Transiting to a Value-Based Health Care Future

*Improving Health in a Climate of Change*
NACo
San Diego, California
January 31, 2014

- Price reduction threats and volume reduction pressures
- Changes in payment policies and financing sources
- Continually evolving quality measures and expectations
- Alternative models of care (e.g., telehealth, different care sites, new providers types)
- Local health care collaborations and regional affiliations
Affordable Care Act (and More)

- New ACA emphases
  - Insurance coverage
  - Primary care
  - Financing innovation (incremental)
- Major ACA themes
  - Demand for health care value
  - Transfer of financial risk
  - Collaboration and competition
- Not just the ACA!
  - Macro economic forces will continue to drive health care reform

The Triple Aim®

- Population Health
- Experience of Care
- Per Capita Cost

Clint MacKinney, MD, MS
Value Equation

Value = Quality + Experience - Cost

But does our current volume-based payment system impede delivering health care of value?

Tyranny of Fee-for-Service

- “Successful” physicians and hospitals seek to maximize:
  - Office visits per day
  - Average daily inpatient census
  - Admission percent from the ER
  - Profitability
- Is this how to identify and reward a great physician or a world-class hospital?
  - No, but what to do?
The Value Conundrum

You can always count on Americans to do the right thing – after they’ve tried everything else.

- Fee-for-service
- Capitation
- Market
- Single payer

- What about paying for health care value?

Right place, time, provider, price

<table>
<thead>
<tr>
<th>Service</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Stay</td>
<td>$200</td>
</tr>
<tr>
<td>Office Visit</td>
<td>$2,000</td>
</tr>
<tr>
<td>ER Visit</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

Better yet, how about care in the home, workplace, or not at all? Preventive care may reduce the need for acute care!
Volume to Value Transition

- Bath water
  - Cost-based reimbursement
  - Fee-for-service
  - Few quality demands
  - Inefficiency tolerated
- Turning up the heat
  - Decreased per unit price
  - Pressure to reduce volumes
  - Quality demands
  - Competitive market
- How to avoid getting cooked?

The Volume to Value Gap

**Volume-based**
- Pay-for-service (volumes)
- Cost-based reimbursement
- Hospital/physician independence
- Inpatient focus
- Stand alone care systems
- Illness care

**Value-based**
- Pay-for-results (quality/efficiency)
- Shared risk
- Partnerships and collaborations
- Continuum of care consideration
- Community health improvement (HIT)
- Wellness care
Rural Transition?

How do we move toward delivering value when our revenue is primarily volume-driven?

How do we not get “soaked” during the transition?

We can “test the waters” with a new set of tools.
**Tool Box for Delivering Value**

- Patient-Centered Medical Homes
- Accountable Care Organizations
- Regionalization
- County-Based Purchasing
- Connected Community Resources
- Information and Innovation

---

**Medical Home Definition**

*Patient-centered medical homes are primary care practices that offer around-the-clock access to coordinated care and a team of providers that values patients' needs.*

- Access and communication
- Coordination of care
- Patient and family involvement
- Clinical information systems
- Revised payment systems

Sources: Commonwealth Fund and 2007 Joint Principles of Patient-Centered Medical Homes.
Medical Home Quotes

- All team members practice at the top (optimum) of their license and experience
- Best evidence is the best and only way we deliver care
- Care is the same, regardless of the provider
- Continuous performance improvement of our care is rigorously driven by data
- There are no non-compliant patients, only those we have not reached
- An electronic health record is critical to managing patient/population health
- Let care protocols do (at least some of) the work (e.g., lab orders, med refills, vaccines)

Accountable Care Organizations

- A coordinated network of providers who share responsibility to provide high quality and low cost care to their patients.*
- Medicare requires excellent clinical quality and patient satisfaction based on 33 outpatient measures.
- Medicare “shares” savings with ACO if Medicare’s total costs are less than predicted.

Rural (Teal) Counties with ACOs

---

**Regionalization**

- Act locally; think regionally
- Economies of scale demand a contracted cottage industry
  - Yet, future health care payment linked to local covered lives
- Goal: To care for populations expertly, efficiently, equitably
  - Options are optional
  - Affiliation is not an end in itself
  - Independence is not a mission
  - Success measured by clinical integration

In 1990s, rural counties were concerned about Medicaid HMOs:
- Ignoring county needs, interests, and culture
- Excluding local providers from networks
- Denying payments and shifting cost to counties
- Not reinvesting profits locally
- Not integrating public health, social services, and medical providers

A county-based health plan: owned, governed, and managed by 13 rural Minnesota counties

Over 28,000 public health insurance enrollees and over 8,000 contracted providers

Accountable Rural Community Health (ARCH) — integrates public health, social services, behavioral health, and medical providers using value-based reimbursement

Video-conferencing to increase mental health care access

Technology to improve care coordination

Reduced preventable institutionalizations and other unnecessary health care costs

$10 million in profits reinvested locally as grants to improve access, quality, and health status

2 NACo Achievement Awards (2006): Innovation and Best in Category
What is available locally to improve health care value?
- Public Health
- Social Service
- Agency on Aging
- Community health workers
- Care transition programs
- Churches and foundations

Do not duplicate
- Collaborations are less expensive than new services – and build good will!

Excellent data and resources
- Morbidity
- Mortality
- Health Behaviors
- Clinical Care
- Social & Economic Factors
- Physical Environment
Rural Health Value

- Rural Health System Analysis and Technical Assistance
  - Assess the rural implications of policies and demonstrations
  - Develop tools and resources to assist rural providers and communities
  - Inform and disseminate rural health care innovations

- Share an innovation with RHSATA that has moved your organization (or another) toward delivering value.

- Continue to be a leadership voice for rural health care value.
  - Our glass is at least half full. A positive attitude is infectious!

Healthy People and Places