VALUE-BASED HEALTH CARE – THE PAYER PERSPECTIVE

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What's the problem???

THE TRADITIONAL HEALTH CARE SYSTEM

International Comparison of Spending on Health, 1980–2011

Average spending per capita
Total expenditures as % of GDP


Chronic disease is the key driver of cost

CHRONIC DISEASES ACCOUNT FOR
$3 OF EVERY $4
SPENT ON HEALTHCARE

5% OF THE POPULATION SPENDS
1/2 OF HEALTHCARE $  

GLOBAL ERRORS, UNBENEFICIAL AND CAUSE 7 OUT OF EVERY 10 DEATHS

HEALTH CARE COSTS FOR CHRONIC DISEASE IS 5X HIGHER

1% OF THE POPULATION SPENDS
23% OF HEALTHCARE $
Relationships in the traditional health care system

Provider + Patient

Do patients trust their insurance provider?

Only tobacco and oil industries consistently rank lower than the health insurance industry

8% relied on insurers as source of health and wellness

Do insurance companies trust the provider?

From 1996 – 2010, CT scans ↑ 3X and MRI scans ↑ 4X

US patients receive 45% MORE cardiac procedures than the next highest country.

CMS paid $24 million in 2012 for ambulance transports that did not meet criteria

The elephant in the room

EMS overutilization

• Medicare ambulance increases from 2002 – 2011:

  Costs  
  # Patients Transported  
  # Ambulance Providers  
  # Dialysis-Related Transports

  69%

  34%

  26%

  269%

• 15% of patients transported by ambulance to EDs could safely receive care in non-urgent settings

If avoided $560M annual Medicare savings

• 11 – 61% of Medicare beneficiaries transported to ED might not have required ED care
Rewards in the traditional health care system

Two buzz words that we love (or hate)... But do we understand them?

Value

Quality

Defining Value

Value = Quality / Cost

Value = Outcomes / Cost
Defining Outcomes

Outcomes ➔ Evidence-based medicine
Outcomes ➔ Patient satisfaction
Outcomes ➔ Access to care
Outcomes ➔ Cost containment

The chain of causality leading to outcomes

Patient compliance ➔

- Patient Conditions
- Processes
- Indicators
- Health Outcomes

- Evidence-based guidelines
- Clinical protocols
- Hgb A1c levels in DM
- ER utilization
- Readmission rates
- Pt satisfaction surveys

Rewards in a value-based health care system

Value-based expectations CMS

CMS requirements by 2018

- Value-based reimbursement: 90%
- Alternative payment method: 50%
Are we ready for a value-based system? Survey says..........No

Majority of Payers and Providers Uncomfortable With Value-Based Care. First Report Managed Care. 2018

Health Care Reform Survey

- Providers / Payers Uncomfortable with Risks of Value-Based Care: 69%
- Providers May Lose Money in Value-Based Systems: 77%
- Value-Based Care < 10% of Total Portfolio: 43%
- Value-Based Care < 50% of Commercial Portfolio: 64%

What should we FOCUS on?
The quadruple aim

IMPROVE HEALTH OUTCOMES
ENHANCE PATIENT EXPERIENCE
REDUCE OVERALL COSTS
IMPROVE WORKLIFE OF PROVIDERS AND STAFF

EMS Challenges / Risks

- Most U.S. EMS systems share One common thread: Primary focus is on responding quickly to serious accidents and critical emergencies (even though patients increasingly call 911 for less severe or chronic health problems)
- EDs are overcrowded......crisis
- FFS model for EMS drives costs and does NOT improve value
  - Medicare spends $5.2 billion on 16.6 million ambulance transports annually
What is needed to succeed?
Survey says............

- Expanded clinical support capabilities
- Access to latest medical equipment
- Ability to negotiate 3rd-party payer contracts
- Access to more patients
- Access to more capital

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EMS Opportunities

**Goal**

1. Improve outcomes and/or reduce costs
   - Align EMS financial incentives to provide appropriate care
   - Incentivize clinic-based providers to manage acute, non-emergent events
   - Alter the 911 EMS system from transport-based to acute care-based

2. EMS Opportunities
   - Reimburse EMS for transports to alternative (non-ED) destinations
   - Incentivize providers to accept unscheduled visits from acutely ill patients
   - Foster existing advanced access systems of care
   - Redefine public expectations related to 911 expectations
   - EMS system improvements

Innovation Opportunities for Emergency Medical Services: A Draft White Paper from the DOT and HHS. July 2013

Summary

Value = Outcomes / Cost