

Value-Based Payment – A Primer

TASC 90 Webinar
February 19, 2020



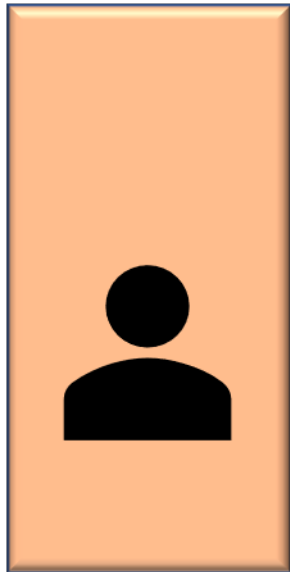
**NATIONAL
RURAL HEALTH
RESOURCE CENTER**



A. Clinton MacKinney, MD, MS
Clinical Associate Professor and Deputy Director
RUPRI Center for Rural Health Policy Analysis
University of Iowa | College of Public Health
clint-mackinney@uiowa.edu



Triple Aim



**Better
patient care**



**Improved
community
health**



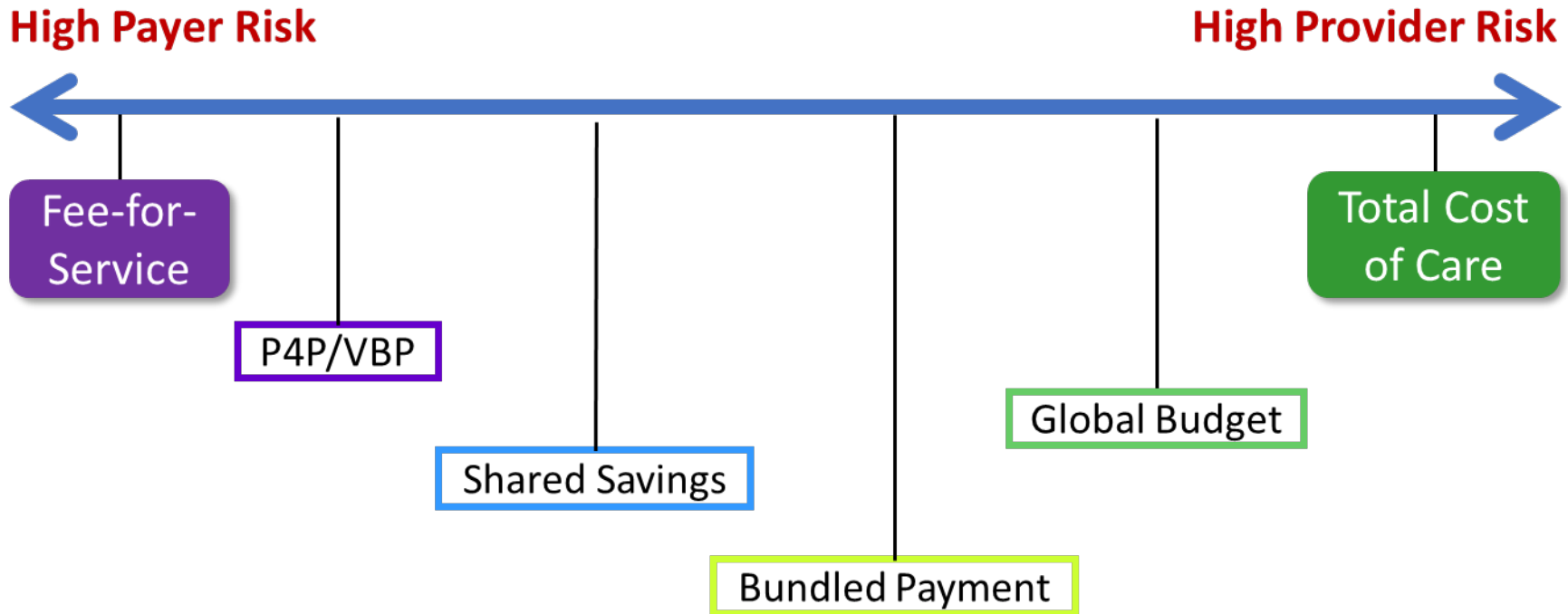
**Smarter
spending**



$$\text{Value} = \frac{\text{Quality} + \text{Experience}}{\text{Cost}}$$

But we have a problem...

Value-Based Payment Continuum



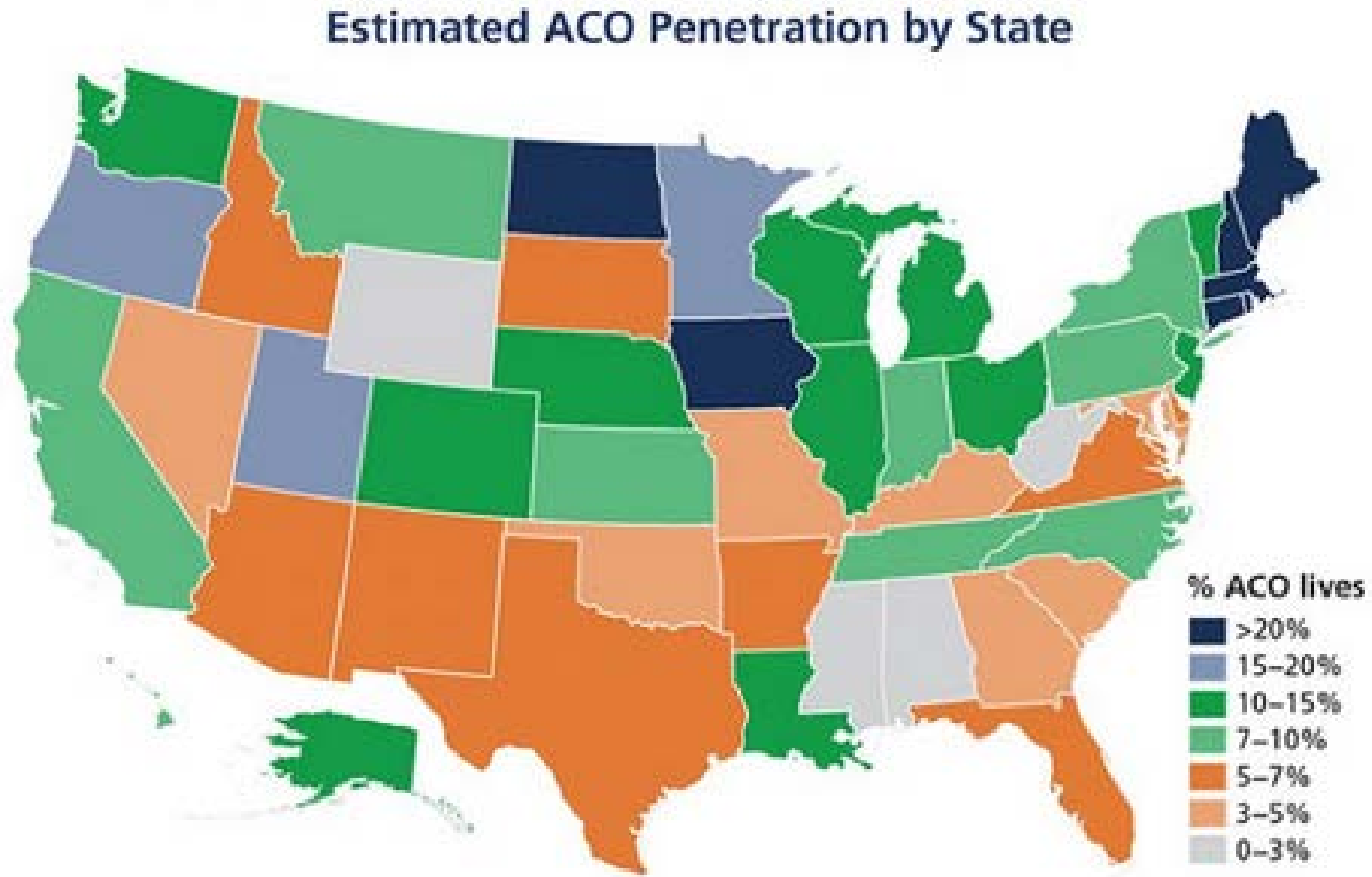
- Payment for each unit of service
- Cost-based reimbursement and prospective payment are fee-for-service systems
- Widget production example
- Rewards industriousness and efficiency
- Volume is king, not care



- Accountable Care Organizations (ACOs)
- Groups of providers (generally physicians and/or hospitals) that receive financial rewards to maintain or improve care quality for a group of patients while reducing the cost of care for those patients.
- ACOs on July 1, 2019
 - 995 public and commercial ACOs
 - 44 million covered lives
 - 60% commercial
 - 30% Medicare
 - 10% Medicaid



Source: "Spread of ACOs And Value-Based Payment Models In 2019: Gauging the Impact of Pathways to Success, " Health Affairs Blog, October 21, 2019.

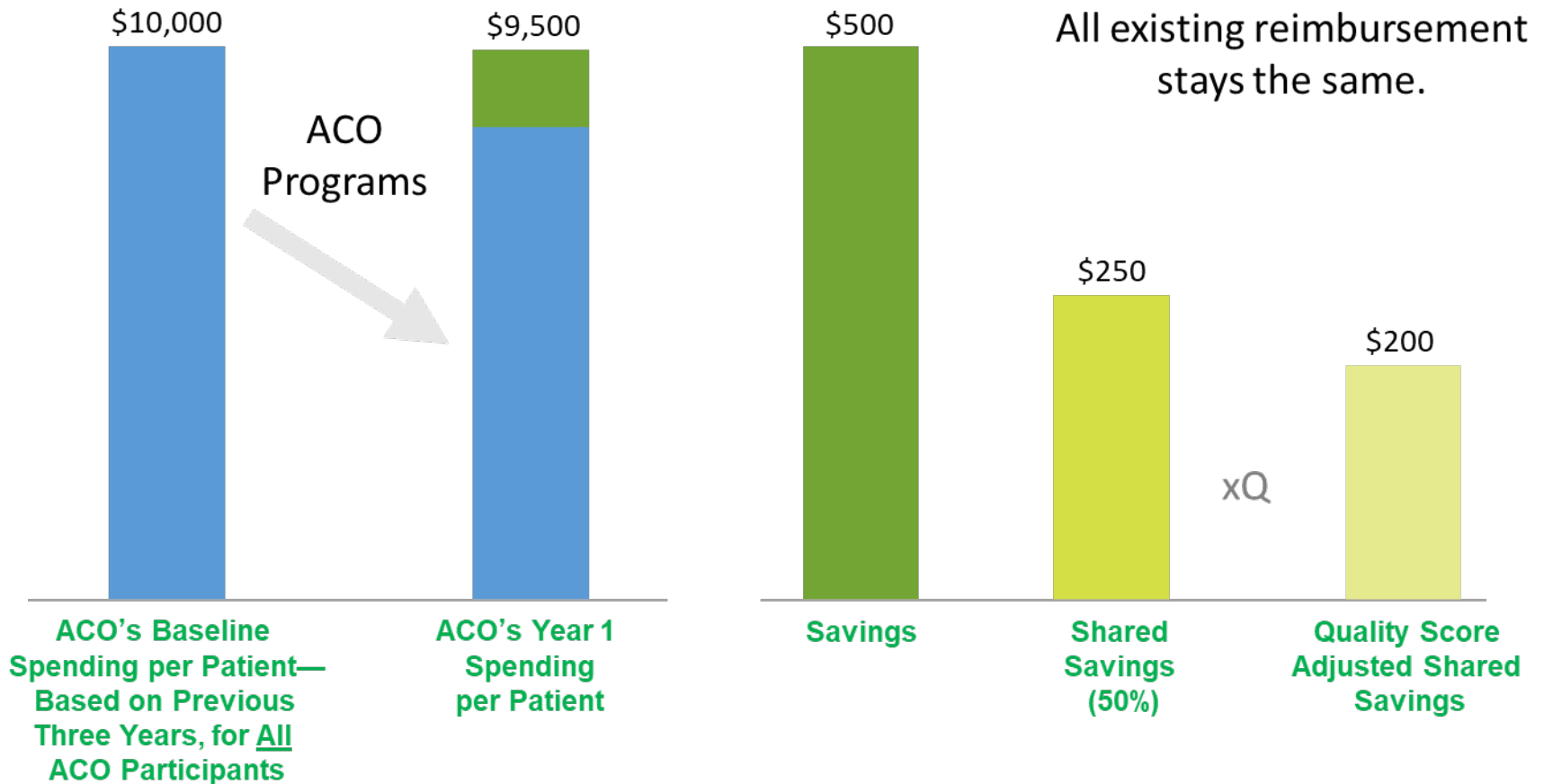


Muhlestein, Saunders, and McClellan. Growth Of ACOs And Alternative Payment Models In 2017. Health Affairs Blog. June 28, 2017.



Clint MacKinney, MD, MS

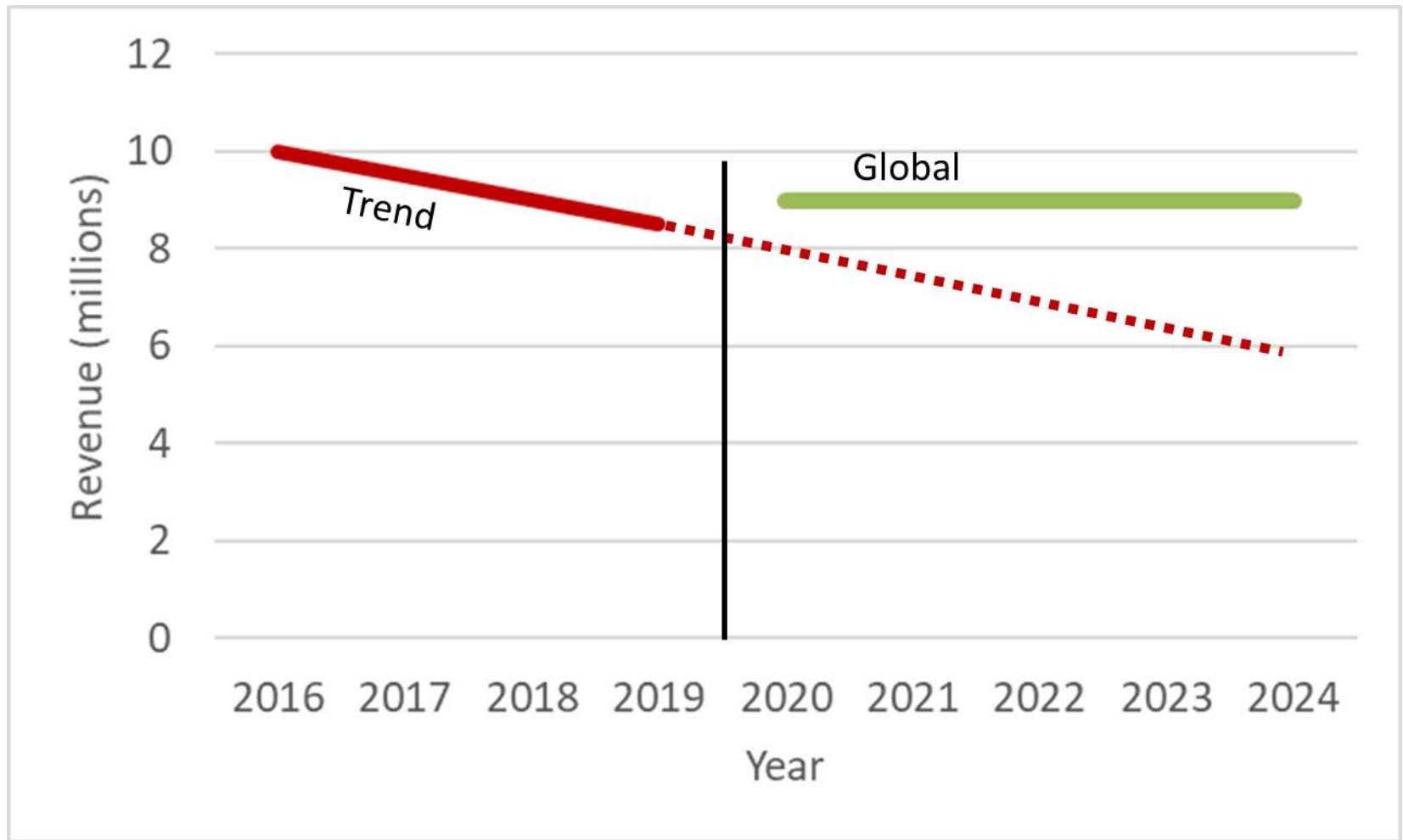




- Single unchanging payment per fixed time period
- Per person (capitation)
- Health club example
- Rewards health maintenance and efficiency



Historic Trend versus Global Budget



- Financial “breathing room”
- Appropriate if:
 - Downward trending patient revenue
 - Low service area patient volumes
 - Financially distressed hospital
- Likely *not* appropriate for hospitals with upward revenue trend
 - Requires candid pro forma regarding price trends and volume predictions



- Note: many rural hospitals are *already at financial risk*
- Risk of *increased* volume/costs
- Global budget locks in historic revenue, but the risks of:
 - Reducing costs remains difficult
 - Future budget adjustments unknown
 - May not increase revenue enough for hospital survival
- Still requires coded claims for risk-adjustment, co-pays, and quality assessment



- Exciting managerial challenge
- Innovation opportunity
- Getting paid for community and population health care
- **Mission focus**
 - A duty of nonprofit boards and leadership
 - Balanced with the duty to future financial viability



- ✓ Rural Health Value Project
<https://ruralhealthvalue.org>
- ✓ Rural Policy Research Institute
<https://www.rupri.org>
- ✓ The National Rural Health Resource Center
<https://www.ruralcenter.org/>
- ✓ The Rural Health Information Hub
<https://www.ruralhealthinfo.org/>
- ✓ The National Rural Health Association
<https://www.ruralhealthweb.org/>
- ✓ The American Hospital Association
<https://www.aha.org/front>

