

Where Do We Go From Here?

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11th Annual Value-Based Payment and Pay for
Performance Summit
Hyatt Regency, San Francisco, CA

February 19, 2016

The Target

Constraining the rate of growth in health care costs

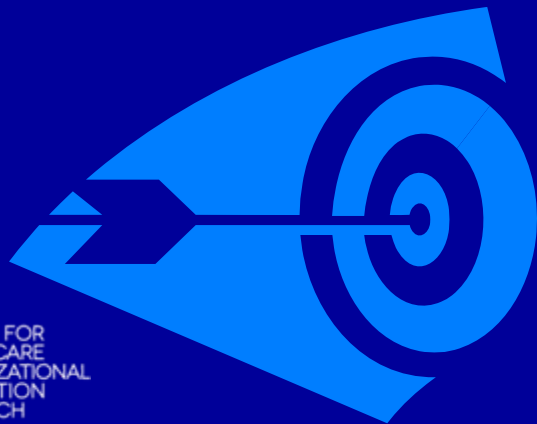
\$3 Trillion

\$9500/person

18% of GDP

Projected 5.6% annual increase over next decade vs. 2.5% inflation for the economy overall

Source: CMS Office of the Actuary, 2015



What To Do

- Lower demand for care
 - Create healthier communities; True population health
 - Address social determinants of health
 - Create a “Culture of Health”
 - Incentives to choose value-based care
- Change how care is delivered
 - Lower cost settings
 - Lower cost personnel
 - Eliminate waste, unwarranted complexity, enhance the value chain
- Value based payment to support the above
- Prices!

Barriers to Value Based Payment

- Multi-payer and multi-partner collaboration is difficult and time-consuming
- “Mixed” payment environment
- Cultural change challenges
- Technical issues working out data and transaction issues
- Resources stretched thin
- “Change fatigue”
- Regulation and legal barriers often requiring waivers

Source: Adapted from University of Washington RWJF-funded Payment Reform Project, 2015

Facilitators of Value Based Payment

- Supportive market environment – e.g. presence of IDss
- Readiness for change among all major stakeholders
- Strong local leadership
- Technical assistance and expertise
- Multi-payer alignment and measures

Source: Adapted from University of Washington RWJF-funded Payment Reform Project, 2015

Facilitators of Value Based Payment (cont'd)

- Risk-based payments likely to be more effective with larger organizations because they can diversify risk better than smaller organizations
- Some evidence suggests stronger changes in behavior and performance when incentives are based on providers' own performance rather than compared to a group of peers

Source: Adapted from University of Washington RWJF-funded Payment Reform Project, 2015

Table 1: Aligning Incentives with Organization Form

<i>Organization Form</i>	<i>Aligned Value-Based Incentive Design</i>
Small, independent practices	FFS with risk-adjusted value incentives
Primary care groups	Risk-adjusted primary care capitation with adjunct incentives
Single-specialty groups	Risk-adjusted “contact capitation” with adjunct incentives
Hospitals	Case rates extending DRGs to episode of care and variants of bundled payment
Multispecialty groups, IPAs, and integrated delivery systems	Risk-adjusted global cap with adjunct incentives
ACOs	Risk-adjusted global cap with adjunct incentives or “equivalent” two-sided shared savings

Conrad DA. The Theory of Value-Based Payment Incentives and Their Application to Health Care. *Health Services Research*. 2015 Dec 1;50(S2):2057-89.

Table 2: Matching External Incentives with Internal Compensation Arrangements

<i>External Incentives to Organization</i>	<i>Internal Compensation</i>
FFS with adjunct value incentives, including care coordination PMPM	Production-based with proportionate adjunct incentives for value (“Triple Aim”)
Risk-adjusted, bundled, episode of care payment	Severity-adjusted hospital case rates; contact capitation for specialists; PCPs on fixed salary with adjunct value incentives
Risk-adjusted global payment (capitation)	Fixed salary with adjunct value incentives

Conrad DA. The Theory of Value-Based Payment Incentives and Their Application to Health Care. *Health Services Research*. 2015 Dec 1;50(S2):2057-89.

What is Needed Summary

- Higher-powered incentives targeted to behaviors under control of physicians and their organizations
- Multiple payer ACO models using common measures
- Both incentives and capabilities simultaneously linked
- Transparent data
- Need more patients covered under risk-bearing arrangements – not yet at the tipping point

What is Needed Summary (cont'd)

- Ultimately, global payment
- Readiness tools
- Portfolio approaches
- Leadership to focus on priorities and promote execution
- Risk adjustment for social factors
- Integrating behavioral health
- Patient engagement

What is Likely to Occur

- Slow and halting movement away from FFS toward Value Based Payment
- High variance by market

Thank You

“Healthier Lives In A Safer World”

