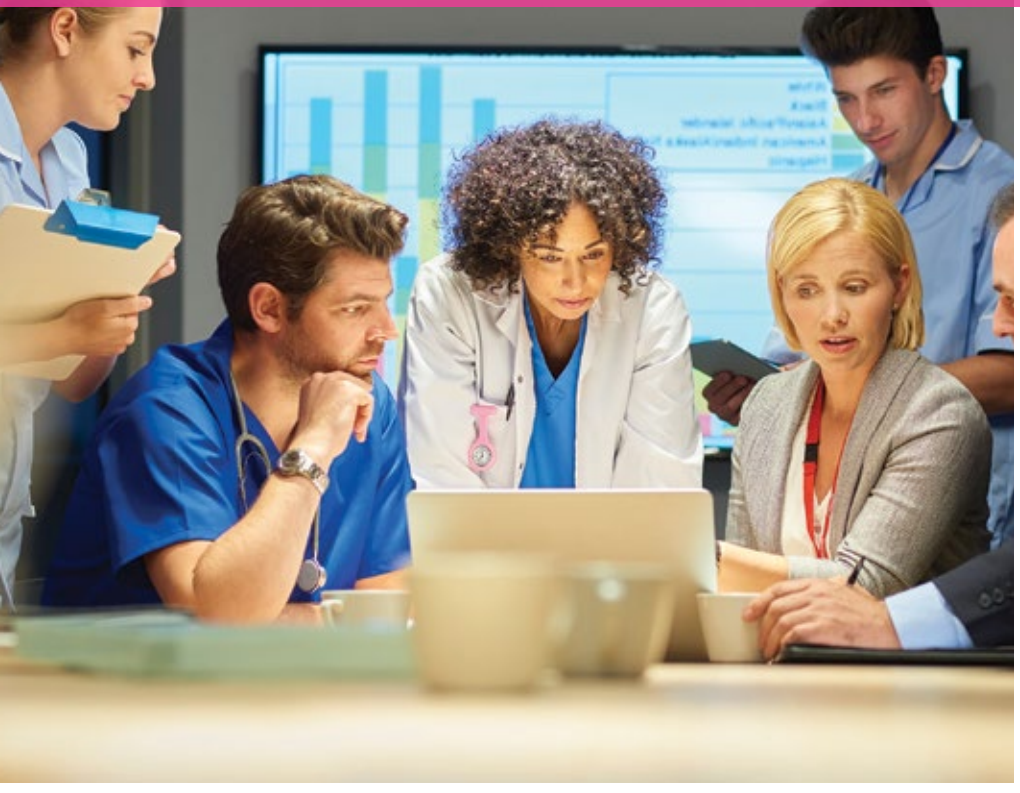

Hospitals Push for Greater Value in 2020

CMS may have introduced value-based care a decade ago, but the fee-for-service payment model is playing out much longer than anticipated. "In our view, we are 10 years into a 30-year journey in the U.S.," says Devin O'Reilly, MBA, a managing director at Bain Capital Private Equity.

"It is growing much more slowly than we would like," adds Deirdre Baggot, PhD, MBA, RN, a partner in the health and life sciences division of Oliver Wyman. "While some regions of the country have seen meaningful gains in value-based payment, there are other areas, particularly rural areas, that are still very much fee for service."

O'Reilly and Baggot agree, though, that the pace of change is starting to pick up due to increasing cost pressures and competition. "Value-based payment is taking hold in markets where there is significant competition," says Baggot, who has designed and implemented new payment models with hospitals, employers, commercial payers, and Medicaid and Medicare. "In geographies where we have an adequate supply of physicians, we see greater price pressure."

At the same time, there is an increasing number of new payment models that include downside risk for physicians, she adds. "ACOs and bundles continue to be the two most prevalent risk constructs in the marketplace today."

What's ahead for 2020 and beyond? "The trend toward value-based care continues to grow," says Jonathan Jaffery, MD, senior vice president and chief population health officer at UW Health in Madison, Wisconsin. Jaffery, who is also president of UW Health ACO, says among Medicare beneficiaries nationwide, the majority are already in value-based arrangements, with one-third in Medicare Advantage (MA), another third in ACOs, and the rest in fee for service.

"Over the next several years, I expect to see more of this trend, with ultimately all Medicare beneficiaries in either MA or ACOs, or whatever mechanism evolves next," says Jaffery, a nephrologist and a professor of medicine at the University of Wisconsin School of Medicine and Public Health. "In the commercial world, we've also seen this trend continue."

Creating the right care model

When he began his current role leading population health efforts at UW Health in 2011, Jaffery says quality scores were among the highest in the country, while the total cost of care for the roughly 26,000 Medicare beneficiaries in the organization's ACO was among the lowest. "And like many organizations with baseline low costs, it's been challenging to lower them even more," he says. Nevertheless, by UW Health's fourth year in the Medicare Shared Savings Program, costs were below the target. In 2017, the ACO received $4.4 million in shared savings and continues to receive significant shared savings, he adds.

"The reason we've been successful is also the reason it took a few years to get there," says Jaffery. "We've been completely redesigning our care model, moving from one that was designed under the fee-for-service model that incentivizes more care to one that emphasizes care coordination, with a goal of helping people actually minimize the care they need, reducing avoidable interactions with the health system (including ED visits and hospitalizations), and maintaining

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independence as close to the home setting as possible." Today, UW Health has approximately 225,000 patients in value-based care arrangements. Jaffery says the new care model is mostly in the primary care world, but includes specialty and inpatient care as well.

"I can't emphasize enough that this is a complete redesign of how we deliver care and is a multiyear journey that will continue for the foreseeable future," he says. "It looks across the care continuum from primary care to specialty care, inpatient to postacute, and ultimately upstream toward the social determinants of health that make up the majority of what impacts health outcomes. There are no simple 'plug and play' programs. Our care model has literally dozens of different programs and activities, many of which interact in order to be most effective."

Overcoming systemic challenges

While rising costs and growing competition are propelling some organizations to embrace value-based care, Baggot says the industry still lacks proper financial systems. For example, she says payer financial systems are still largely not set up to reimburse for value. "Payer systems are built on a fee-for-service chassis. From a technology perspective, most payers do not have the systems to support value-based care, and it contributes to why we haven't seen greater proliferation."

Indeed, O'Reilly, who co-leads the healthcare team at Bain Capital Private Equity, adds that financial systems under fee for service lack much needed automation with more than ½ trillion dollars of healthcare payments occurring in the form of paper checks. "When you consider the complexity associated with value-based care, the different incentives and risk sharing, it adds a whole new layer of complexity," he says.

At the same time, Jaffery says the ease of measuring and understanding fee for service is part of why the transition has been difficult for health system executives. Under fee for service, "we see a patient, we submit a claim, we get paid, repeat—so modeling the financial impact and estimating the return on new investments is pretty straightforward," he says. "Under value-based models, this is much harder, and there currently aren't really good financial modeling approaches."

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For example, if a goal of a new care model program is to prevent avoidable hospitalizations, hospitals are essentially trying to measure something that didn't happen. "Moreover, the ability to impact patient care in this way is often the result of a package of programs designed to coordinate care, and not always just a discrete effort of a single program, like one might see under fee for service," says Jaffery. "It's understandable why our CFOs and CEOs are less comfortable with these calculations, but it's crucial we move beyond this and understand both the improved outcomes and the overall lower cost of care."

Building on current successes

When it comes to value-based care, "hospitals and health systems have made the most progress in the area of cost-effectiveness," says Baggot. Clinical variation has been a major focus for many hospitals and health systems in recent years. "Hospital leaders are leveraging EHRs and are embedding robust clinical protocols to ensure patients are getting exactly what they need and nothing that they don't," she says. This is driving other benefits as well. "It is not just about costs," says Baggot. "However, a benefit of ensuring we are cost-effective is that patient access improves."

"Hospitals and health systems are also becoming savvier about where care is delivered," notes O'Reilly. As care moves to outpatient environments, hospitals are building their own or doing joint ventures with physicians in ambulatory surgery centers and other care settings. "They still want to be part of the episode of care."

Baggot says over the next several years, understanding the relationship between the economic, care, and operating model will be the most crucial focus area for hospital and health system executives. "Success in risk is predicated on a predictable cost and quality outcome, which requires a modern operating and care model."

She says newer care models, supported by advanced technologies, are taking hold. For example, digitally driven urgent care models are being rolled out in larger urban areas. In some instances, healthcare consumers simply swipe their insurance card in a self-serve kiosk that takes their picture and starts the visit, which may include a virtual visit or in-person appointment with a physician or care provider. "Once you type in your chief complaint, these innovations use artificial intelligence to inform where you move next in the system," says Baggot. "These innovative delivery models are radically different, and millennials, who don't want to wait in the doctor's office, are clearly responding to them."

As value-based evolves, O'Reilly says providers will need to step back and determine how to create a more integrated experience as patients move across healthcare environments. "Patients must feel like the whole episode of care is organized," he says. Ultimately, O'Reilly believes nonprofit and for-profit integrated delivery systems will form the prevailing care model in a value-based world. ■