Pay for Performance – The Value Equation

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Learning Objectives
- Describe pay for performance and bundled care from a payer’s perspective.
- Discuss how medication use is incorporated into the overall strategies and expectations for medication-related outcomes and safety.
- Review key factors in the decision making process to successfully participate in value based purchasing through bundled payments.
- Outline how pharmacy departments can prepare for upcoming changes in health care payments.

Is your organization involved in some type of value based healthcare?

A. Yes
B. No

Participant Poll
Is your organization involved in some type of value based healthcare?

75%

Healthcare Spending...A Growing Issue
- U.S. healthcare expenditures are projected to reach 20% of GDP by 2021.
- Costs per individual average more than twice the average of other developed countries.
- The aging population will only add to health care spending.
- The high level of spending has not led to superior population health.
The Spectrum of Healthcare Reimbursement

- Value – The quality of patient outcomes achieved relative to the total cost of reaching those outcomes.

\[ V = \frac{Q + S}{(VALUE)} \] \( S \) (COST)

- Addresses potential gaps in meeting patients’ interrelated medical, social, developmental, behavioral, educational, informal support system, and financial needs in order to achieve optimal health, wellness, or end-of-life outcomes, according to patient preferences.

Uncoordinated

\[ ^1 \text{Agency for Health Research and Quality} \]

- Also known as episode-based payment, is reimbursement to providers or health care facilities (or jointly to both) for all services to treat a given condition or provide a given treatment.

- Services are unbundled and paid for separately.
- Maximizes the cost and volume of services delivered.
- Fails to reward superior quality of care, better outcomes, improved efficiency, or service coordination.

- Pay-for-performance or P4P is an umbrella term for initiatives aimed at improving the quality, efficiency, and overall value of health care.

- The distribution of a portion of dollars achieved when there is a reduction of total healthcare spending below the level that the payer (e.g., Medicare or a private health insurance plan) would have otherwise expected.

\[ ^2 \text{Center for Quality and Health Care Payment Reform} \]
A set payment amount for each person assigned to them, per period of time, whether or not that person seeks care. The amount of payment is based on the average expected health care utilization of that patient, as well as age, race, and geographical location, as these factors typically influence the cost of providing care.

A Payers Perspective

Anonymous BCBS Plan

“We know we have to start transitioning to value based payment arrangements, but we don’t have the internal capacity to do it ourselves. Our attempts have failed…. We have too many other priorities to focus on.”

--Anonymous SVP

Case Study: Major Lower Joint Replacement

<table>
<thead>
<tr>
<th>Anchor Admission</th>
<th>Post-Acute</th>
<th>Inpatient Readmission</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18,498</td>
<td>$7,467</td>
<td>$1,002</td>
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SNF Days per Episode: 19.2
Home Health Visits per Episode*: 14.4

Volatility in Episode Spending

Major joint replacement of the lower extremity
Cont’d: Major Lower Joint Replacement

% receiving SNF or Home Health services or Readmitted

Source: Milliman benchmarks developed using the Medicare FFS 100% data for 2012.

Cont’d: Major Lower Joint Replacement

Total Episode Spending for High Volume Providers

Are you on this train?

Is value based healthcare here to stay?

A. Yes
B. No

Participant Poll

Is value based healthcare here to stay?

76%

More than three quarters of a representative sample of the nation's top healthcare leadership back the ongoing shift toward value-based payment systems...Yet only 20% are willing to do away completely with FFS.
Medicare as a Share of the Federal Budget

Total Federal Outlays, 2014 = $3.5 Trillion
Net Federal Medicare Outlays, 2014 = $565 Billion

Actual and Projected Net Medicare Spending

Volume or Value?

Alternative Payment Models are a Reality

CMS proposes major initiative for hip & knee

- 400,000+ procedures annually.
- $7 billion spent annually.
- Cost between $16,500 and $33,000.
- Comprehensive Care for Joint Replacement Bundle.
- 75 geographic regions.
- Hospital is accountable from surgery to 90 days post operation.

* Sylvia M. Burwell - U.S. Secretary of Health and Human Services
Do you know how to succeed in value based healthcare?

A. Yes
B. No

Participant Poll
Do you know how to succeed in value based healthcare?

“I have to go with what I see around me,” said Dr. David Bailey, CEO of Nemours Children’s Health System in Jacksonville, Fla., where there is very little movement toward value-based reimbursement. Healthcare systems “don’t have the infrastructure to evaluate risk yet. We’re not there, either.”

How Can You Prepare?

- Get informed about Value Based Healthcare NOW.
- Understand your own historical performance data and compare it to your peers.
- Start to see the world services with an “episode of care” lens.
- Identify which providers exist in the supply and value chain and how they would share savings or “gains”.
- Listen for updates from CMS, your State and your major private payers.
- Seek real time results.
- Be seen as a partner, not a vendor.
- Be realistic, change is hard.