


# Employer Initiatives in Value-Based Payment Arrangements



National Value-Based Payment and Pay for Performance Summit  
San Francisco, CA  
February 19, 2016

**Bill Kramer**  
Executive Director, Health Policy



# What problems are employers trying to solve?

- Health care **costs** are too high, and the **quality** of care and patient experience are inconsistent.
- Employee health problems → higher **absenteeism**, lower **productivity**
- **Slow adoption** of successful innovations and new models of care



# The Evolving Purchaser Strategy

- 1990s – **health plans** and managed care
- 2000s – **consumerism**, account based plans
- 2010s – direct engagement with **providers**

Today, high performing employers are using strategies to:

- Alter **provider payment** to reward value
- Engage consumers via value-based **benefit design**, and provide incentives to choose high-performing providers.

One solution:

Direct Contracting with providers

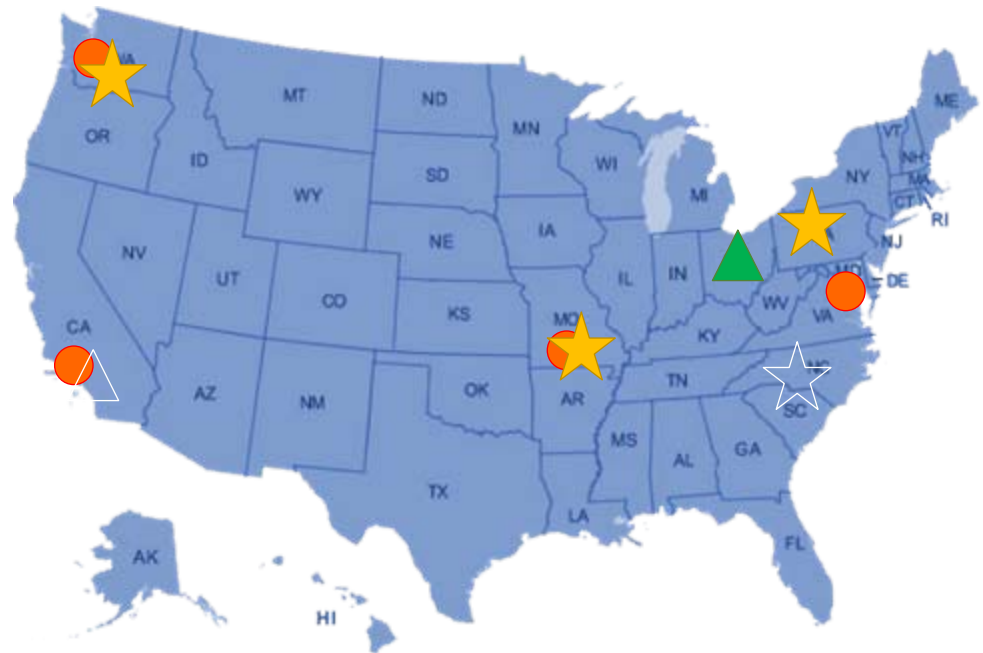
Goal: encourage providers to utilize evidence-based practice, manage to outcomes, increase transparency, provide appropriate care, seek efficiencies, compete on value

Models:

- **Bundled payments for episodes of care**
- Accountable Care Organizations
- Primary care medical homes

# Employers Centers of Excellence (ECEN)

- ★ ● **Virginia Mason Medical Center**  
Seattle, WA
- ★ ● **Mercy Hospital, Springfield**  
Springfield, MO
- **Kaiser Permanente  
Irvine Medical Center**  
Irvine, CA
- **Johns Hopkins Bayview  
Medical Center**  
Baltimore, MD
- ★ **Geisinger Medical Center**  
Danville, PA
- ▲ **St. Vincent's Medical Center**  
Cleveland, OH



- Joints
- ★ Spines
- ▲ Bariatrics

# ECEN Design

## ❖ Prospective Episode-Based Bundled Rate

- DRG-based episodes
- 7-10 days in CoE city
- All procedure-related care from onsite pre-op through “clear to travel” visit
  - Labs and diagnostics, Physician fees, Anesthesia fees, Hospital fees, DME, Outpatient or Home Health PT

## ❖ Associated Covered Expenses

- 100% benefit
  - Waived deductible\*
  - Waived copayment or coinsurance
- Travel expenses for patient and caregiver
  - Flight or mileage, hotel, daily stipend

*\*IRS regulations limit 100% benefit coverage to AFTER patient has met deductible*

- Health care costs are still too high, and quality is still too inconsistent
- New accountable care models are a promising approach: Centers of Excellence, ACOs
- Large employers can drive innovations through direct contracting and high standards for care delivery
- Private sector innovations can be a source of ideas for public policy.