UHC & Value Based Care – Building Quality and Value: Policy Dialogue on Innovative Financing
How healthcare is paid for has a profound effect on how services are provided – and on outcomes for patients
As healthcare needs change, provision needs to change... and financing needs to drive that change

**Shifting health priorities:**
- Aging
- Rise in non-communicable diseases
- Cost spirals

**Rapidly rising costs:**
- Demands of chronic disease
- Open ended benefits
- Inefficiency in care delivery
- Quality of care shortcomings
- Inadequate harnessing of payment systems
Traditional financing of care – or payment arrangements – have limited leverage to improve outcomes

• Common payment arrangements in public payment:
  - Salary
  - Capitation
  - Fee for service
  - Line item budget

Underlying incentives do not drive productivity or quality

→ drive volume rather than value
Value-Based Health Care (VBHC) offers an alternative framework

Part of the solution for healthcare system quality
Harnesses alternative payment arrangements
Can slow increases in healthcare costs
BUT challenging to implement
What Is Value-Based Health Care?
Driving change in healthcare: Value Based Health Care (VBHC)

– a strategy to promote quality and value of healthcare services by shifting from volume based payments to payments tied to outcomes

(Michael Porter 2009)
**Value = patient health outcomes per dollar spent**

**VBHC Delivery: Key Concepts**

**Goals:**
- Value for patients, not just access
- Cost containment
- Convenience for patients

**Strategies:**
- Competition to encourage continuous improvement across providers
- Strong incentives
- Alternative payment arrangements
Implications of VBHC

New delivery structure, payment arrangements and application of information systems to measure processes, costs, and outcomes

Integrated Clinical Services → Measure Outcomes → Measure Costs → Pay for Outcomes

Integrated Information Technology System
Influencing Provider Performance: Payment Arrangement Incentives
Global experience and evidence that payment incentives influence healthcare performance through:

• Provider behavior
• Affecting overall costs
• Driving outcomes
Thailand – Different Payment Schemes Affect Cesarean-section Incidence

- Changes in how providers were paid resulted in significant variation in services provided to mothers at birth…natural delivery or C-section
- The 3 lines show payment models for 3 insurance schemes: The top line shows doctors paid under fee-for-service while the bottom two are under capitation

China – Diabetes Acute Complications: Admission Rate over 6x the Rate in Europe

→ no incentives to manage diabetes as chronic condition

China's data point is an estimate based on the 2008 national household health surveys.

Source: Health at a Glance 2009
US hospitals increasingly paid for value and quality – not volume

Receive **bonuses** for improving trends in:
- Quality, based on predetermined targets
- Controlling costs
- Reduced readmissions

Face **penalties** for failure to improve:
- Quality (e.g. HAI)
- Patient outcomes
- Efficiency (e.g. readmissions)
Positive Medicare Readmission Trends

Source: Centers for Medicare and Medicaid Services 2016
OECD private and public payment systems shifting away from fee for service

- Pay for quality and pay for value
- Promoting new models of care – Accountable Care Organizations
- Payment system is driving change – harness DRG data

- Reliance on data to:
  - Track performance
  - Determine compliance
  - Define rewards/penalties
VBHC Implications for Payment Systems
Traditional payment systems limit ability to manage healthcare

- No data on allocation of spending, so hard to know how funds are used and the impact of the payments
- No connection between level of payment and performance

- Limits ability to hold individuals or institutions to account for performance
  → no data and no accountability, that is, no consequences for performance
VBHC: Incentives and Data to Achieve Results

- Payment systems harnessed to change behaviors toward enhance quality, efficiency and outcomes
- Different payment arrangements are appropriate for different purposes
- Multiple payment arrangements used simultaneously
- Effective use of payment systems requires:
  - Data
  - Explicit incentives
  - Willingness to design incentives and monitor impacts
## Typology of Payment Types

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Examples of Value-based Payment Mechanisms

**Bundled payments**
- Single payments for procedures encompassing inpatient, rehabilitation and outpatient care (e.g. orthopedics, cancer)

**Capitated care with accountability**
- Requires achieving targets of performance or adjustments to capitated rate

**Shared savings/risk**
- Hospital and payer share savings – and share risk from new delivery modes that reduce costs (e.g. Accountable Care Organizations)

**Pay for Performance (P4P)**
- Rewards for reaching or exceeding targets
- Financial penalties for poor performance (e.g. readmissions; HAI)
Payment incentives raise provider performance and quality.

Through encouraging hospital alternatives:
• Improved outpatient services and outreach
• Better integration of outpatient and inpatient care
• Day hospitals
• Rehabilitation hospitals
• Home care
• Palliative care
Payment incentives target reduction in high-cost, low-value behavior...

Through encouraging
- Integrated healthcare services that shift services to outpatient settings
- Systematically application of clinical protocols
- Reduced readmissions
- Reduced unnecessary hospital lengths of stay
- Less use of emergency rooms for routine health problems
- Engagement of patients in managing their health
- Use of IT to communicate and support patients
Payment systems require harnessing data to design incentives and hold providers to account for outcomes

- Data allow effective use of alternative payment mechanisms
- Data extracted from DRGs can inform healthcare performance and spending

- Data can be harnessed to compensate providers for quality and value, not volume
- Data use allow:
  - Providers to manage performance
  - Payers to encourage better performance and outcomes
VBHC valuable for reaching objectives – entails shifts in policy and oversight of providers

Value-based care more challenging than traditional payment as it involves:

• More management by providers
• More management and oversight by payers
• More data across the system
• Analysis of data
• Holding providers accountable

In effect, a shift in culture:

More autonomy for providers to improve performance

AND

Greater management and oversight by payers to ensure accountability of providers
Achieving VBHC is challenging

- Quality and outcomes hard to define and measure
- Integrated healthcare delivery medium term process
- Relies on integrated data systems for capturing all activities
- Payment for quality and outcomes more complicated
- Entails oversight through analysis of provider patient data
- Involves a change in culture
Only payers can shift healthcare services for quality and value

Financial and other incentives for providers and beneficiaries are key to driving VBHC

Payer support for providers important in clinical services, data and analysis to promote transition to VBHC
How payers can move VBHC agenda forward

• Place quality of care at the center of the agenda
• Create incentives for providers to integrate care between hospitals and primary care
• Pay for value and outcomes

• Collaborate with providers in designing approaches that can work to ensure quality of care and contain costs
• Promote integrated healthcare delivery
Thank you.

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