



Pay for Performance – The Value Equation

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Disclosures

- ❖ Christopher Palmieri declares that he is a former employee of Remedy Partners.



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?



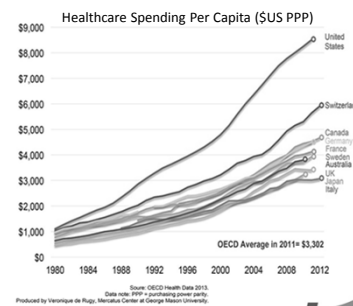
75%

Aetna, Blue Cross, Health Care Services Corporation, Ascension Health, and Trinity Health, stated that 75 percent of their respective businesses would be operating under value-based payments by 2020.¹

A. ¹Health Catalyst

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.



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The Spectrum of Healthcare Reimbursement


Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

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

$$V = \frac{Q + S}{\$}$$


(VALUE) (QUALITY) (SERVICE) (COST)




Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

- ❖ 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.





“Off hand, I'd say you're suffering from an arrow through your head, but just to play it safe, I'm ordering a bunch of tests.”



Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

- ❖ 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.¹

Uncoordinated Coordinated


¹Agency for Health Research and Quality




Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

- ❖ Pay-for-performance or P4P is an umbrella term for initiatives aimed at improving the quality, efficiency, and overall value of health care¹.



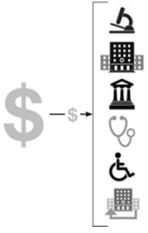

¹Health Affairs



Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

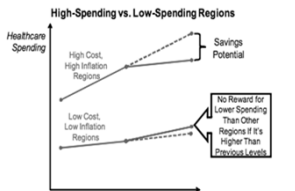
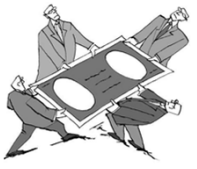
- ❖ Also known as episode-based payment, is reimbursement to providers or health care facilities (or jointly to both) for all services to treat a given condition or provide a given treatment.


Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

- ❖ 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.¹

¹Center for Quality and Health Care Payment Reform




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Fee-For-Service	Care Coordination	Pay For Performance	Bundled Payments	Shared Savings	Capitation
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Low Risk High Risk

❖ 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.



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Two Decades Figuring It Out




Slocum-Dickson Medical Group P.L.L.C. Faxton St. Luke's HEALTHCARE

AMERIGROUP CORPORATION CHOICE Health Plans homefirst. A product of Elderplan

remedy partners™ THE EPISODES OF CARE COMPANY **ashp**

A Payers Perspective




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"Good news. Your HMO says you're feeling fine."


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A Powerful Tool



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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

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Case Study: Major Lower Joint Replacement

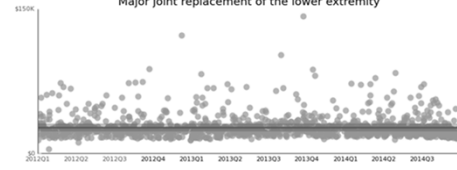
Average Spending per Episode - \$26,909

Anchor Admission	Post-Acute	Inpatient Readmission
\$18,498	\$7,467	\$1,002

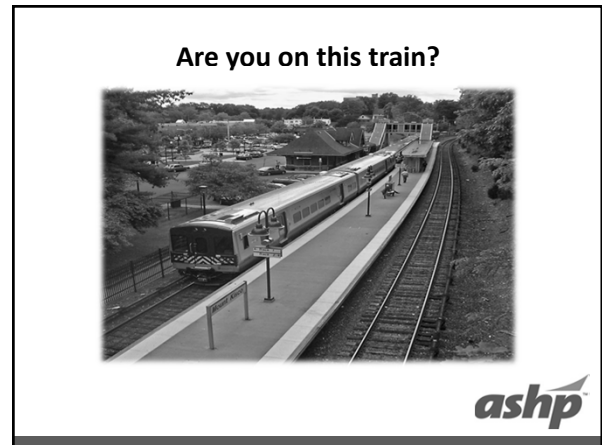
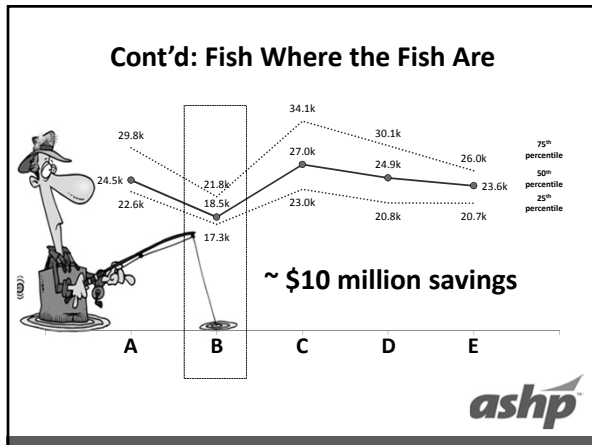
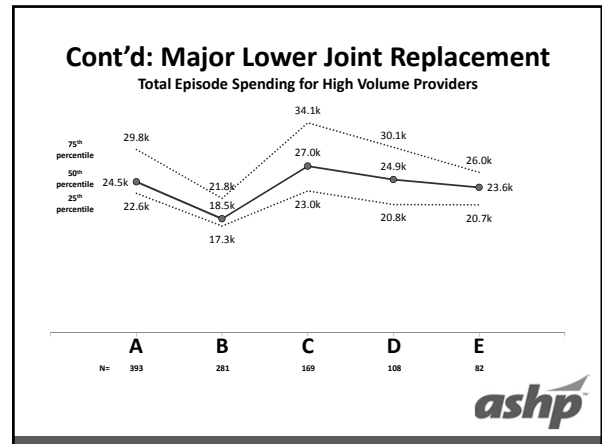
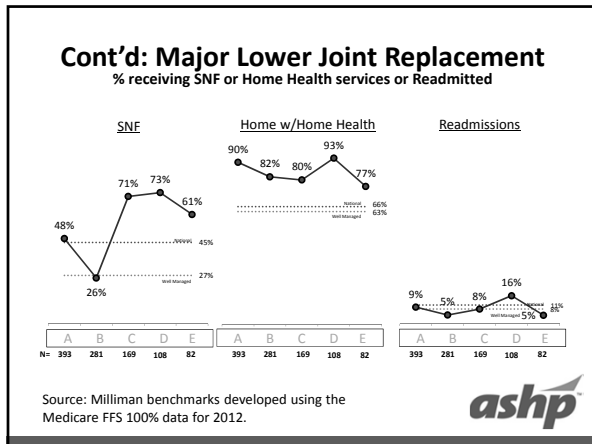
SNF Days per Episode: 19.2
Home Health Visits per Episode*: 14.4

Volatility in Episode Spending

Major joint replacement of the lower extremity



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Is value based healthcare here to stay?

A. Yes
B. No

Participant Poll

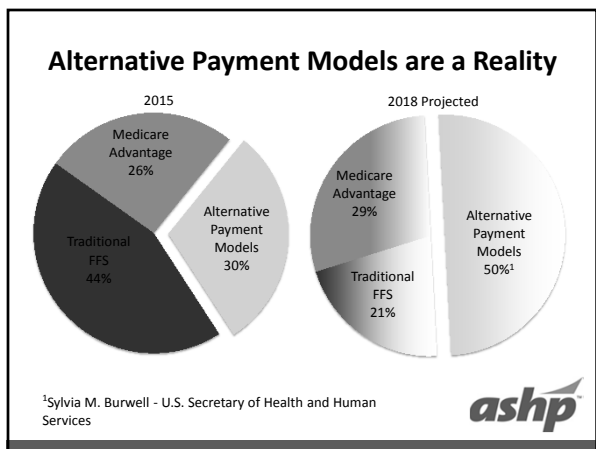
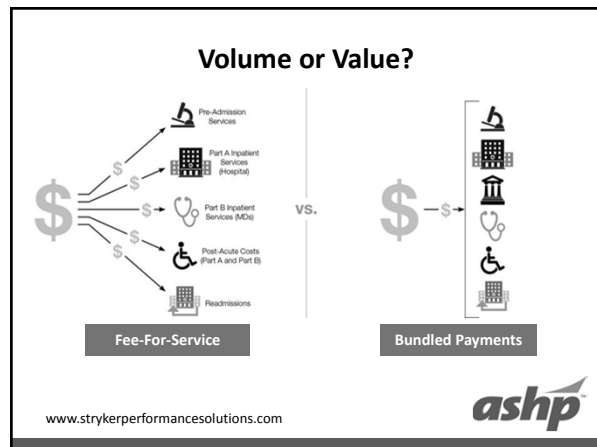
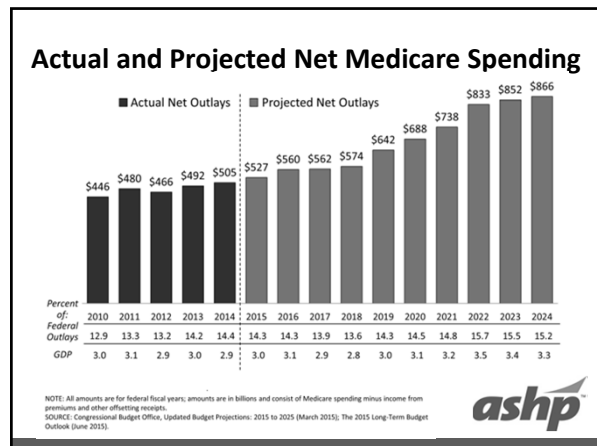
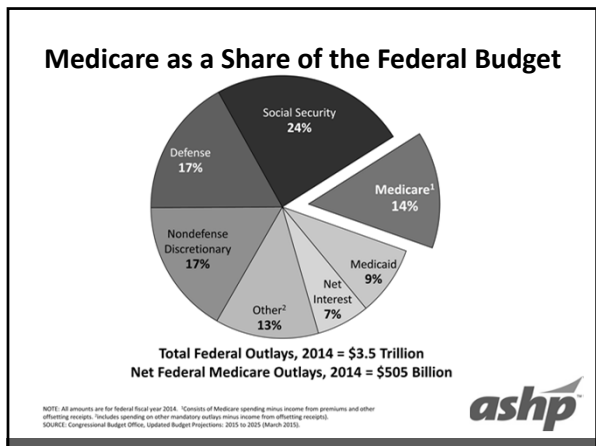
Is value based healthcare here to stay?

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.

A. ¹Modern Healthcare

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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.

Do you know how to succeed in value based healthcare?

A. Yes
 B. No

A 3D pie chart with two slices, one labeled 'Yes' and one labeled 'No', both showing 0%.

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.”

A large 3D button with the word 'NO' on top.

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.

A hand holding a ring, surrounded by a word cloud of healthcare terms including: UNINSURED, ENROLLED, COBRA, EMPLOYER-BASED, MEDICAID, SCHIP, HEALTH INSURANCE, BLUE CROSS, PRIVATE, OPTION, FEE FOR SERVICE, MEDICARE, CO-OP, PUBLIC, CONSUMER ADVERTISING, CATASTROPHIC COSTS, DIRECT-TO-CONSUMER, NATIONAL HEALTH INSURANCE EXCHANGE, BOARD-CERTIFIED, CHEMIST, PLAN, DEDUCTIBLE, FLEX PLAN, EMPLOYER CONTRIBUTION, NETWORK, PRE-EXISTING CONDITION.

A sign that says 'VALUE AHEAD' with a road leading into a forest.