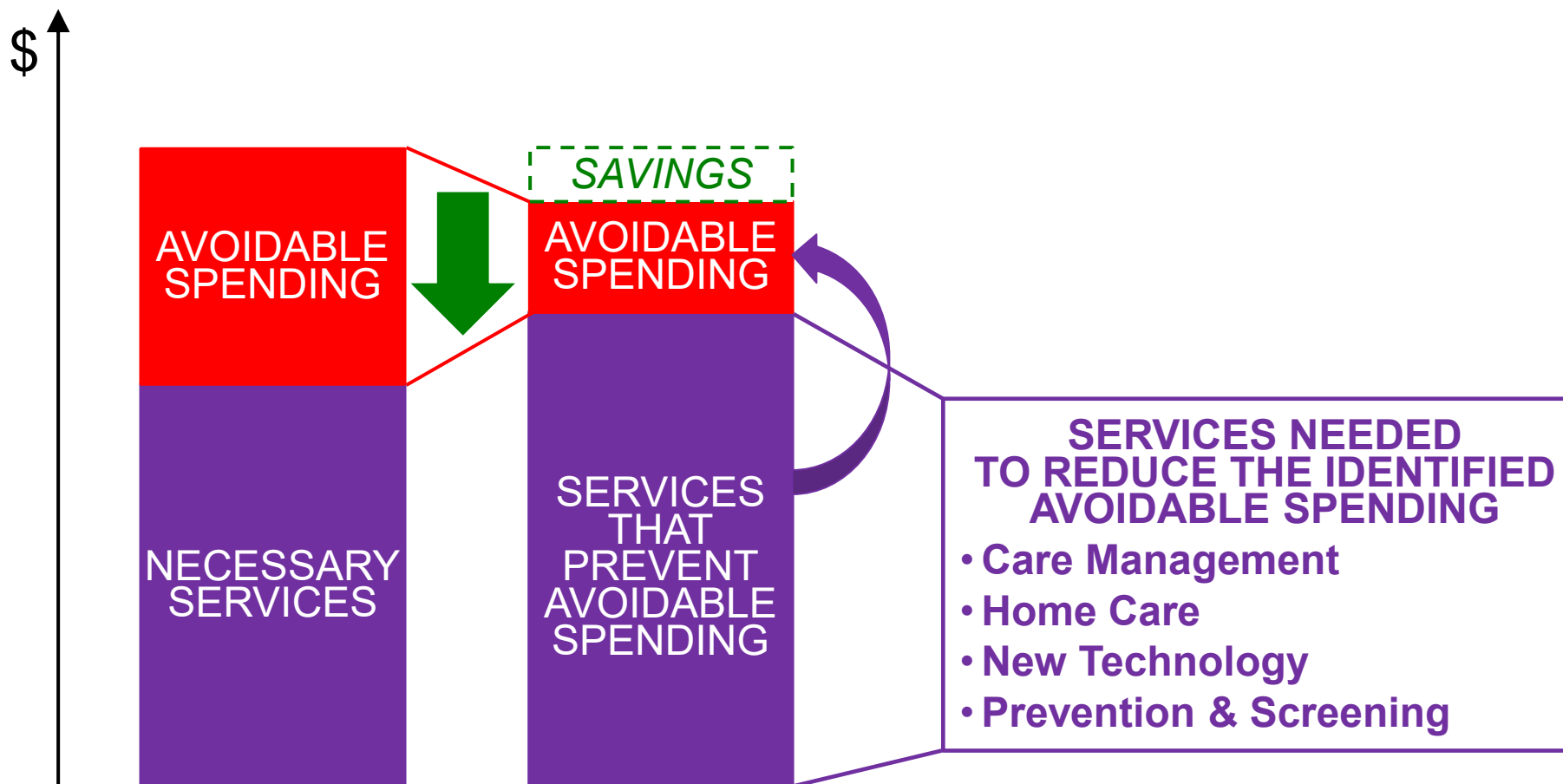
4 Steps for Creating *Successful* Value-Based Payments



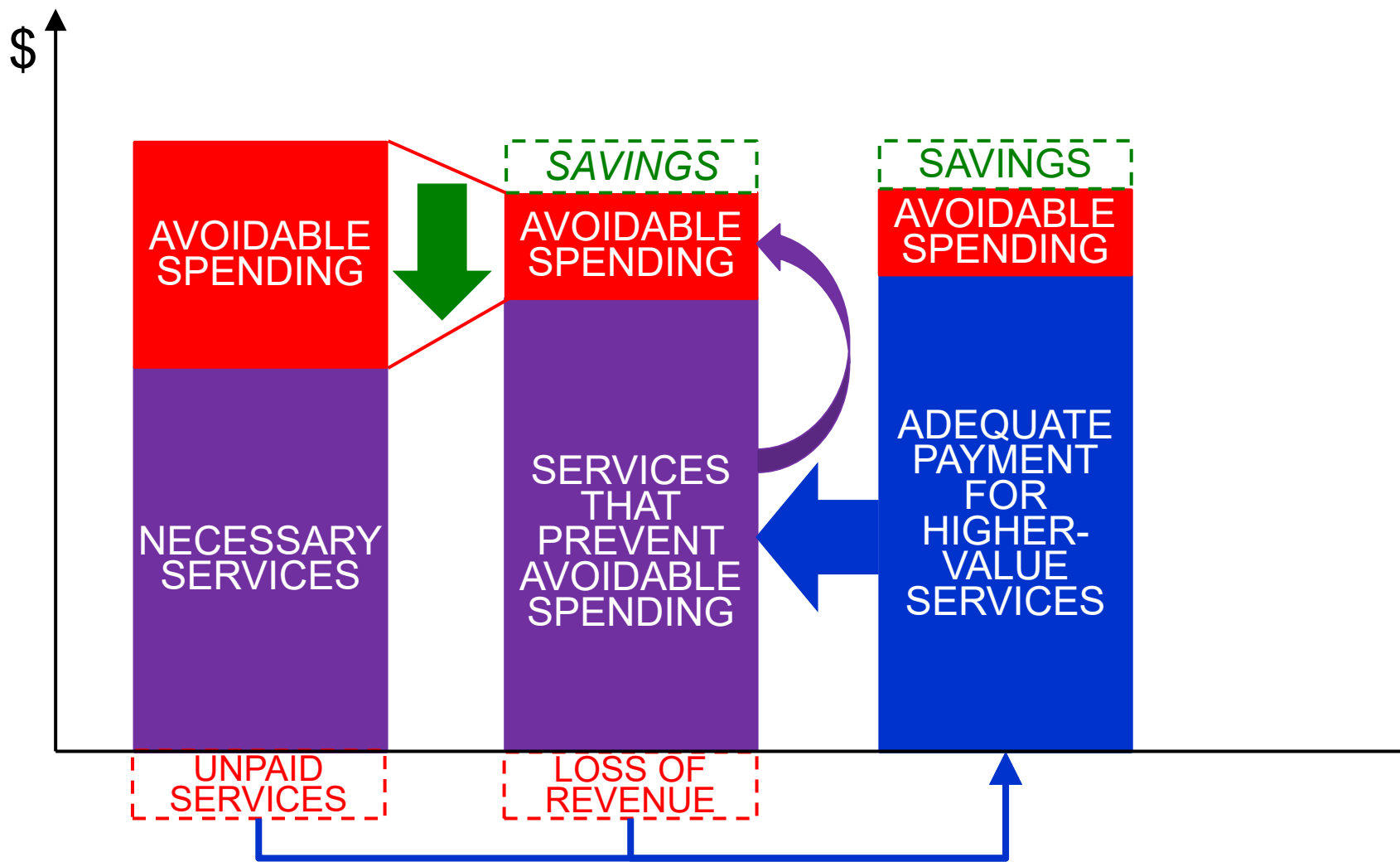
Step 1: Identify *Specific* Areas of Potentially Avoidable Spending



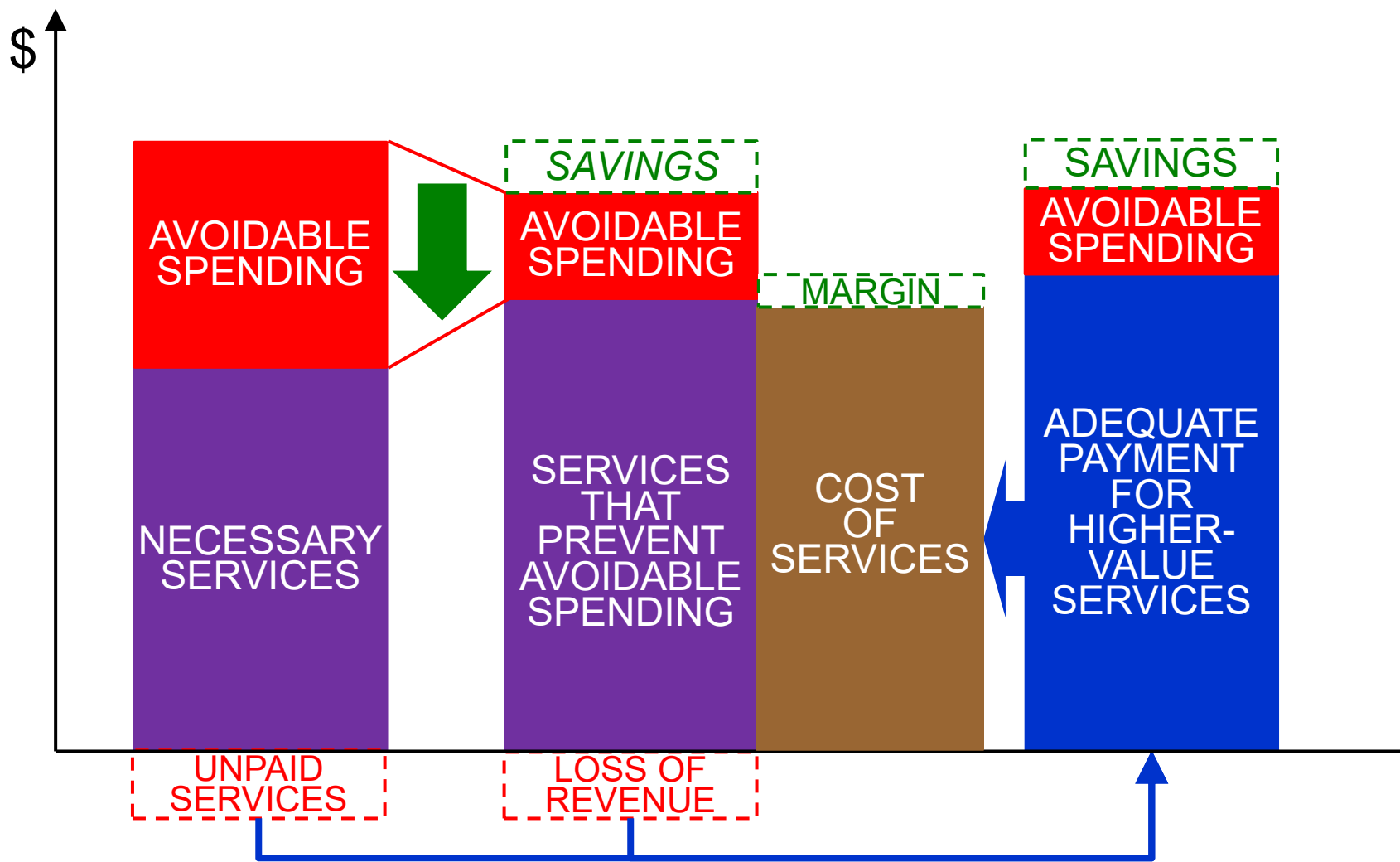
Step 2: Design Services That Will Reduce The Avoidable Spending



Step 3: Pay Adequately to Support Higher-Value Services



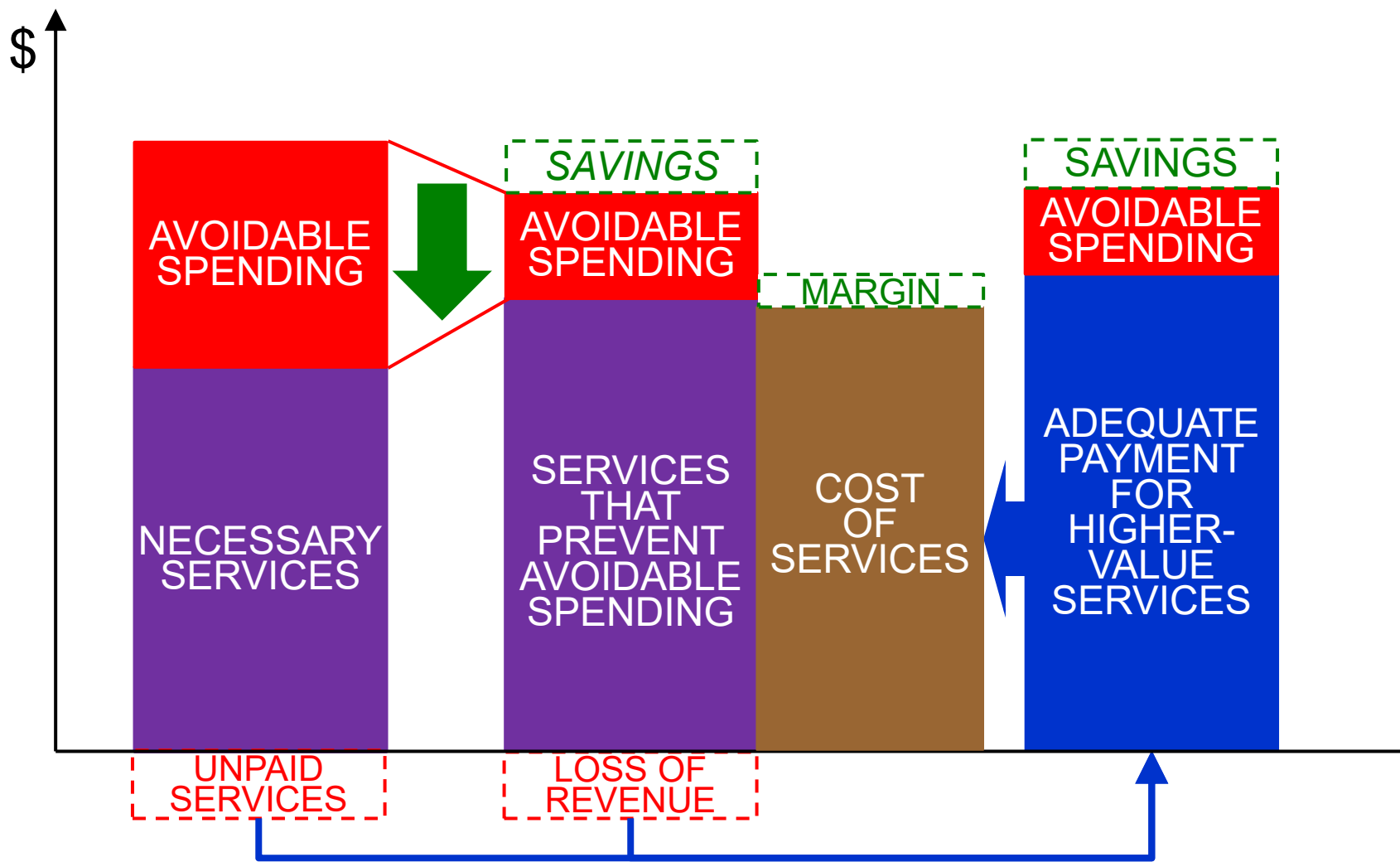
Adequacy Requires Knowing the Cost of Higher-Value Care



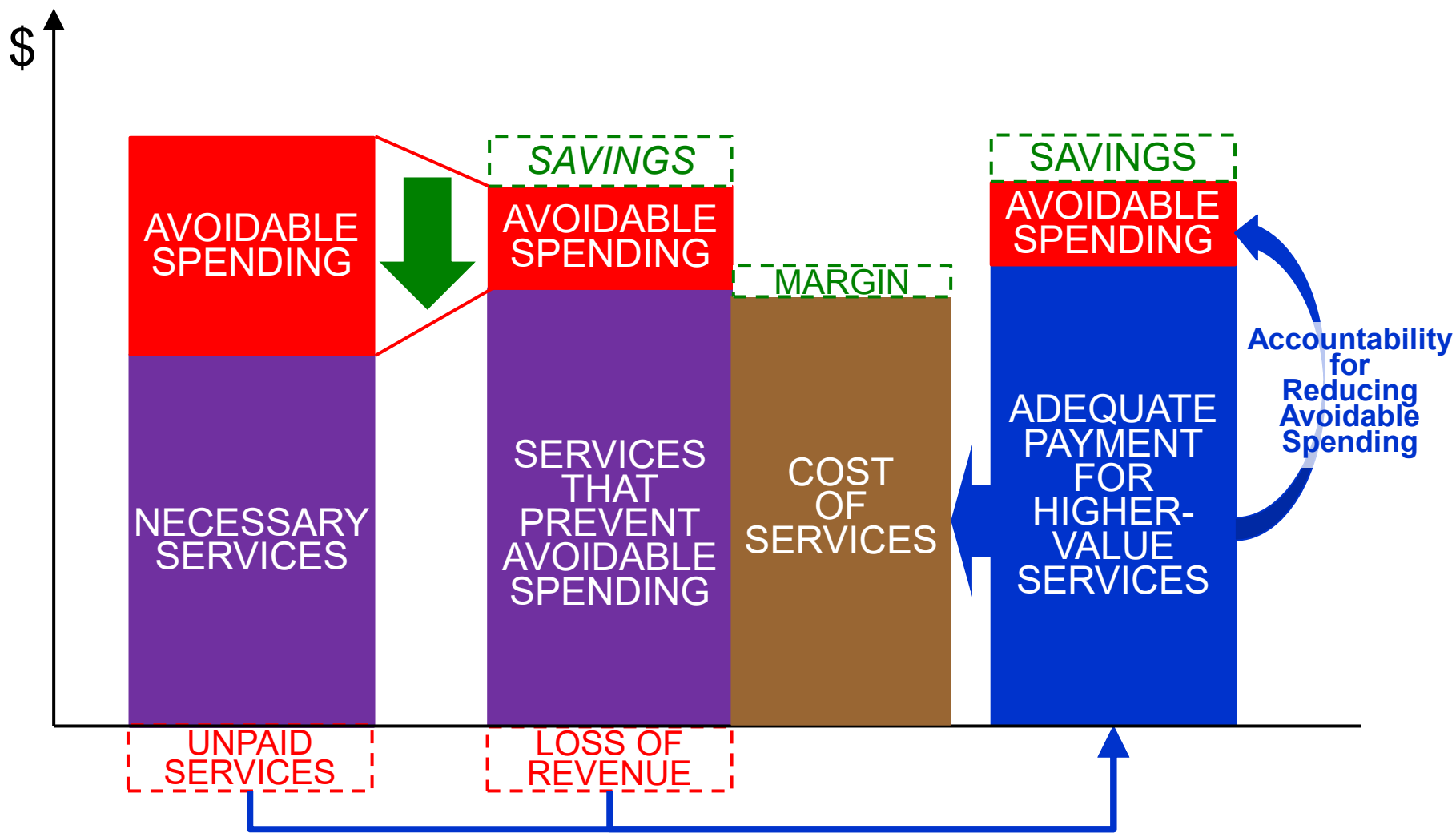
Knowing Your *Current* Costs Is Not Enough

- Time-Driven Activity-Based Costing and other cost-accounting systems can tell you what it *currently* costs to deliver *non-value-based care*, but not what it *will* cost to deliver *value-based care*.
- A *Cost Model* is needed to determine how costs will *change* as value-based care is implemented:
 - What will it cost to deliver *new*, high-value services?
 - How much of the cost of *current* services is:
 - Variable, i.e., it will change with each unit change in services (e.g., drugs, disposable items)
 - Semi-Variable, i.e., it will change only with large changes in volume (e.g., personnel, equipment)
 - Fixed, i.e., it can only be changed over a longer time horizon

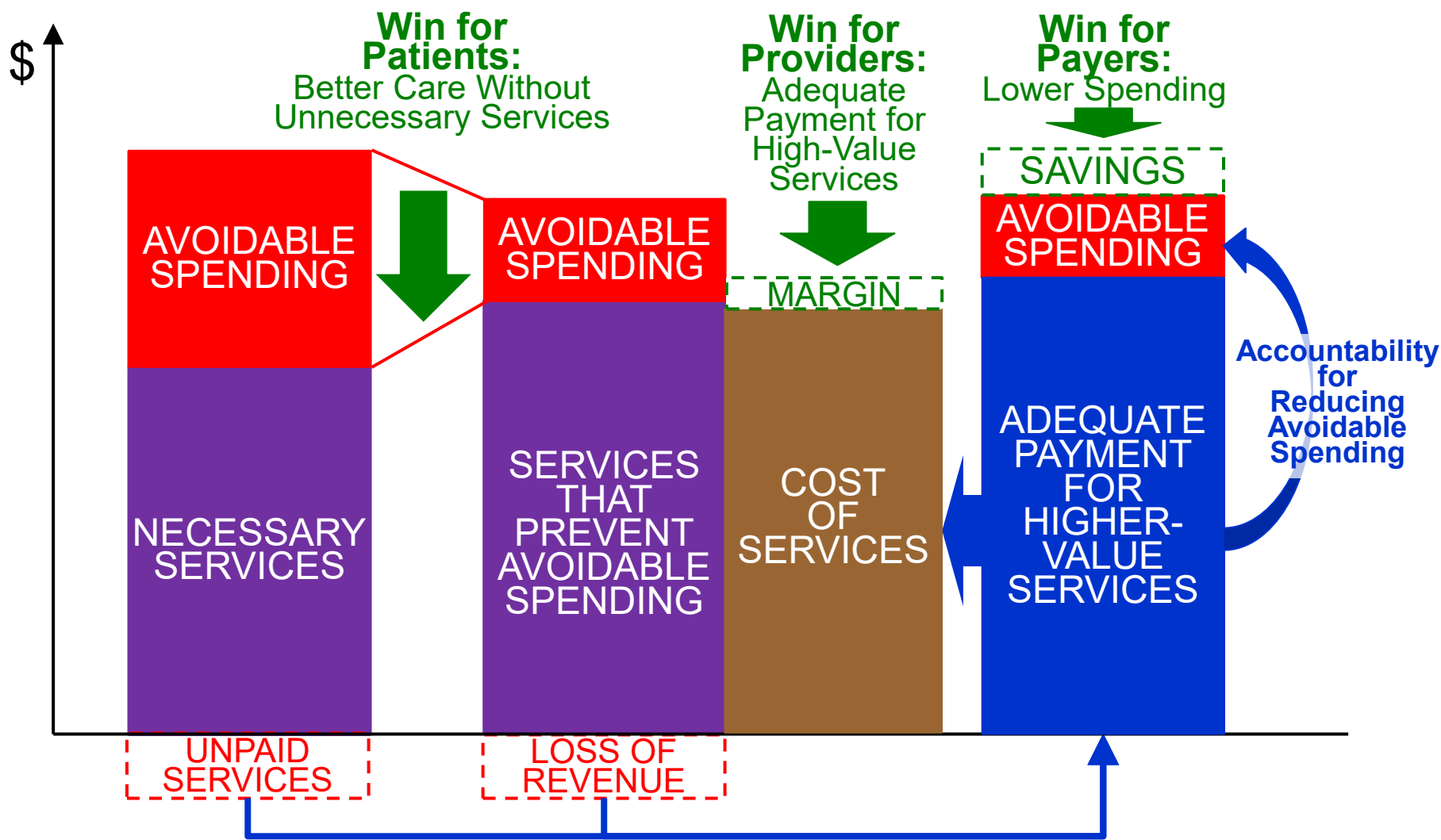
Step 3: Pay Adequately to Support Higher-Value Services



Step 4: Hold Providers Accountable for Results



Good Alternative Payment Models Can Be Win-Win-Wins



No One “Right” Way to Structure Payment + Accountability



Building Blocks of Value-Based Payment

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BUILDING BLOCKS	HOW IT WORKS	EXAMPLE
<p>New/Increased Fee for Service</p>	<p>Adequate payment for a high-value service</p>	<p>Care management to prevent hospital admission/readmit</p>

Building Blocks of Value-Based Payment

BUILDING BLOCKS		HOW IT WORKS	EXAMPLE
	New/Increased Fee for Service	Adequate payment for a high-value service	Care management to prevent hospital admission/readmit
	Bundled Payment (Single Provider)	One payment for <i>2+ services</i> required for a <i>single procedure</i>	<ul style="list-style-type: none"> - Hospital DRG (case rate) - Surgical global fee


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Outcome-Based Payment	No payment unless desired outcome is achieved	Payment for surgery only if patient functionality achieved

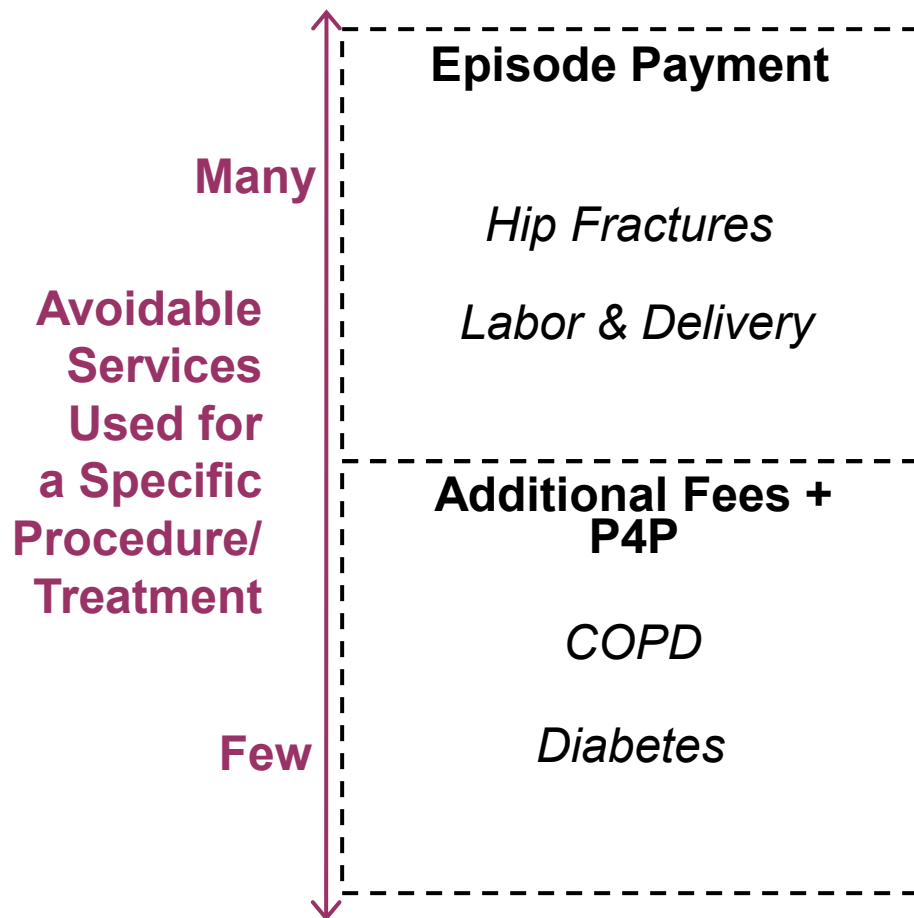
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Condition-Based Payment	One payment for <i>all procedures</i> used to treat a health condition	Payment for coronary artery disease regardless of whether inpatient surgery, outpatient procedure, or medical treatment is used

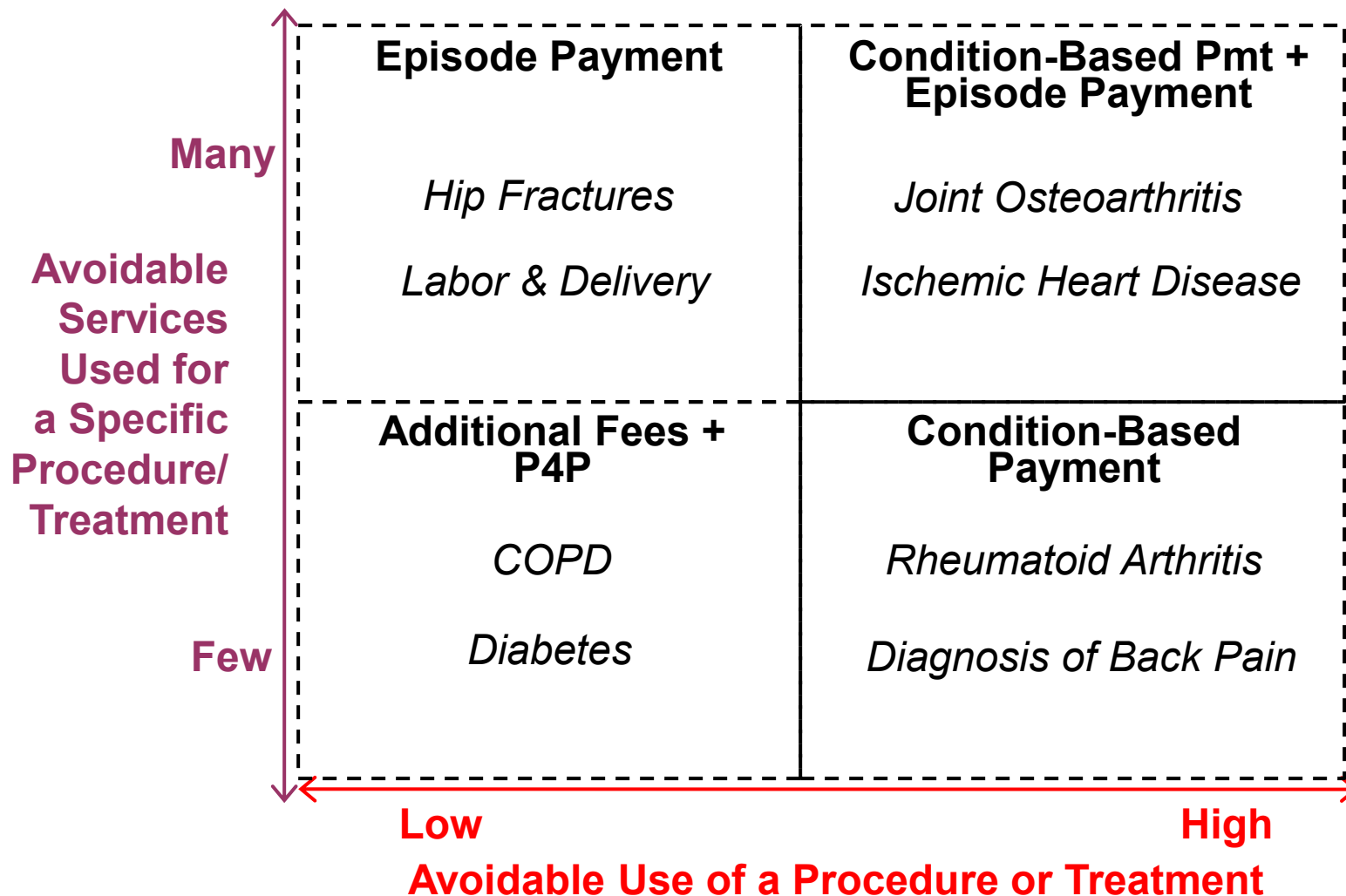
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Condition-Based Payment	One payment for <i>all procedures</i> used to treat a health condition	Payment for coronary artery disease regardless of whether inpatient surgery, outpatient procedure, or medical treatment is used
Symptom-Based Payment	One payment for <i>all tests</i> used to diagnose symptoms	Payment to determine cause of chest pain

The Right Payment Method Depends on Opportunities/Barriers



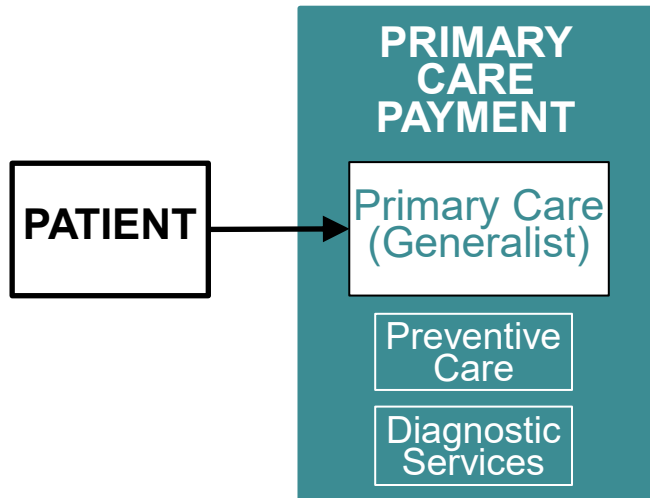
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A Patient-Centered Payment System

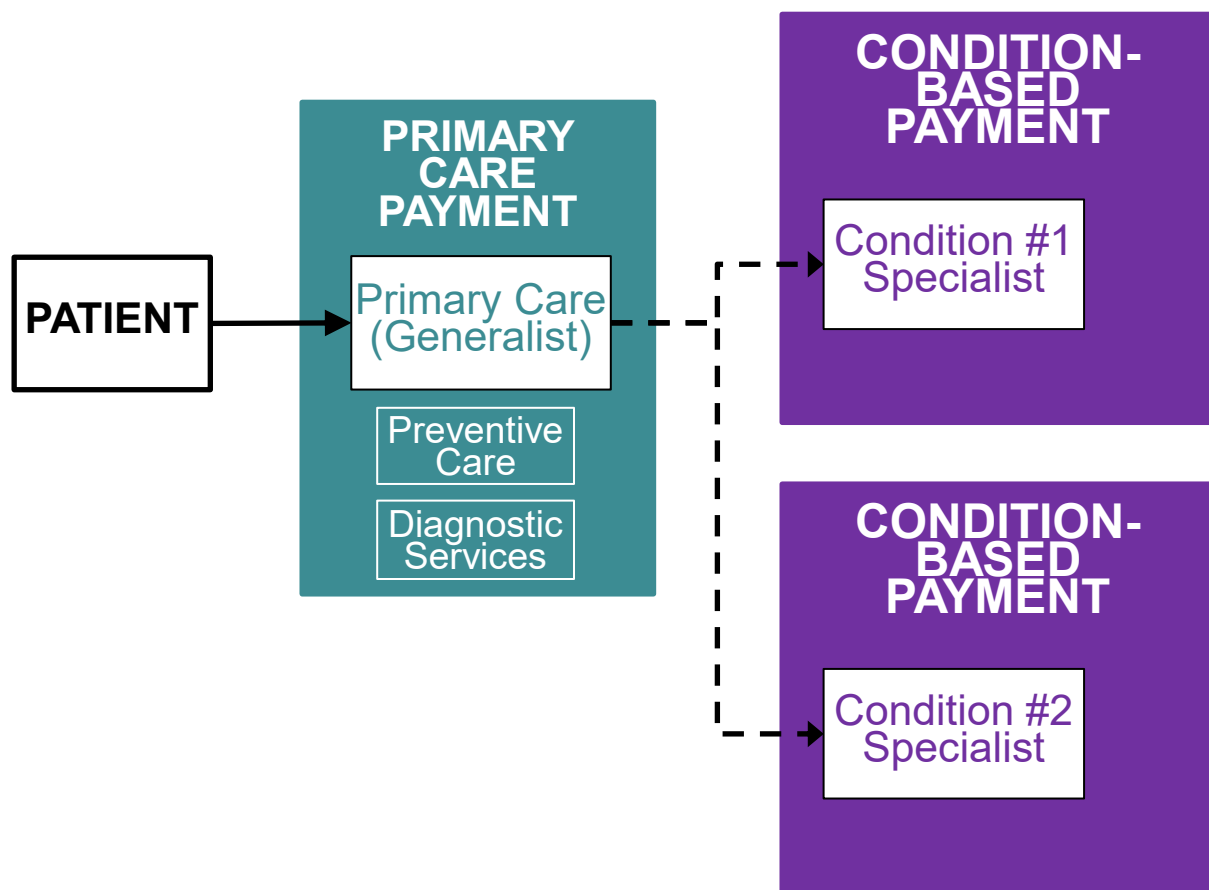
A Patient-Centered Payment System

PATIENT-CENTERED PAYMENT



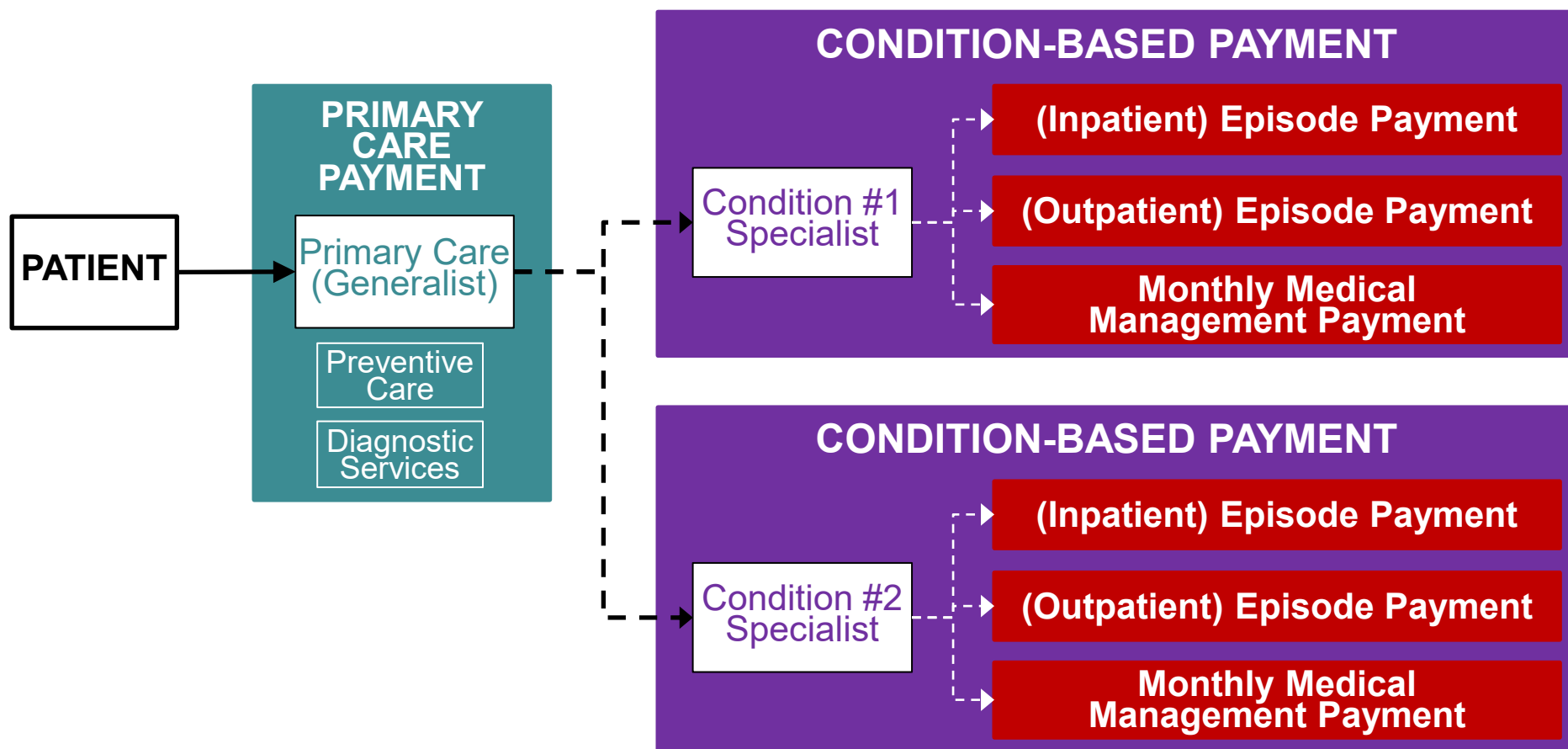
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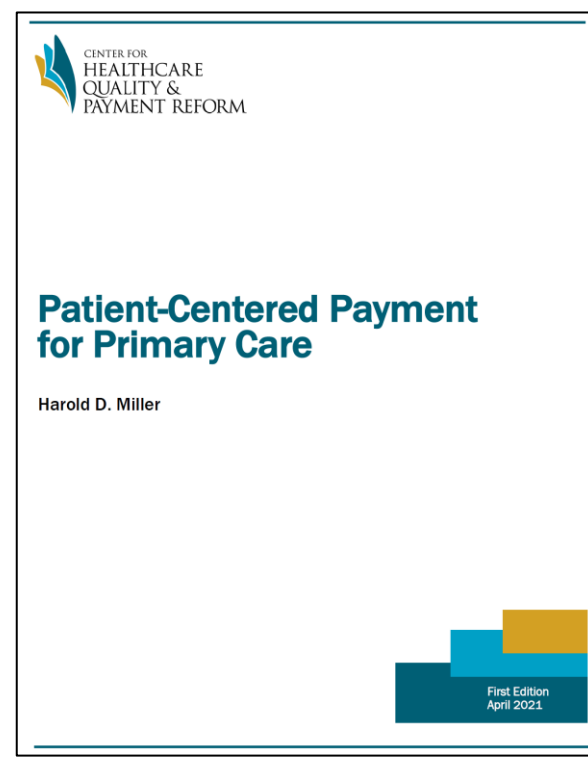
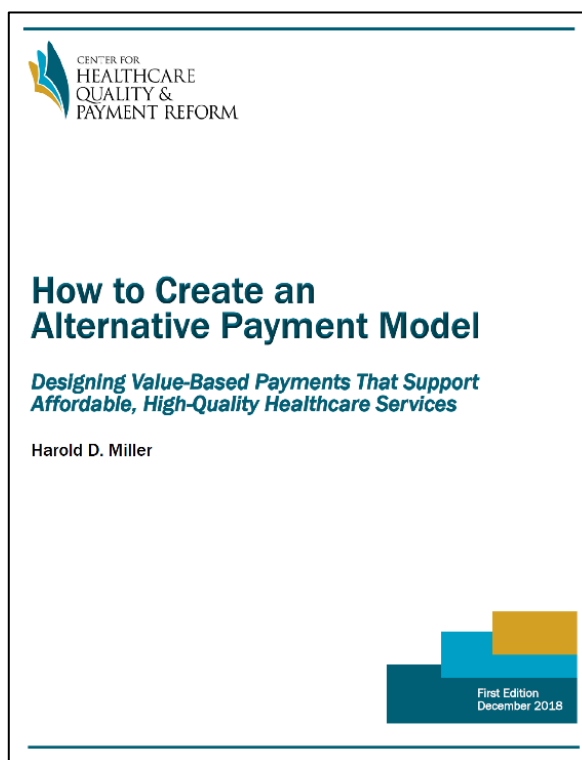
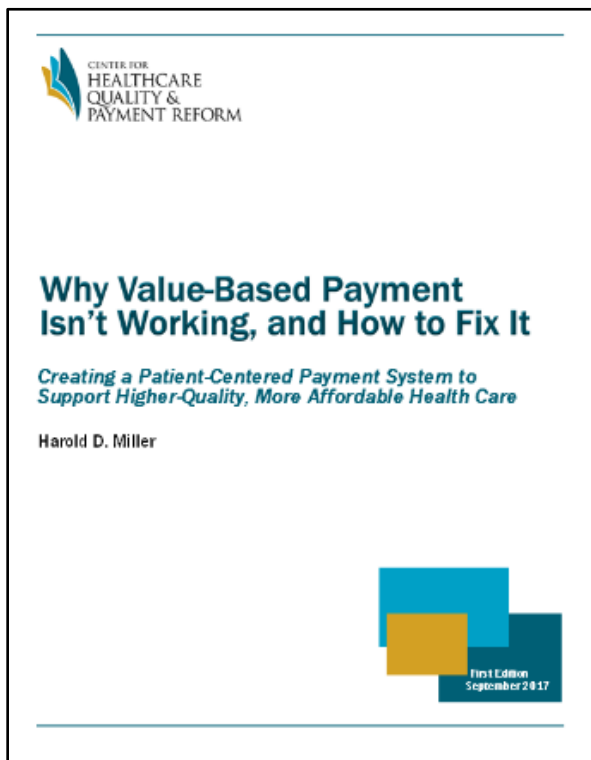
A Patient-Centered Payment System

PATIENT-CENTERED PAYMENT



More Details on Creating Value-Based Payment Models

www.PaymentReform.org





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