ESSENTIALS IN
POPULATION HEALTH
An educational series to support your child health priorities
PART 1 OF 4 | APRIL 2017

Value-based Care: Anchor of the New Healthcare Landscape

David B. Nash, MD, MBA
Founding Dean of the Jefferson College of Population Health

Overview
In this kickoff to the 2017 *Essentials in Population Health* series, Dr. Nash explores how health care systems can position themselves for success in today's dynamic value-based environment, with a special focus on alternative payment models, such as bundled payments. The 'big picture' of population health includes social determinants, integrated delivery networks, and patient-centered care.

Learning Objectives

- Define the various drivers of changing healthcare delivery and payment models
- Define the components of value-based care
- Explain how a population health framework can assist provider organizations in creating a value-based model of care delivery
- Explore the impact of social determinants on health outcomes and community engagement on the value equation

The unabated political and economic turmoil in the U.S. has created a climate of uncertainty and anxiety across the health care landscape. Although the highly charged debates are unlikely to dissipate soon, two integral and closely related national trends will continue to shape U.S. health care: the shift toward value-based care and the pursuit of population health.[1,2] The Affordable Care Act, which will remain in effect for at least another year, has irreversibly shifted the cost structure and brought about fundamental changes in care delivery models and practices.

The overarching goal of the U.S. healthcare system is a healthy population. Value-based care is perhaps the most powerful tool we have for achieving that goal, and health care provider and payer organizations are actively adapting, innovating, and building value into the system.

Applied to health care, value encompasses quality of care (e.g., safety, care coordination, social determinants of health), patient-centeredness, and cost-effectiveness. From the patient perspective, value can be defined as safe, appropriate, and effective care with lasting results, at a reasonable cost. For providers, value entails using evidence-based medicine, treatments, and techniques that take their patients' preferences into account.

Evolving Regulatory and Payer Environment

One way in which the Centers for Medicare & Medicaid Services (CMS) supports the Triple Aim (i.e., better care for individuals and better health for populations at a lower cost) is through the Quality Payment Program, its value-based initiatives that reward health care providers with incentive payments for the quality of care they deliver.[3]

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Jefferson College of Population Health

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The four underlying concepts of these payment reforms are:

- Tying payment to evidence and health outcomes rather than units of service via pay-for-performance models;
- Reimbursing providers for coordination of care in patient-centered medical homes (PCMHs);
- Bundling payments for physician and hospital services by episode or condition;
- Basing compensation on accountability for managing patients across care settings via accountable care organizations (ACOs).

In March of 2016, the U.S. Department of Health and Human Services (HHS) announced that it had reached its goal of tying 30 percent of Medicare payments to one of these alternative payment models – nearly a year ahead of schedule. By the end of 2018, HHS predicts that 50 percent of Medicare payments will be directed to value-based entities; there is reason to believe that private payers are moving in the same direction at a similar pace.[4]

The American Academy of Pediatrics' Blueprint for Children[5] recommends a number of administrative actions to CMS and Congress regarding Medicaid and the Children's Health Insurance Program (CHIP) such as:

- Increasing access to care - working with states to address barriers that prevent children from accessing age-appropriate behavioral health, subspecialty, and facility services, and;
- Addressing the potential impact of the "Two-Midnight Rule" on children - pediatric providers are concerned the rule requiring two overnights to qualify for inpatient status may be extended to Medicaid and CHIP, compromising care for the most vulnerable populations of children.

How does the shift to value-based care affect pediatric care providers and children's hospitals?

Although children's hospitals operate in a unique environment with distinct rules (e.g., hospital readmission penalties do not apply), CMS value-based programs and the Medicare Access and CHIP Reauthorization Act (MACRA) may have implications for pediatric providers. MACRA is CMS' attempt to focus on quality of care rather than volume of services by tying payments to value (i.e., provider performance on quality measures such as The Physician Quality Reporting System and Meaningful Use).[6]

As fee enhancements and shared savings programs are replaced with prospective per-member/per-month payments, pediatric ACOs will become more prospective.[7] Efficient management of patients across the inpatient-outpatient continuum requires a focus on ambulatory care coordination and improved access. Multichannel approaches– alternate physical sites (e.g., urgent care centers), program offerings (e.g., adolescent and neonatal care), and relational access points (e.g., clinical contact centers) – can be used to attract new patient populations and design care around patient and family needs.[8]

Some children's hospitals have developed pediatric-specific ACOs via Medicaid managed care to improve quality of care while earning financial incentives for a defined population; for example, Partners for Kids ACO and Nationwide Children's Hospital in Columbus, OH, have assumed financial responsibility for all health care services for all Medicaid beneficiaries aged 0-18 years in a 34-county region, including some children and the Medicaid category of the aged, blind, and disabled.

Consolidation and convergence will accelerate with the shift to value-based care, and provider-hospital partnerships will become increasingly important. In addition, health systems that provide comprehensive pediatric services and participate in value-based contracting can offer alternative payment contracting for pediatrics.

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The results of a 2016 survey dispelled any doubts about the viability of the value-based care:

- 77 percent of hospitals and 65 percent of physician practices said that developing value-based payment models is a priority over the next 12-18 months;
- 78 percent of physician practices and 91 percent of facilities reported participating in value-based payment models;
- 57 percent of facilities cited a positive return on investment on money spent to support value-based payment models; and,
- 90 percent of all providers agreed that information exchange is important for a value-based payment system.[9]

In the pursuit of value, the vital importance of engaging patients cannot be underestimated. All hospitals must utilize technology to build new patient engagement systems, find out as much as possible about patients (social determinants of health) and their preferences, and implement practices that vigorously engage patients during hospitalizations and clinic visits.[10]

A key area of focus for children's hospitals must be reducing waste – and this can only be achieved by reducing variation in health outcomes. How? Culture change is the only answer.

- Assure that clinical practice is based on evidence.
- Curtail slavish adherence to professional autonomy.
- Continuously evaluate processes, measure, and close the feedback loop.
- Take action to manage unexplained variation.
- Engage with patients across the continuum.

Despite the fact that financial incentives are not exactly aligned for the pediatric population, children's hospitals have made more progress than their counterparts providing services for adults in terms of connecting with stakeholders to help address the social determinants of health in a meaningful way. Investing resources early in the lifespan will accrue benefits down the road that lead to improvements in population health.

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