

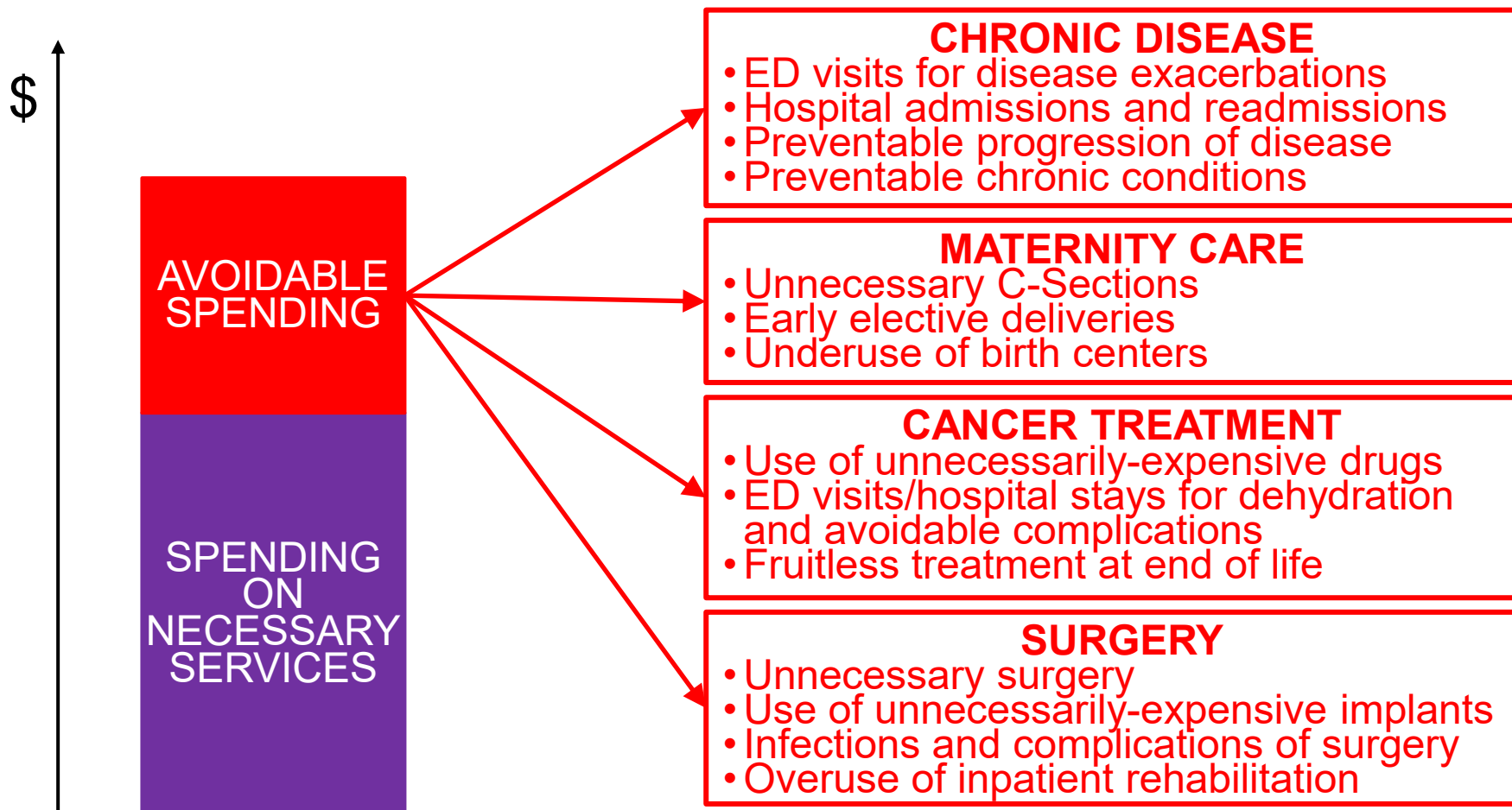


# VALUE-BASED PAYMENTS THAT SUPPORT VALUE-BASED CARE

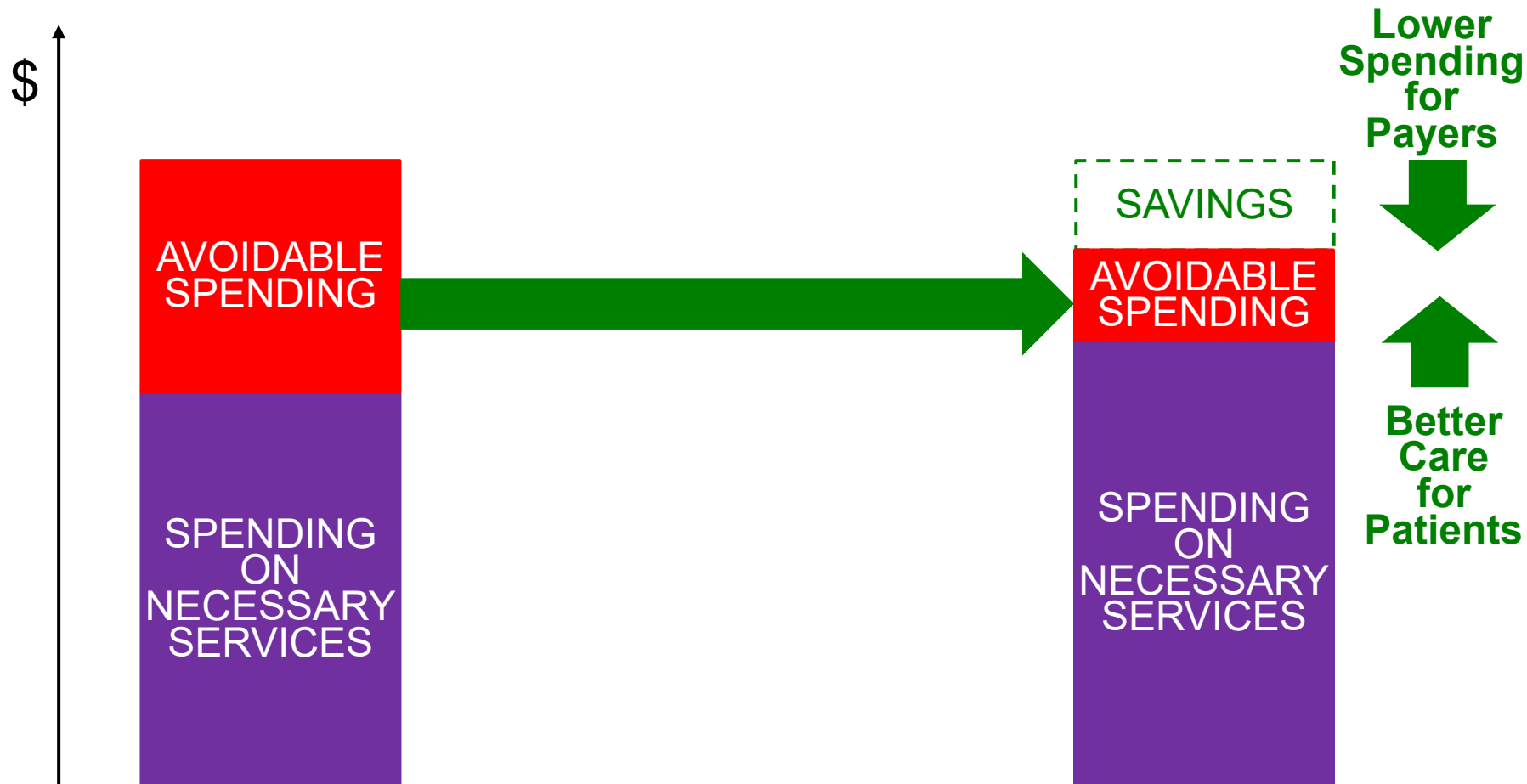
**Harold D. Miller**  
President and CEO  
Center for Healthcare Quality and Payment Reform

[www.CHQPR.org](http://www.CHQPR.org)

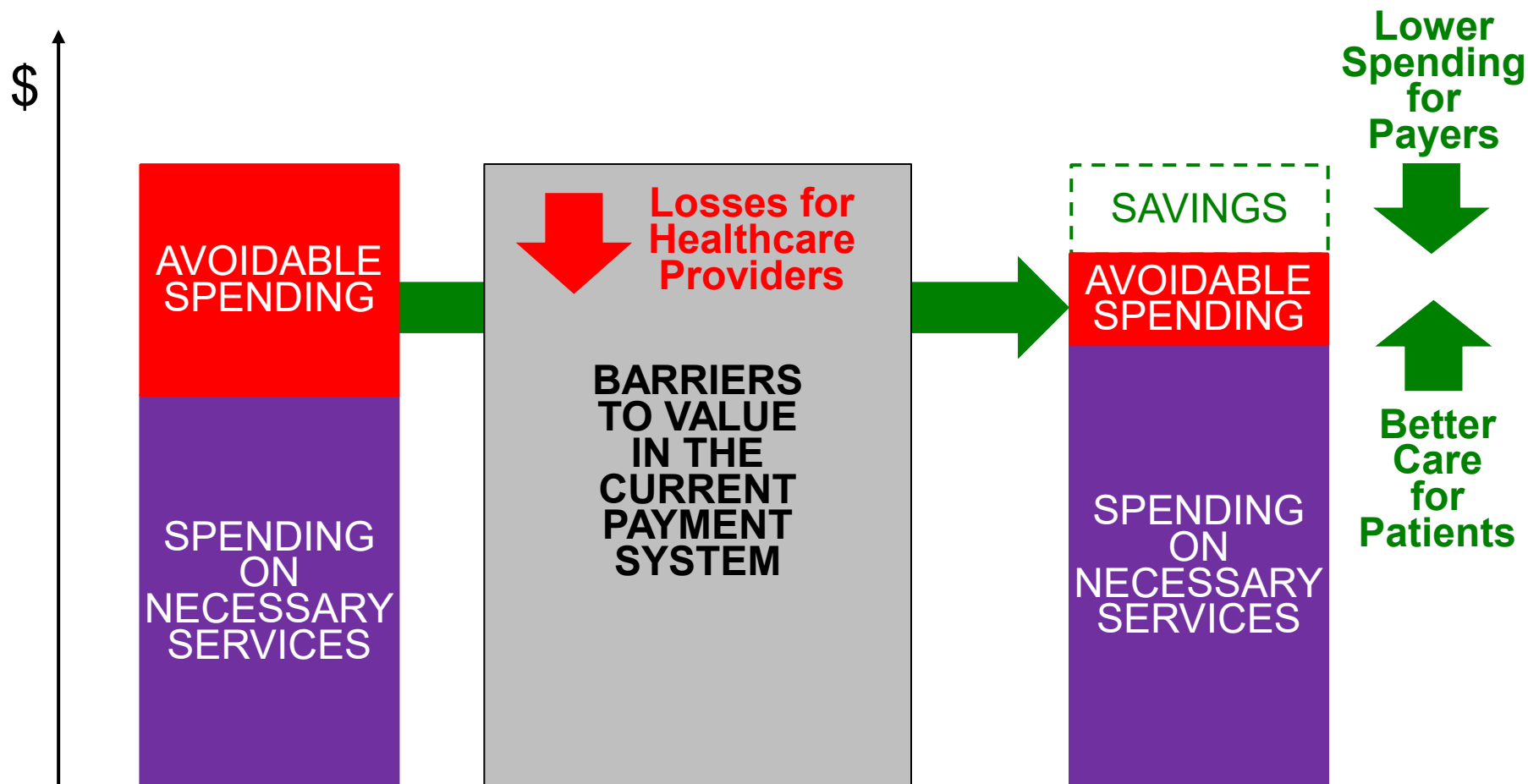
# A Significant Portion of Healthcare Spending is Avoidable



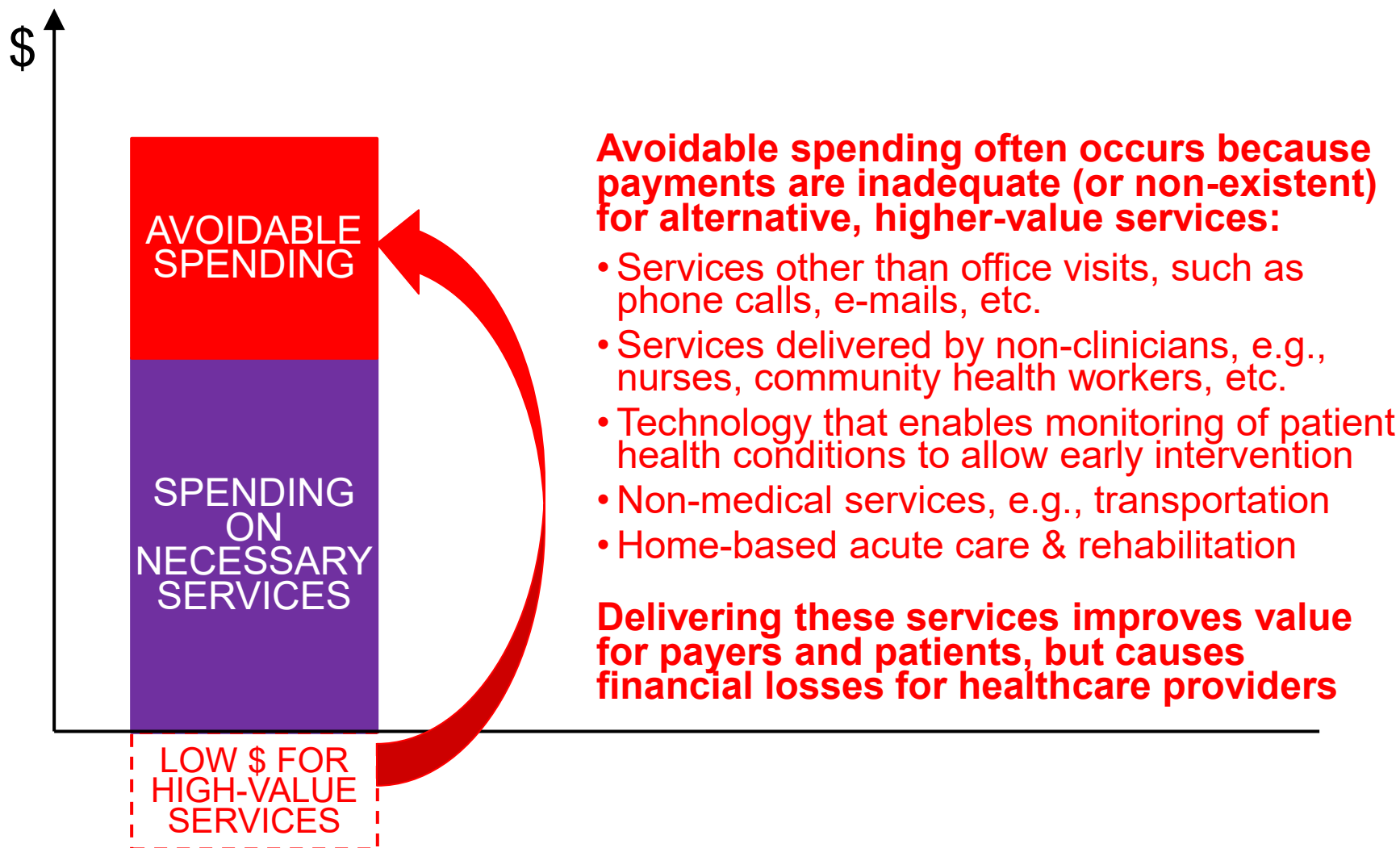
# Value-Based Care Can Be a Win-Win for Payers & Patients



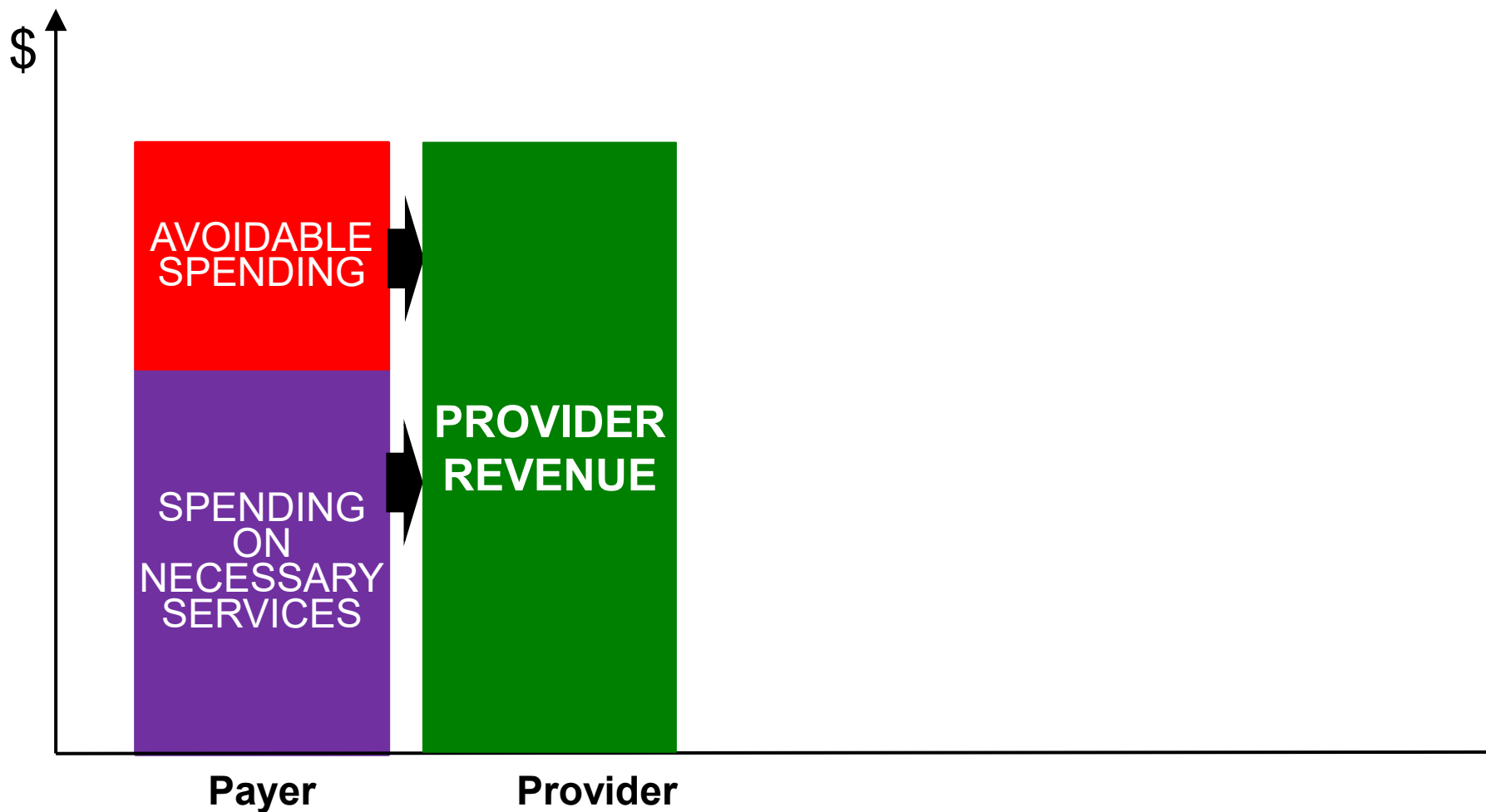
# Barriers in the Payment System Create a Win-Lose for Providers



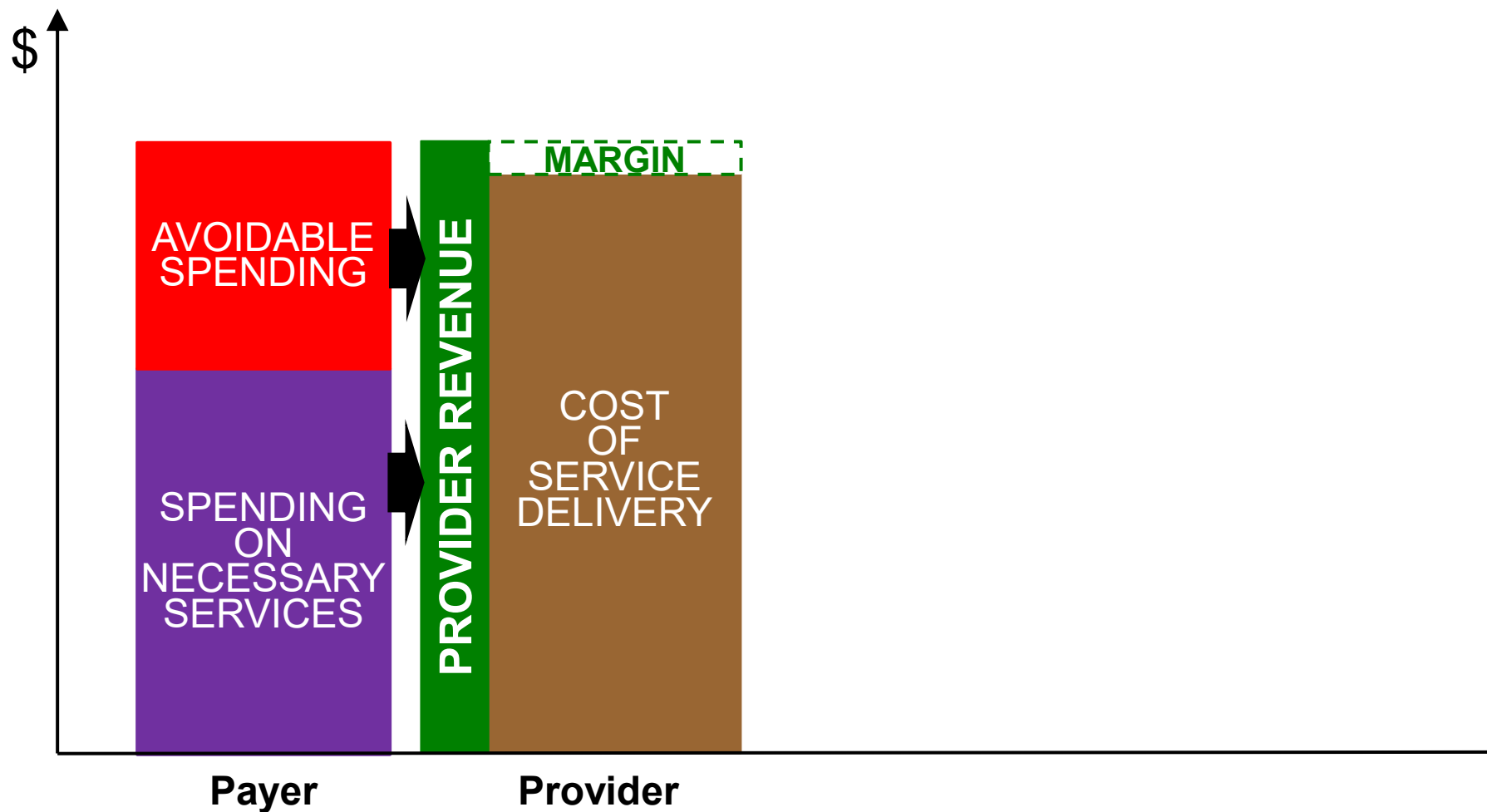
# Barrier #1: Inadequate Payments for Higher-Value Services



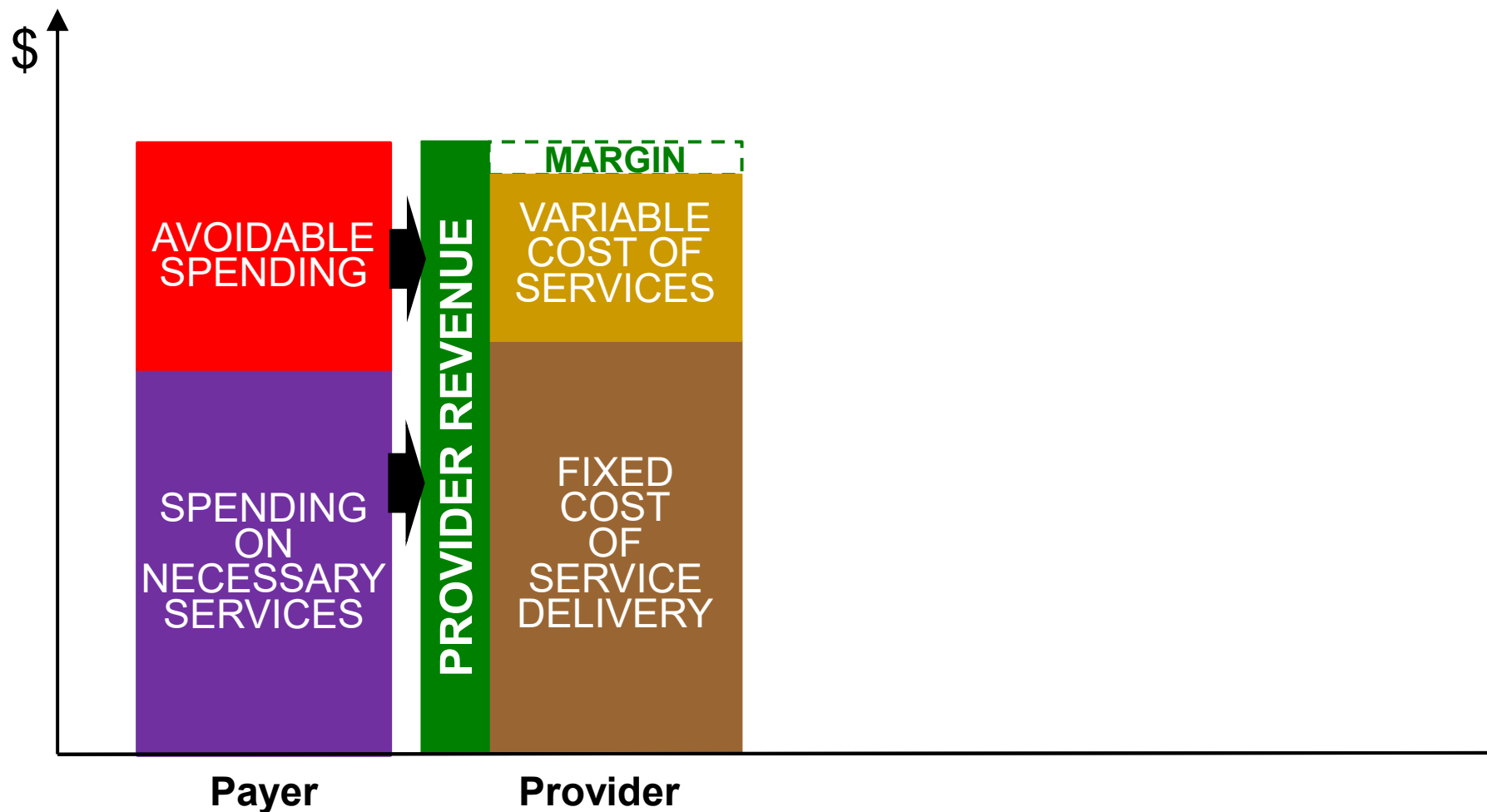
# Barrier #2: “Avoidable Spending” is *Revenue* for Providers



# Providers Use the Revenue to Pay for the Costs of Services

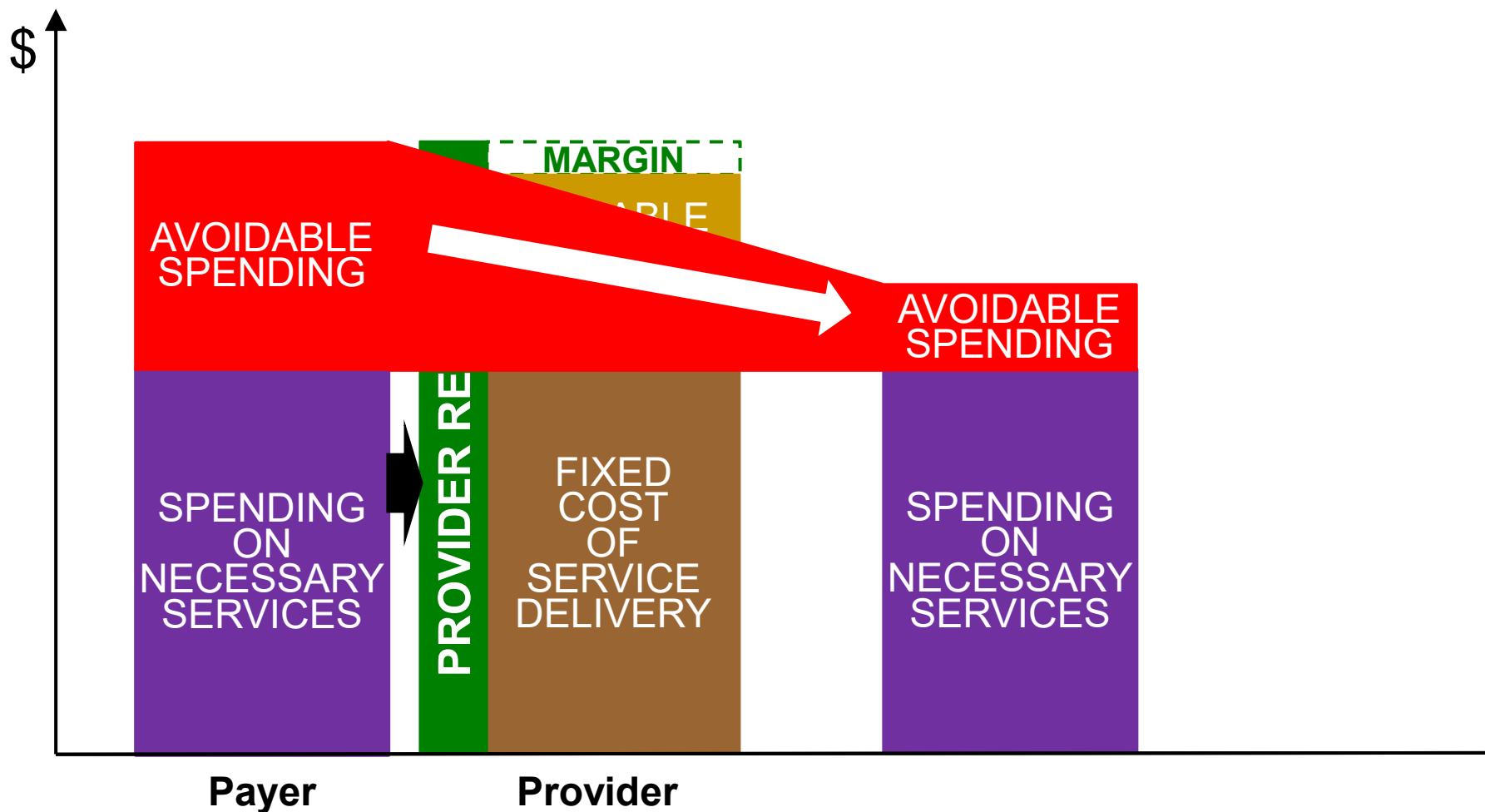


# The Majority of Costs May Be Fixed (in the Short Term)

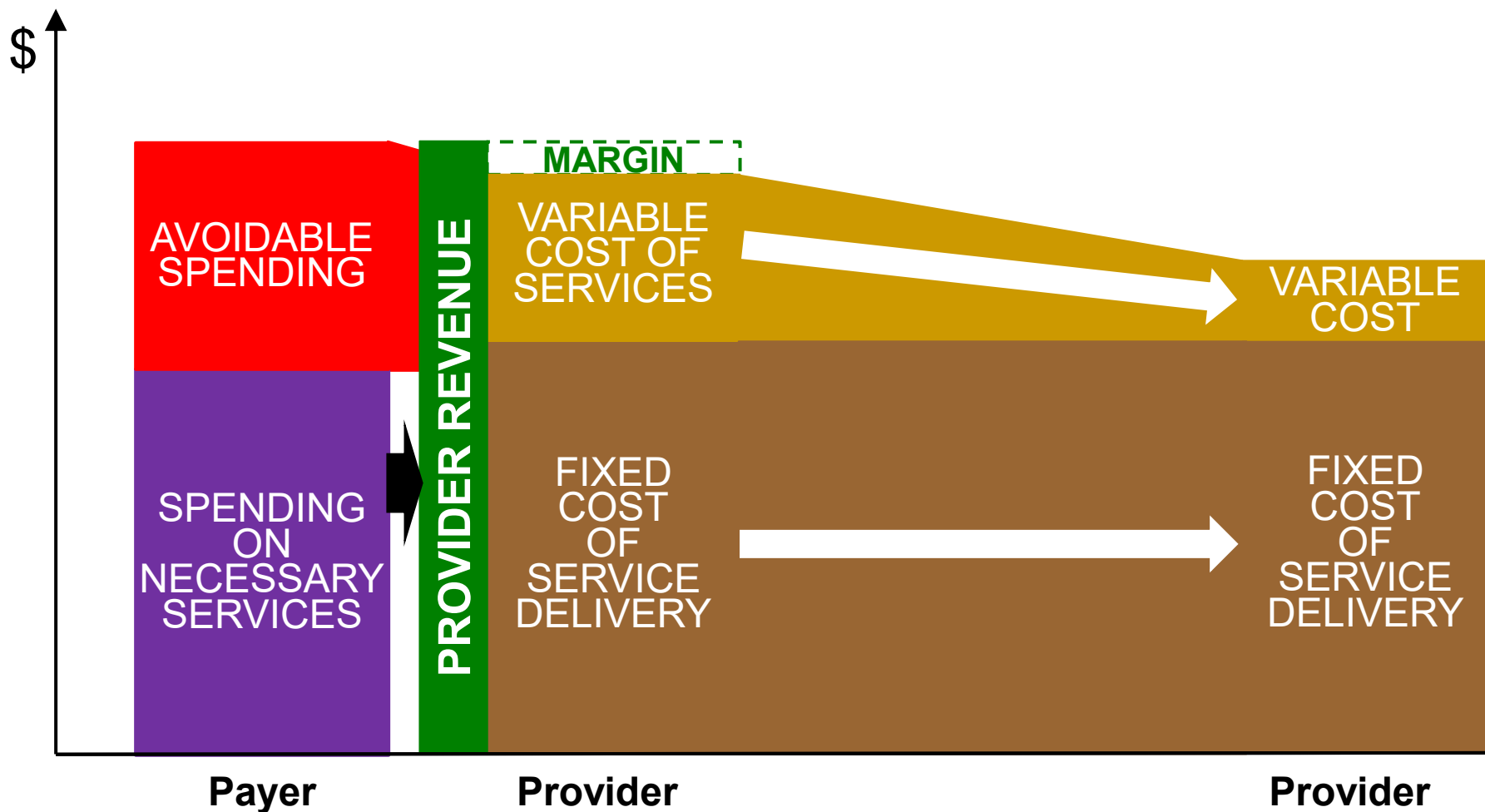




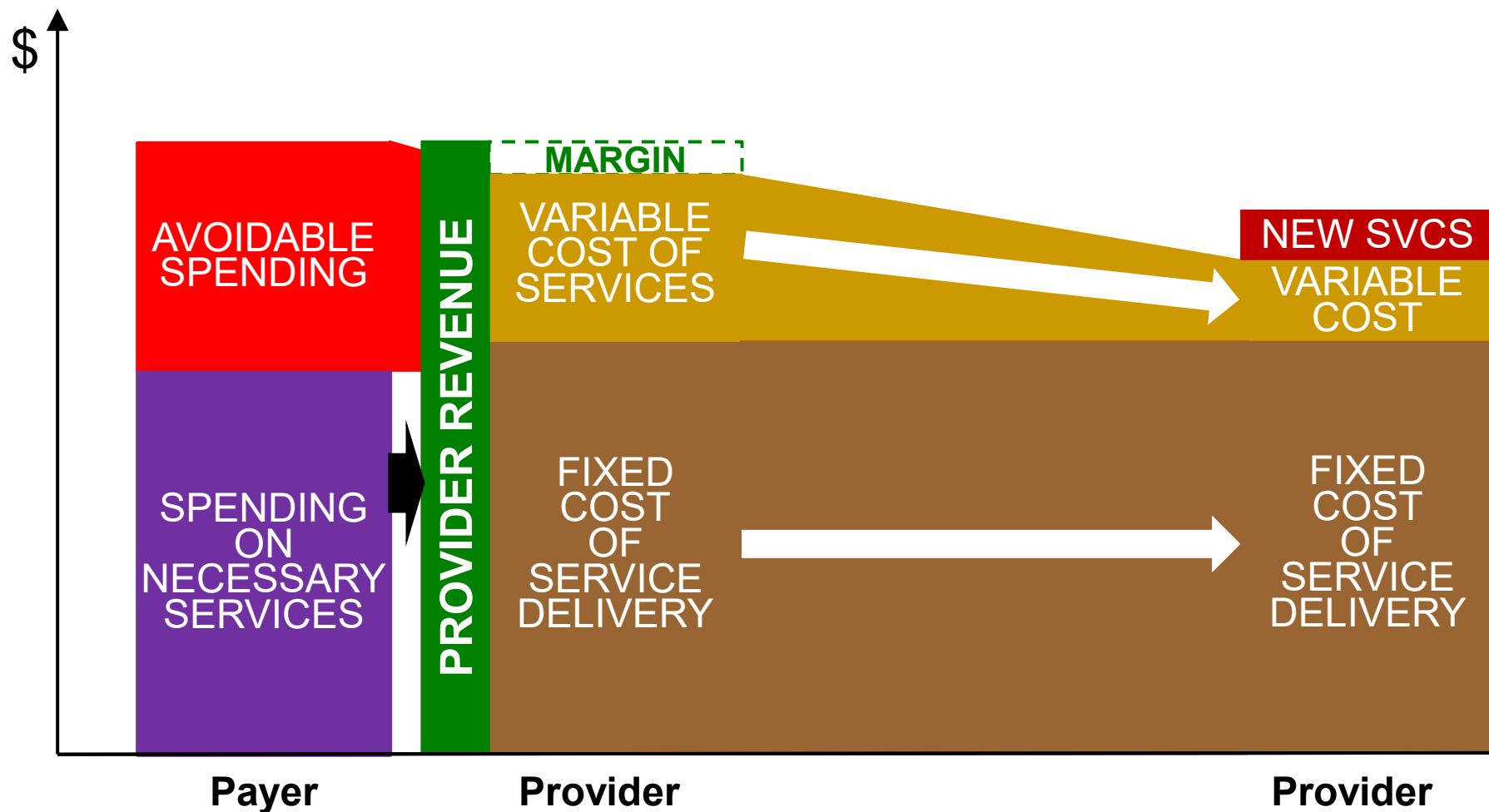
# When Healthcare Providers Reduce Avoidable Services...



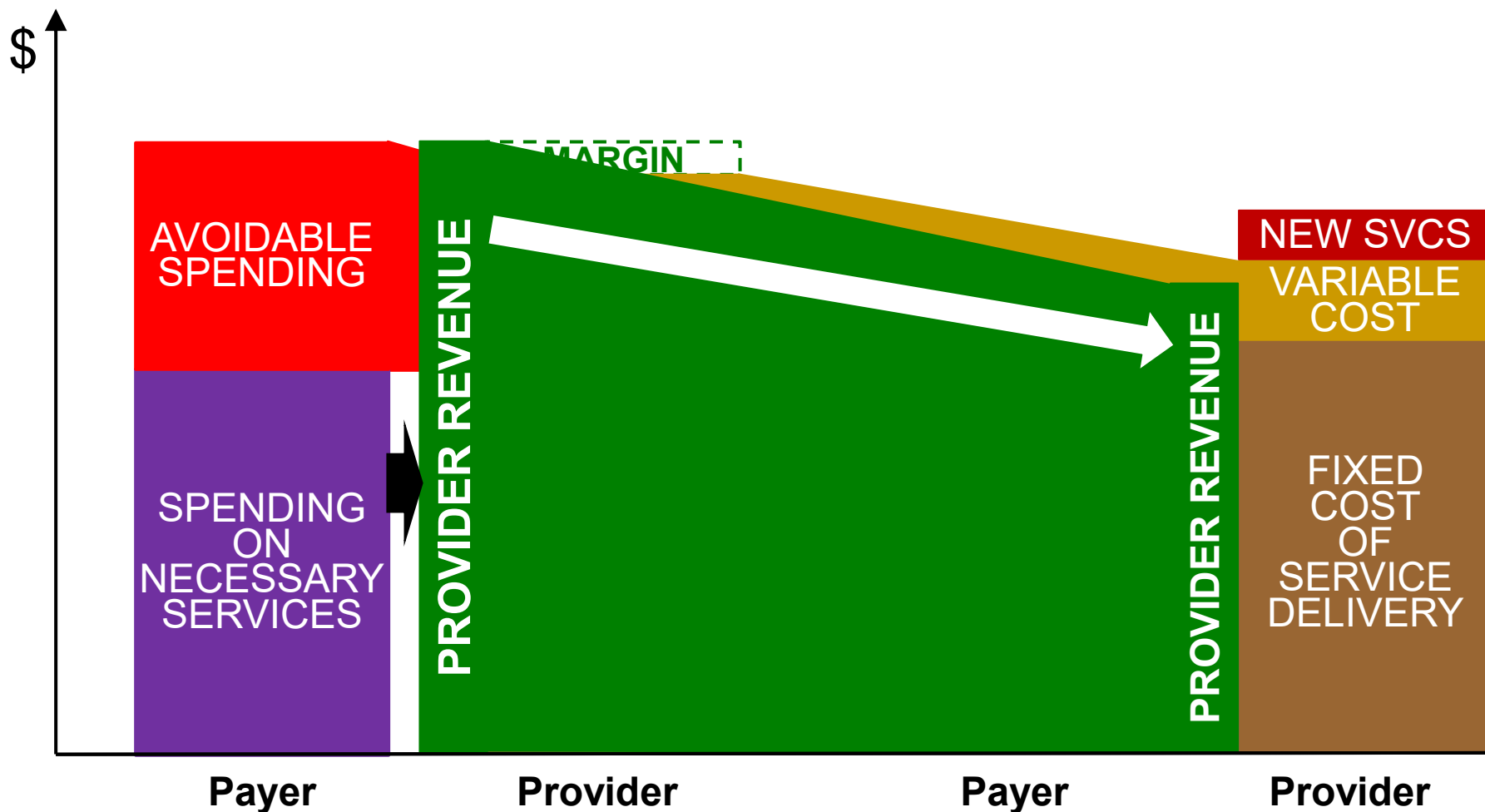
# ... Variable Costs Decrease, But Fixed Costs Do Not



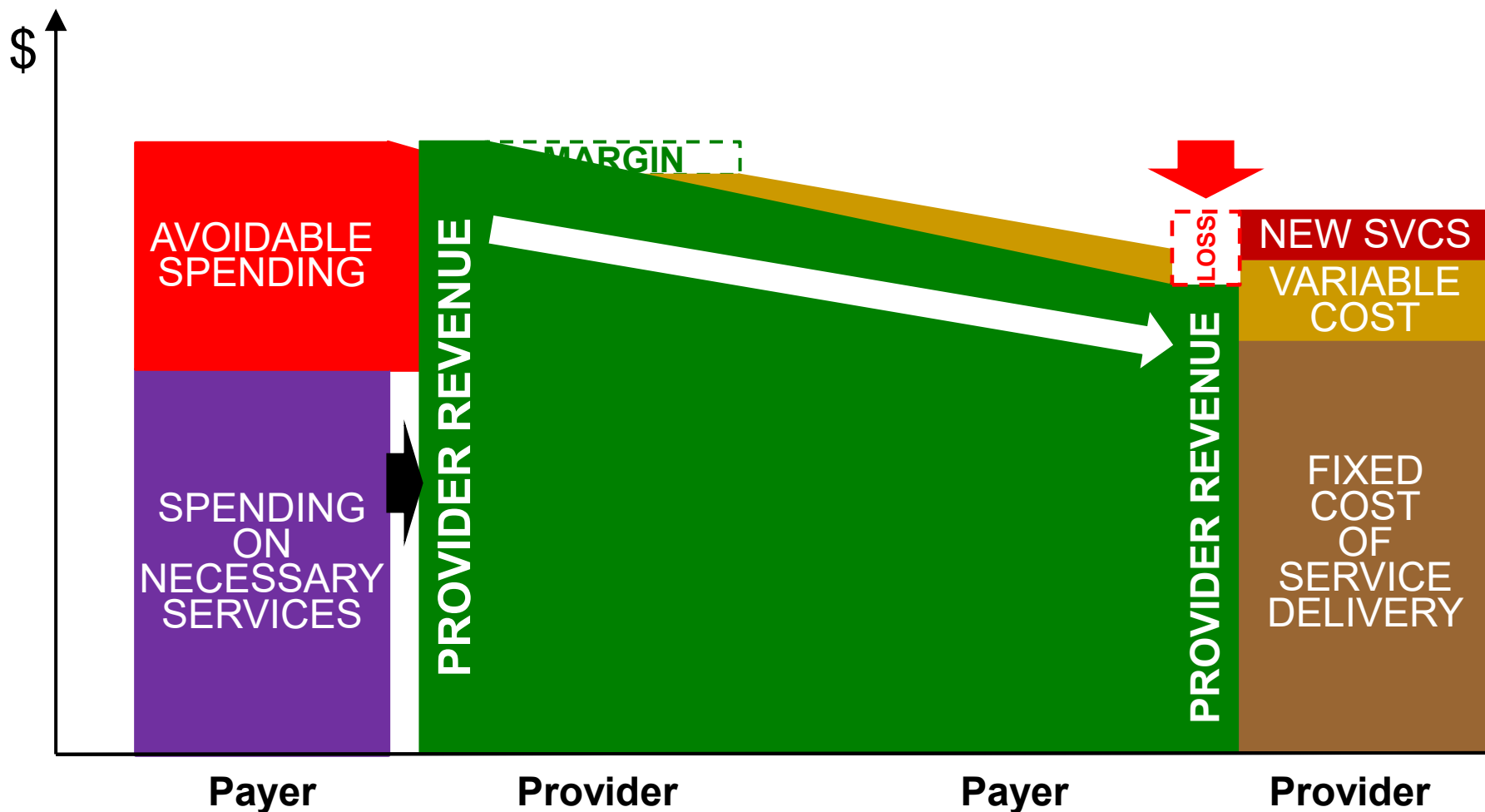
# ...Plus Added Costs of Delivering New High-Value Services



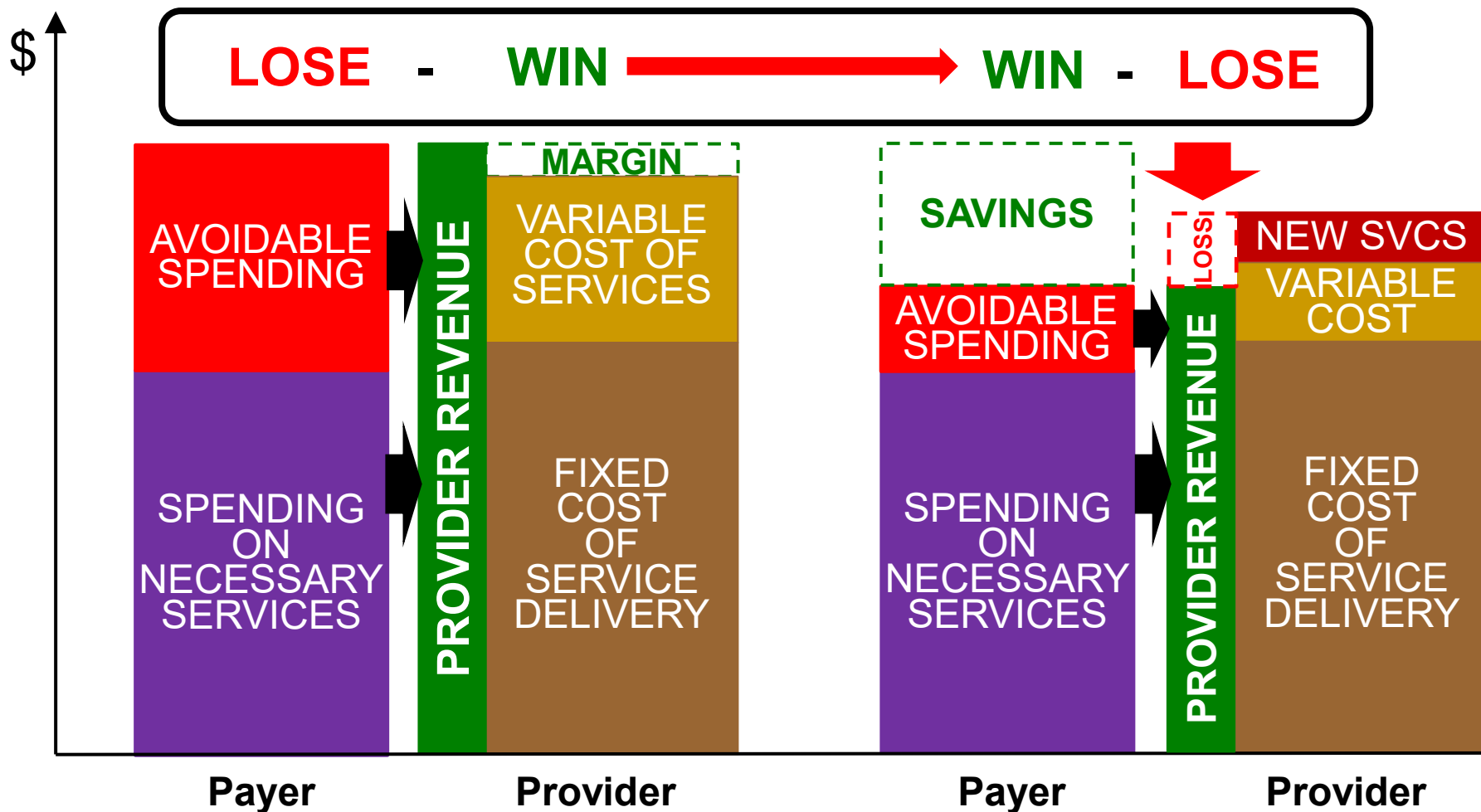
# Revenues Decrease in Direct Proportion to Service Volume...



# ...Resulting in Financial Loss for Healthcare Providers

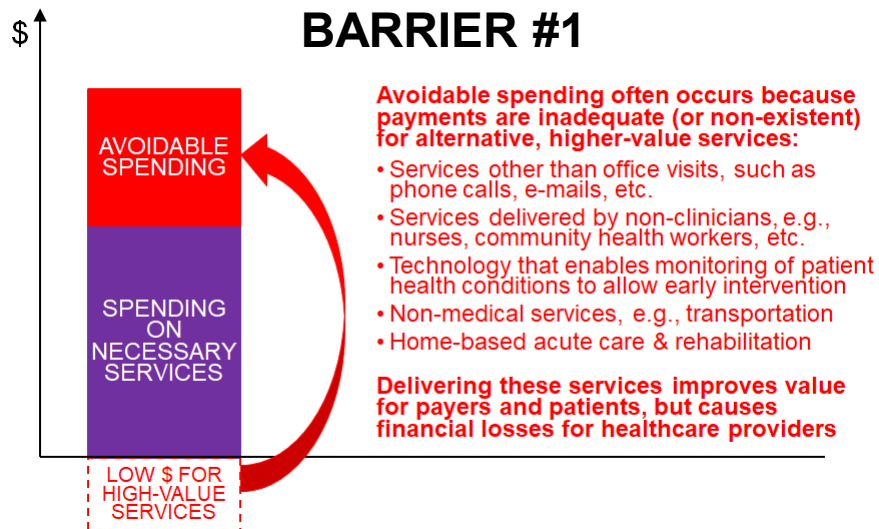


# Win-Lose: Savings for Payers, Losses for Providers

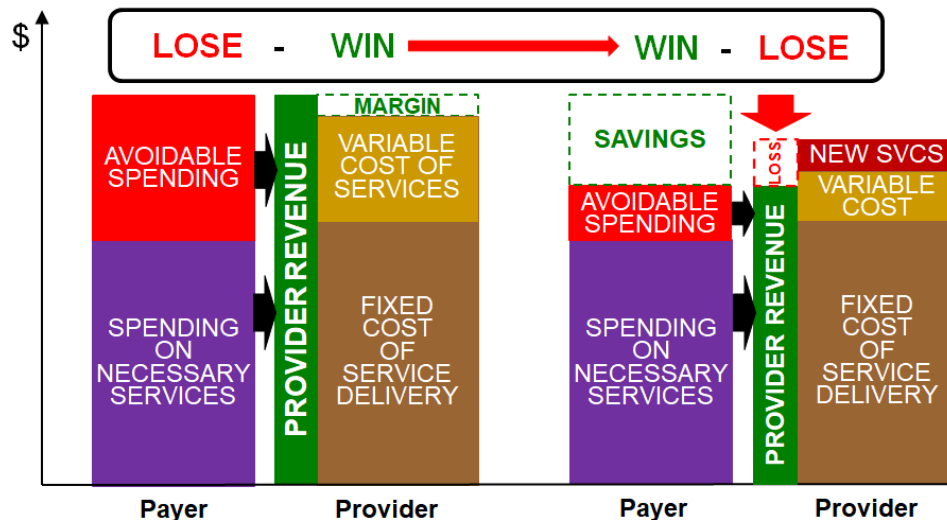


# Value-Based Payment Must Remove the Barriers to Better Care

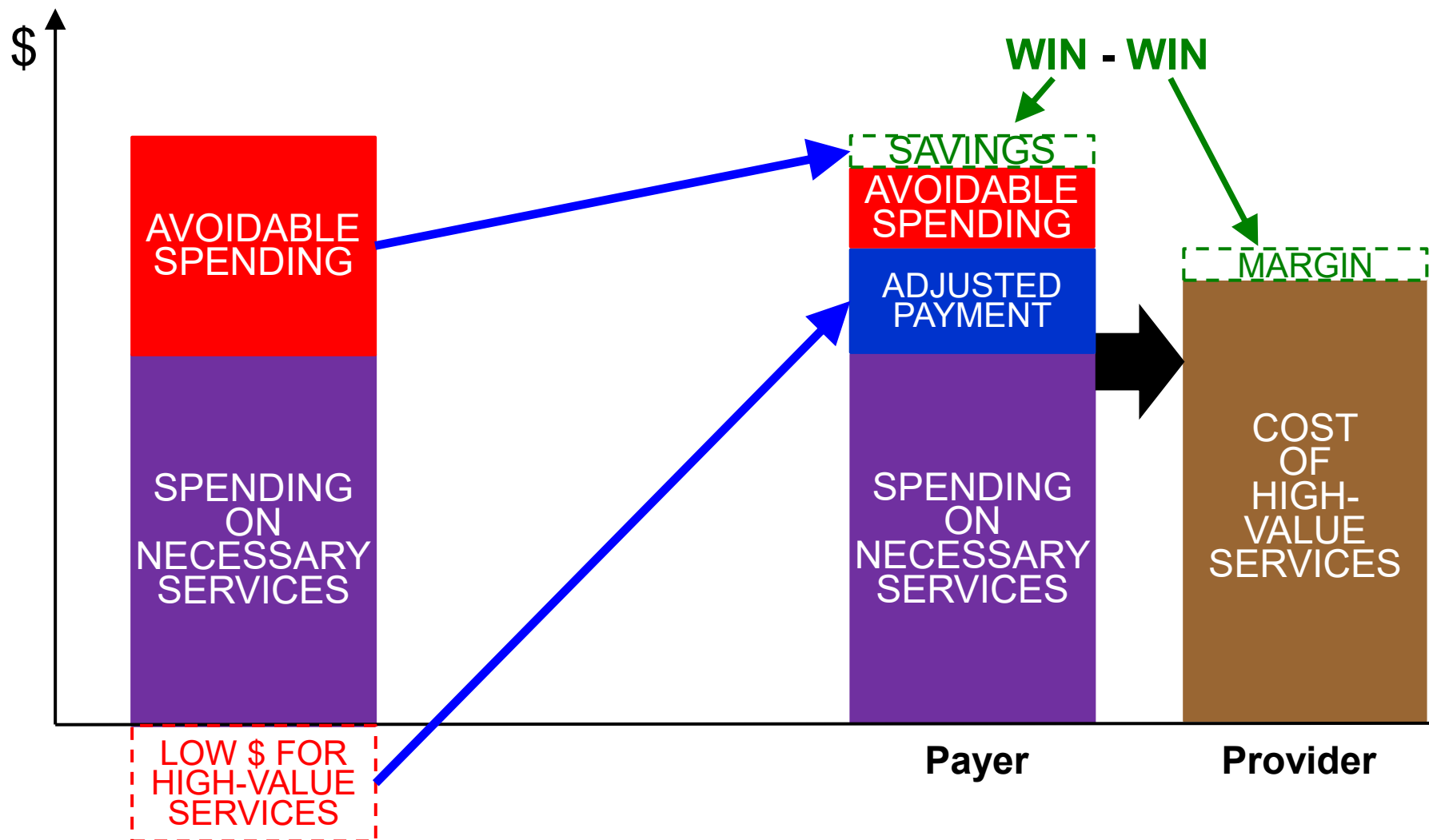
## BARRIER #1



## 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](http://www.SonarMD.com)

# Opportunity for Savings in IBD



Lawrence Kosinski, MD  
Gastroenterologist  
Chicago, USA

“Project Sonar”  
[www.SonarMD.com](http://www.SonarMD.com)

## 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



Lawrence Kosinski, MD  
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## **BARRIER TO IMPLEMENTATION:**

- No payments for nurse or monitoring technology

# Change in Payment to Overcome Barriers



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## **BARRIER TO IMPLEMENTATION:**

- No payments for nurse or monitoring technology

## **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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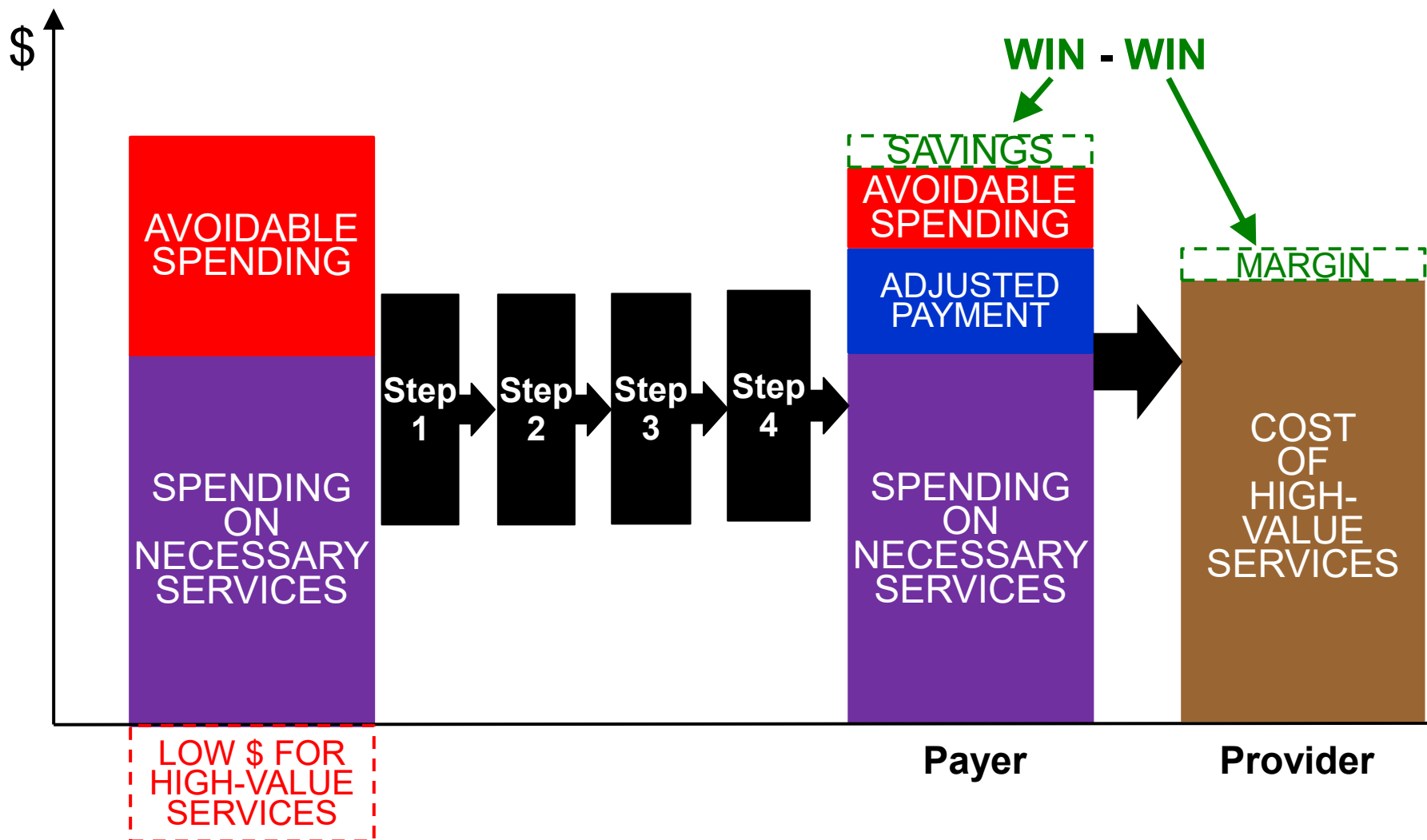
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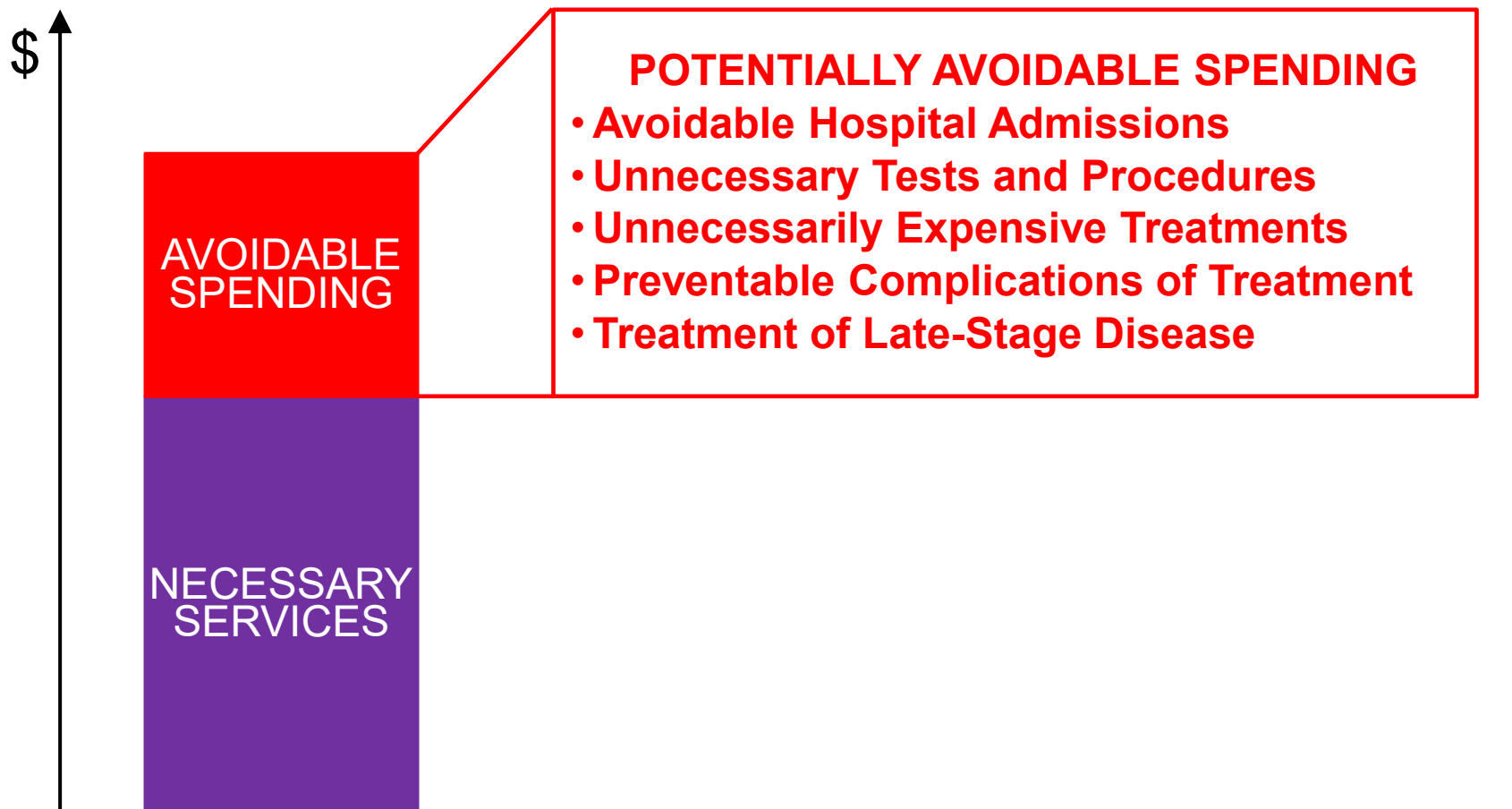
## **RESULTS:**

- 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

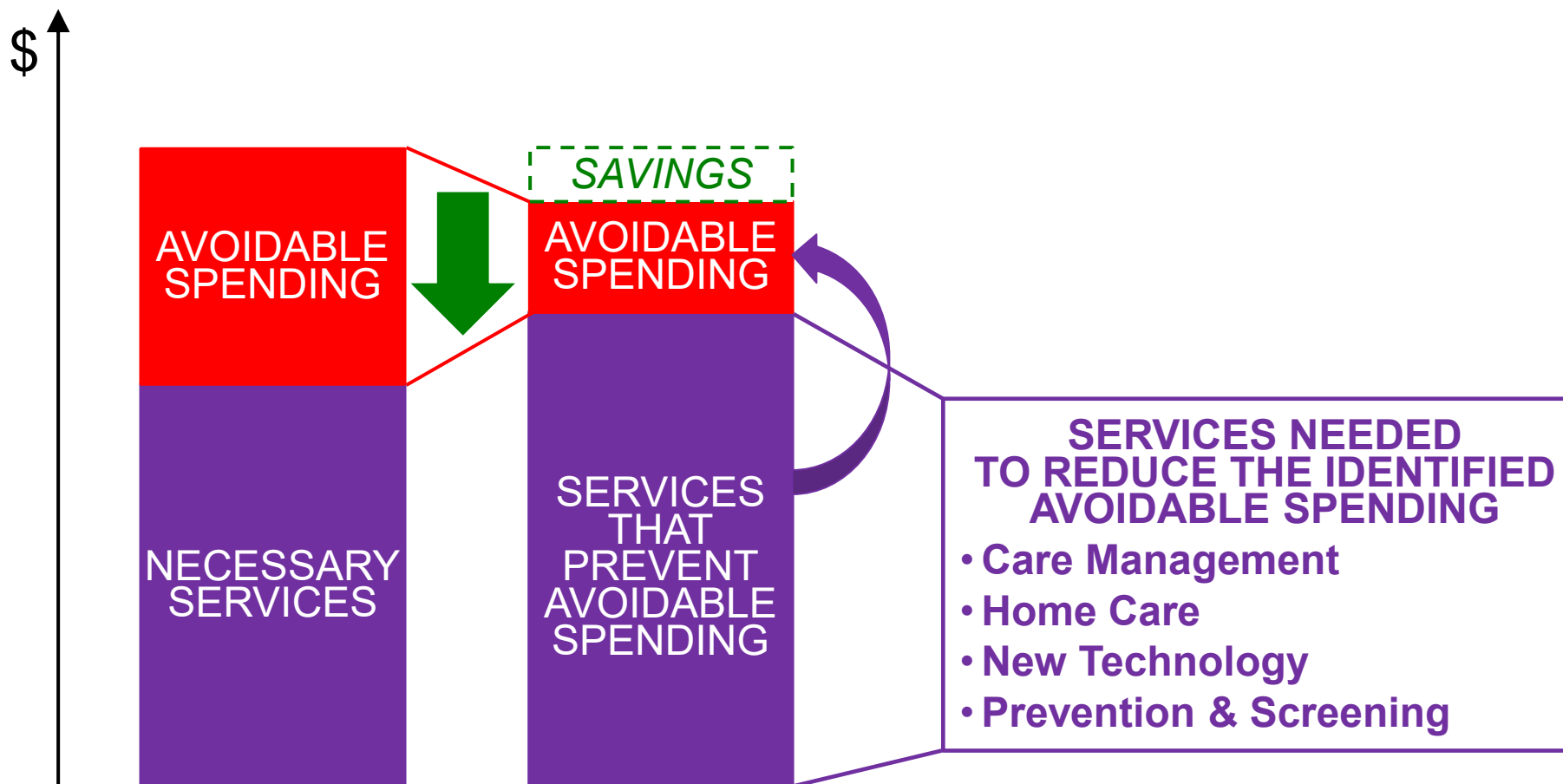


# Step 1: Identify *Specific* Areas of Potentially Avoidable Spending

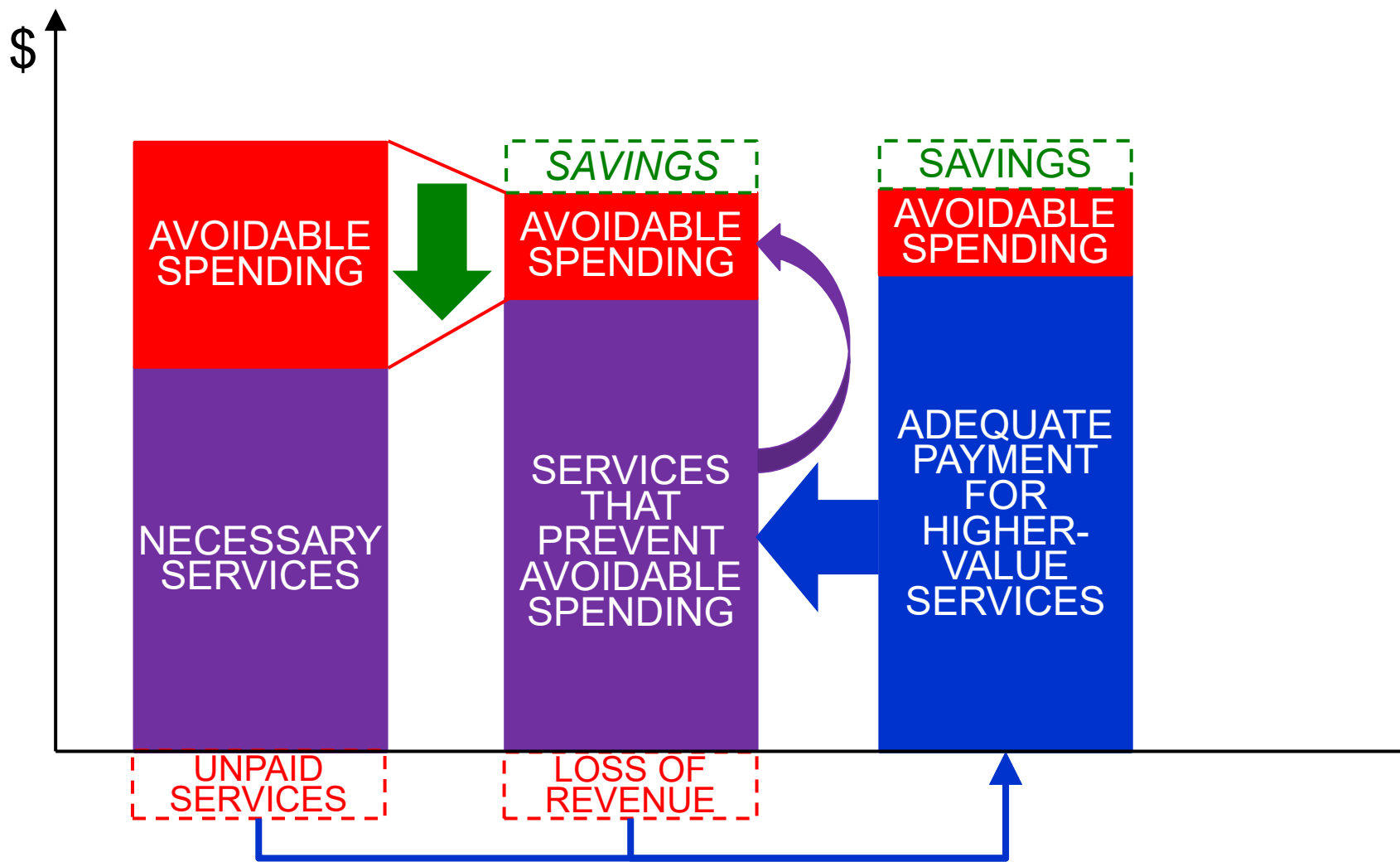




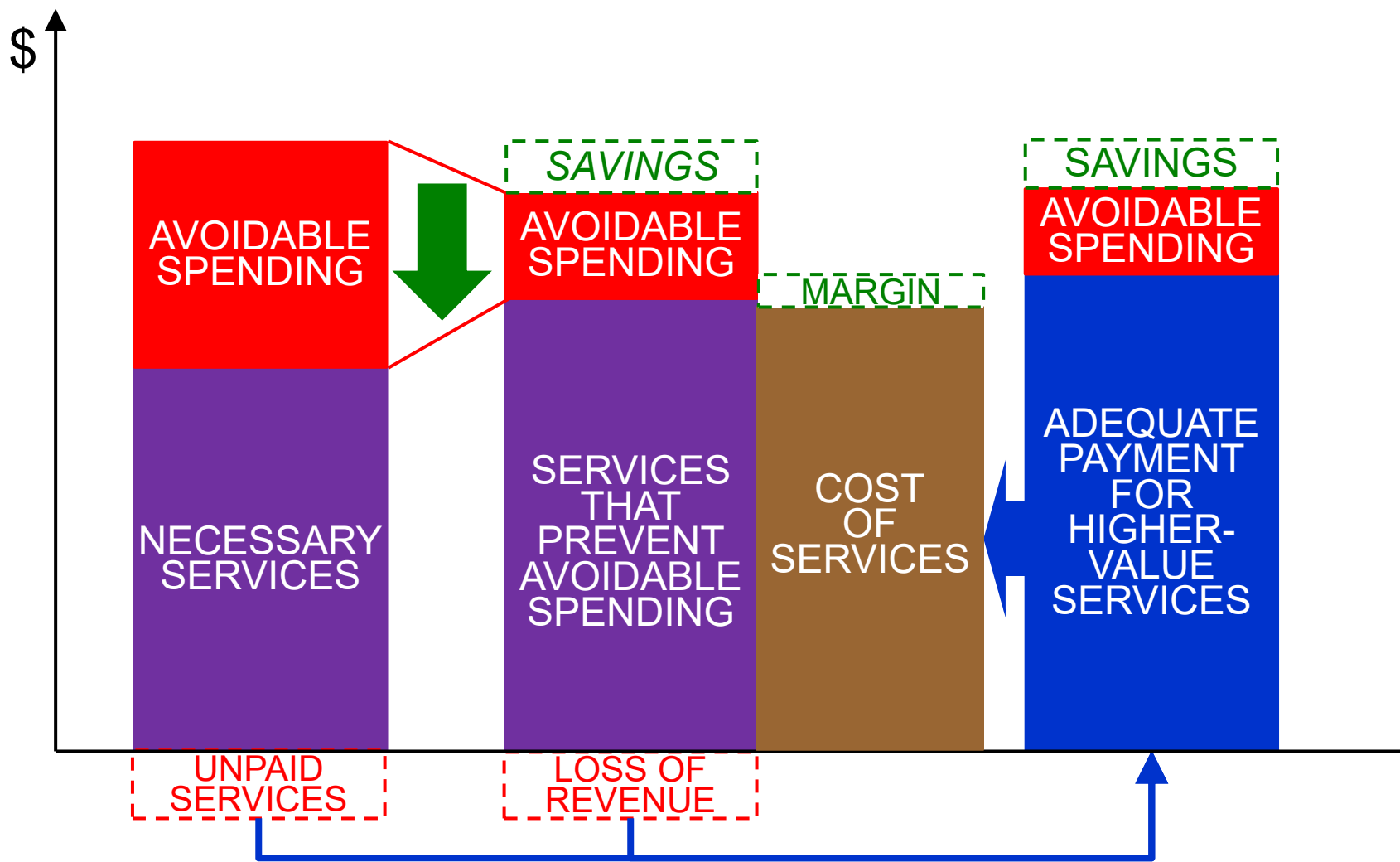
# Step 2: Design Services That Will Reduce The Avoidable Spending



# Step 3: Pay Adequately to Support Higher-Value Services



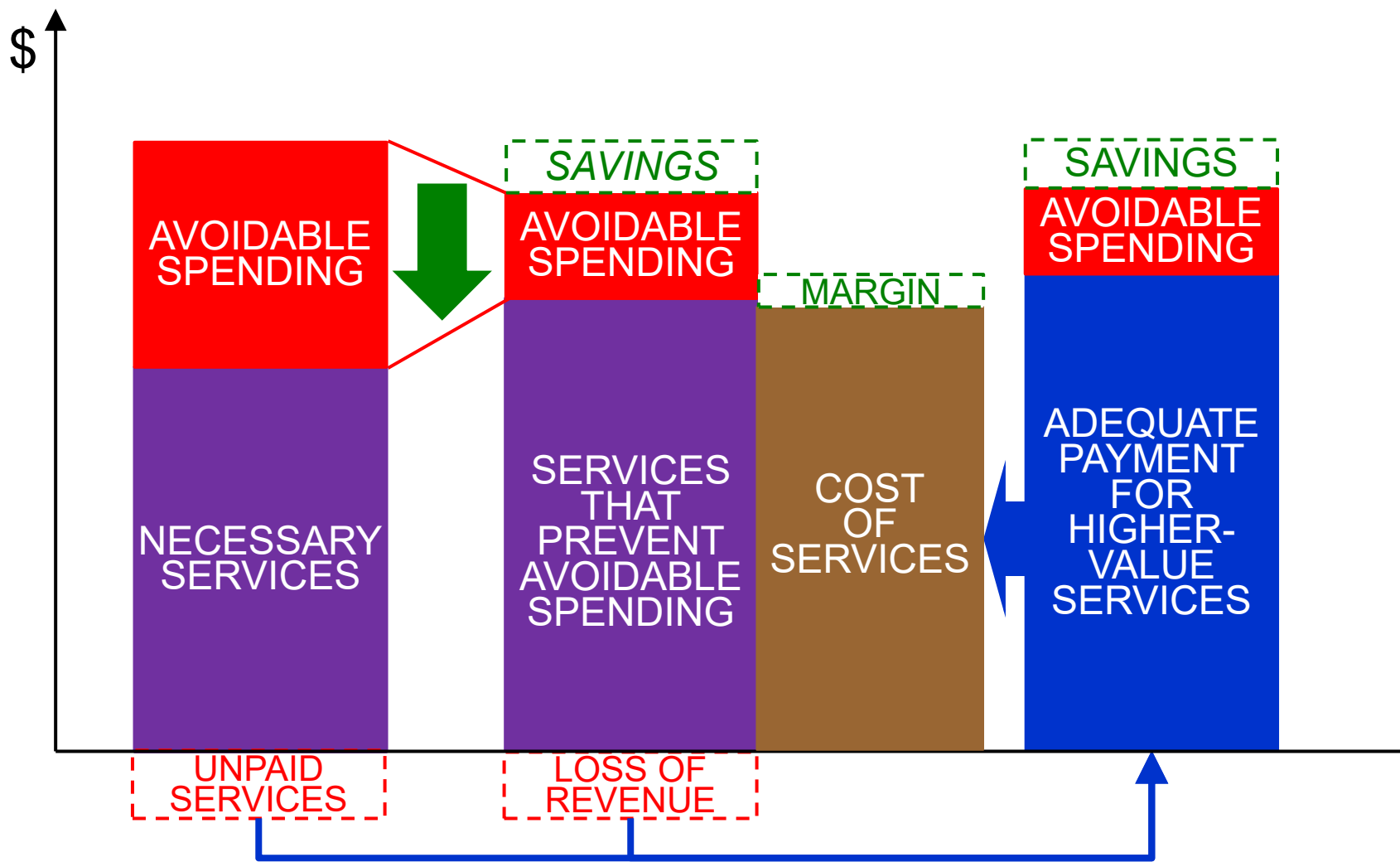
# Adequacy Requires Knowing the Cost of Higher-Value Care



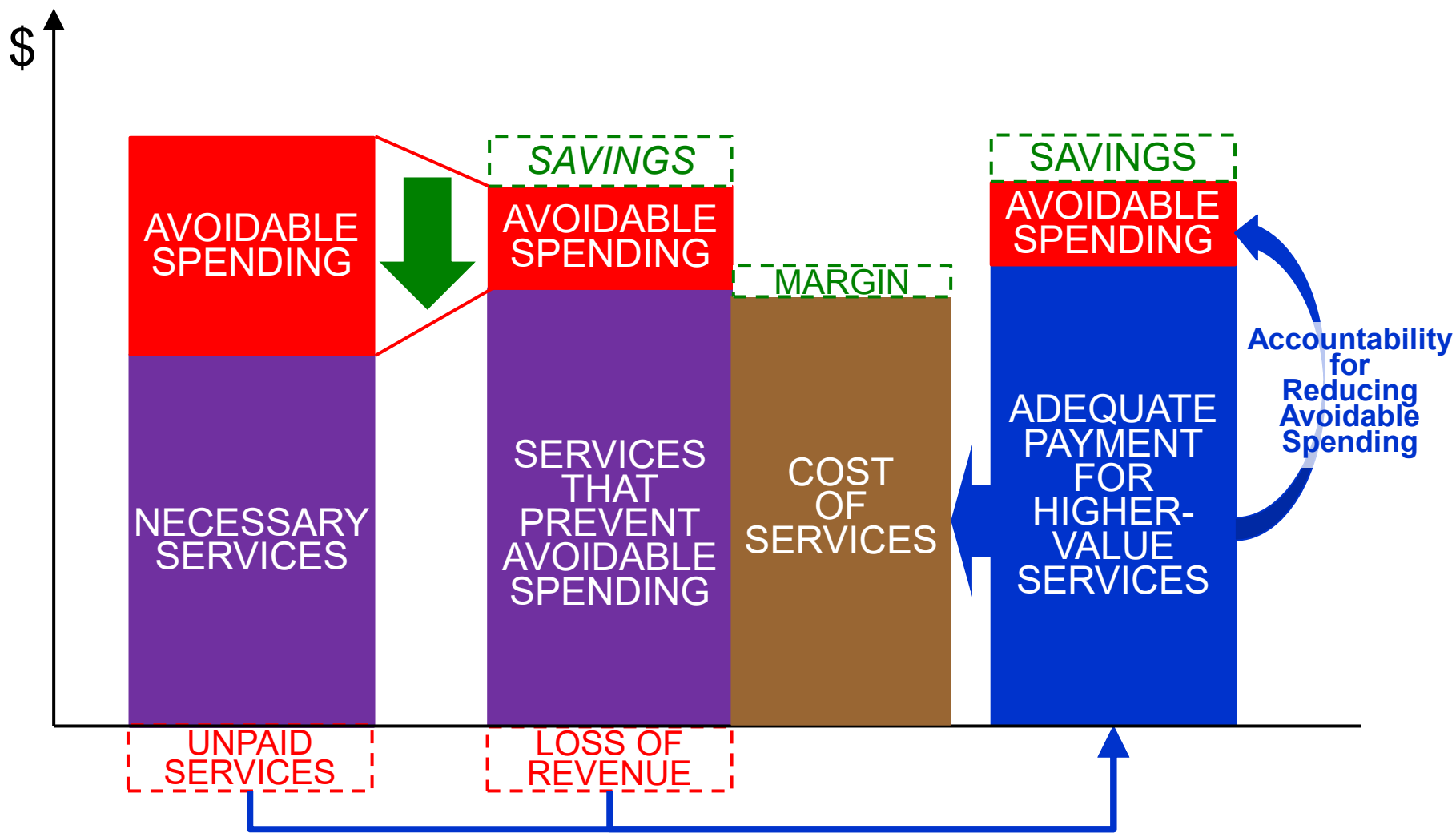
# Knowing Your *Current* Costs Is Not Enough

- 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

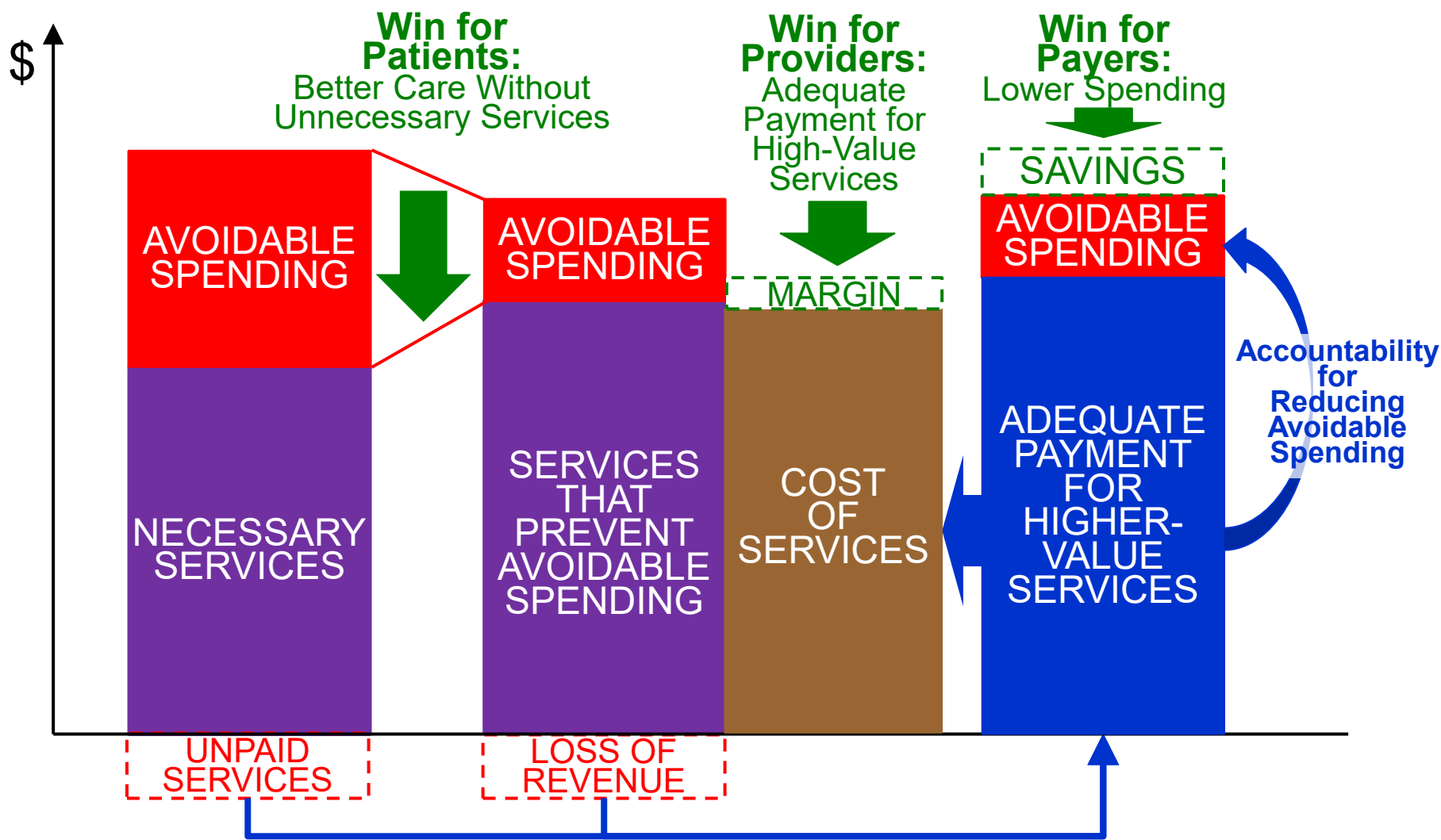
# Step 3: Pay Adequately to Support Higher-Value Services



# 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 of Value-Based Payment

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


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# Building Blocks of Value-Based Payment

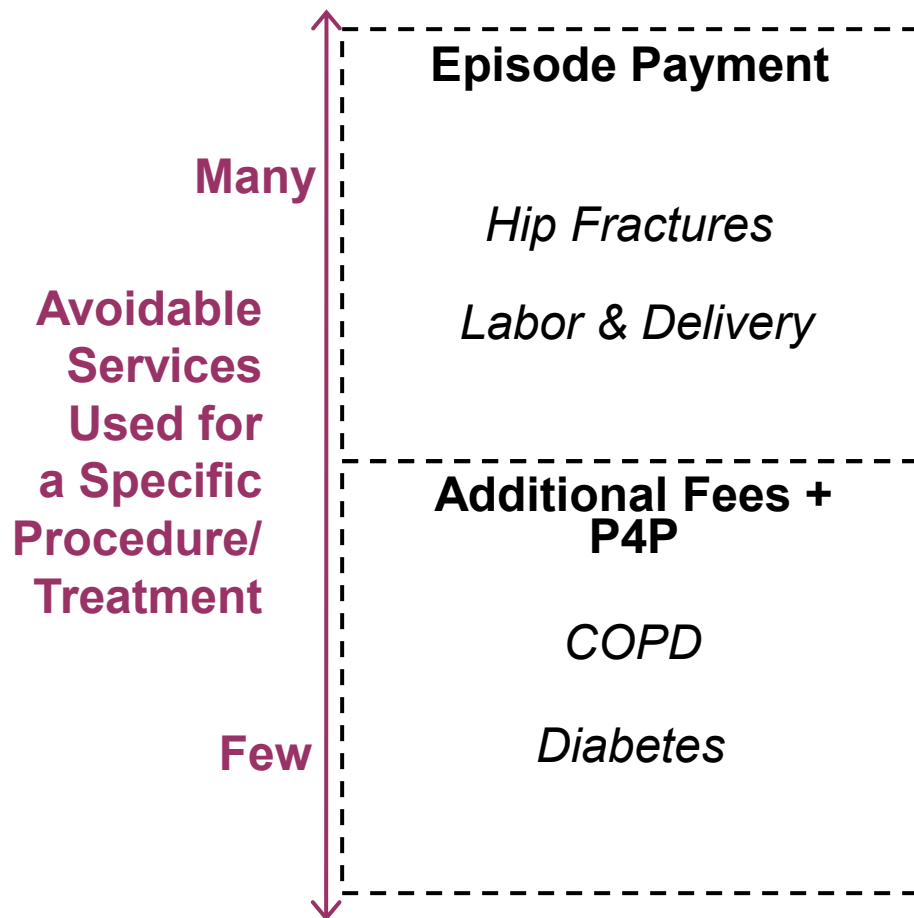
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<b>Symptom-Based Payment</b>	One payment for <i>all tests</i> used to diagnose symptoms	Payment to determine cause of chest pain

# The Right Payment Method Depends on Opportunities/Barriers



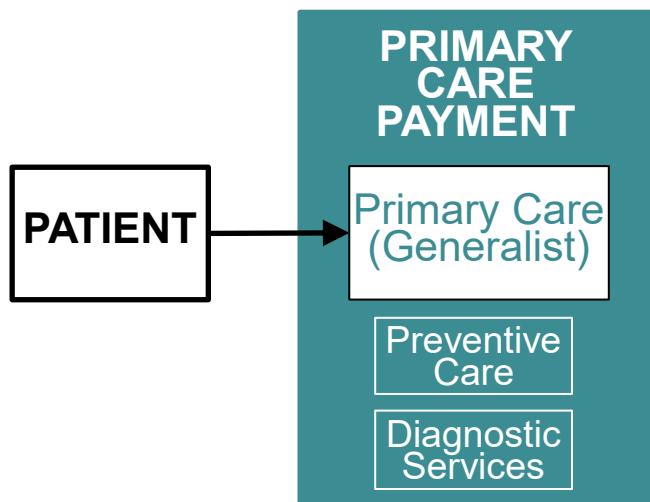


# *A Patient-Centered Payment System*

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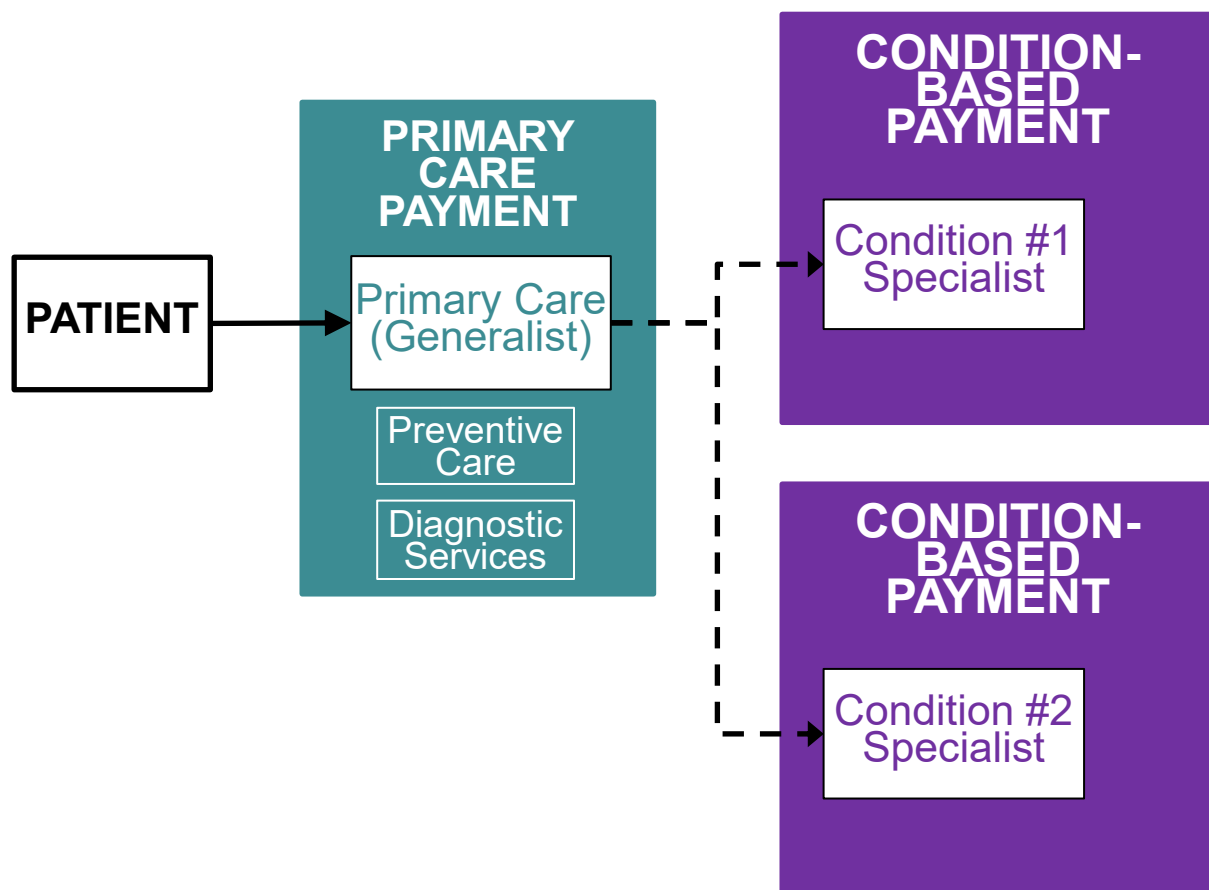
# *A Patient-Centered* Payment System

## PATIENT-CENTERED PAYMENT



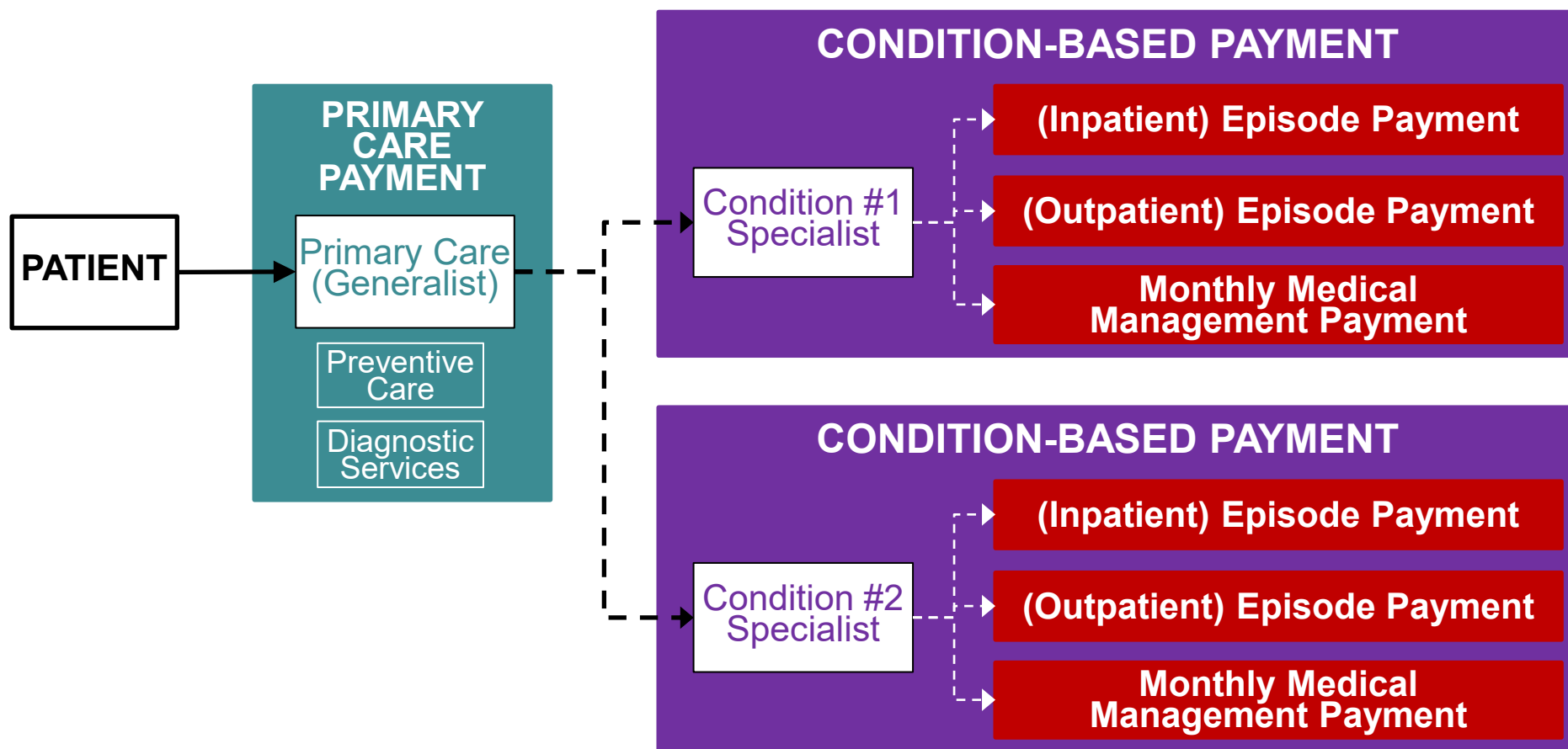
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## PATIENT-CENTERED PAYMENT



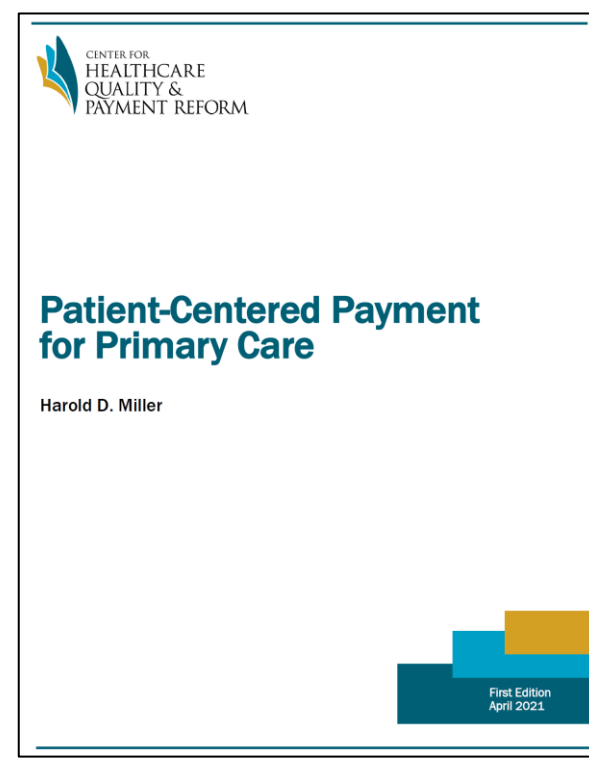
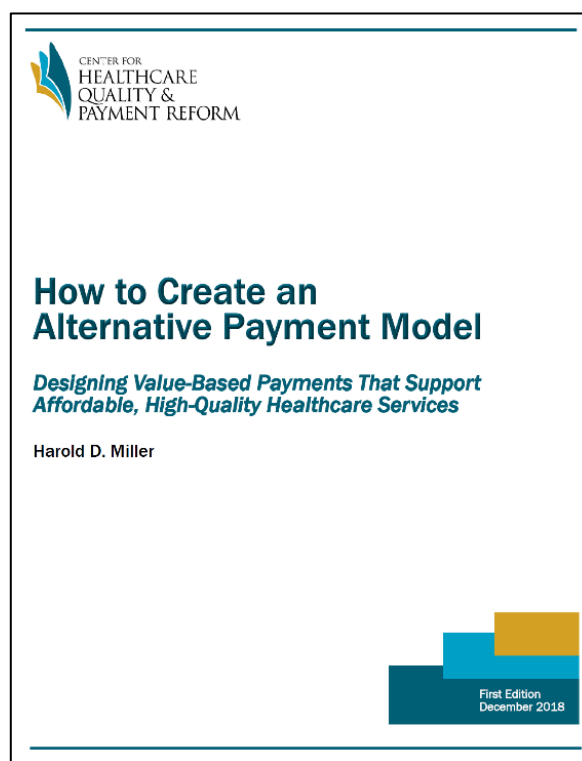
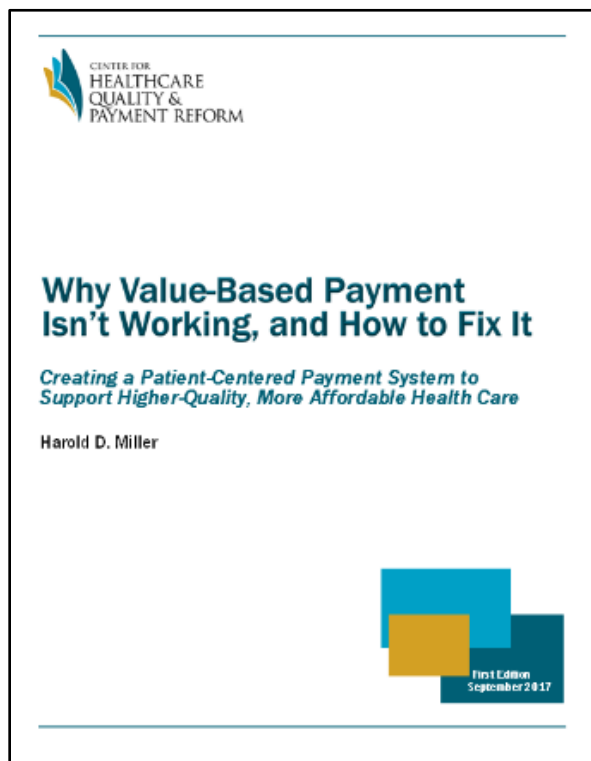
# A Patient-Centered Payment System

## PATIENT-CENTERED PAYMENT



# More Details on Creating Value-Based Payment Models

[www.PaymentReform.org](http://www.PaymentReform.org)







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