VALUE VIEWPOINT

9 Insights on the Journey to Value-Based Care

As our country grapples with COVID-19, one topic continues to emerge as we examine how the future of healthcare delivery must change and that's value-based care (VBC). After 34+ years in healthcare, I've had the opportunity to participate in some exciting technology and process changes that are at the forefront of medicine today, including telehealth. However, nothing gets me more excited about the future of healthcare delivery than the adoption of reimbursement based on outcomes, not procedures, with the addition of appropriateness of care measures. At Cedar Gate, we work with health systems, payers and employers every day who are at the tip of the value-based spear and here are a few key insights I've learned along the way.

1 **Value-based care is not about to happen; it is happening.** The fact is that in 2020, most large health plans, including The Centers for Medicare & Medicaid Services (CMS) are well down the road to using VBC programs as a means to achieve cost efficiencies, while maintaining or improving quality of care. All of the national health plans and most of the regional and state-wide health plans have already committed significant resources to expanding VBC programs. The plans are highly motivated to shift the risk for the cost of care onto providers of all types.

2 **Fee-for-service reimbursement is going away.** There are many studies indicating that "doctors are humans too," meaning that people tend to do what they are incentivized to do. Over decades, practice

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Henry DePhillips, M.D.
Chief Medical Officer

About the Author:

Dr. Henry DePhillips is experienced in the practice of medicine, medical management and health informatics. Prior to joining Cedar Gate, Henry was Chief Medical Officer at Teladoc. Where, Henry was responsible for the overall delivery of high-quality clinical care to Teladoc patients and the supervision and expansion of Teladoc's physician network. Prior to Teladoc, Henry held leadership positions in healthcare consulting, health insurance and healthcare information technology. Former positions include senior medical director at Independence Blue Cross of Pennsylvania and chief medical officer at MEDecision, Medem, PDR Network and Audax Health. Henry was also the head of business development, North America, for McKinsey's international Health Systems Institute. Henry received his bachelor's degree in biochemistry from Trinity College and his M.D. at Hahnemann University School of Medicine. He performed his residency in family and community medicine at the Medical Center of Delaware.

One Sound Shore Drive, Suite 300
Greenwich, CT 06830
203.930.5500 | www.cedargate.com

patterns have developed that sometimes result in more than the evidence-based standards of care for diagnostic studies or treatment. These patterns will penalize providers under VBC programs. The sooner providers understand how to align with best practices, the better off they will be under VBC. Fortunately, there are credible, robust tools available to guide that journey.

3 Change brings opportunity. There is a clear pathway for providers of all types to follow so they can do very well during and after the transition to VBC. Data and analytics in healthcare have historically been geared to areas that do not immediately and directly affect the quality and cost of care. They have been focused more on financials, practice management or long-term population health activities. However, recently, more relevant and credible systems have been developed that guide providers on how to care for patients in a way that results in higher-quality outcomes and improved cost efficiency, while maintaining both provider and patient satisfaction. Further, as providers become more effective, these same systems demonstrate how to include additional and more appropriate patients in each care environment, allowing for an increased revenue stream. Those providers who look forward and grasp this concept stand to do very well.

4 The tools needed are available. Private sector innovators have successfully anticipated the transition to VBC and have already designed and built the tools necessary for any provider delivery system to a) understand the complete cost structure of the patient population served and how that cost structure compares to the VBC program performance metrics in the operating time frame, and b) understand and create an operating plan for exactly what changes need to be made and the impact of those changes on operations over time. The good news for providers is that these tools are sophisticated to the point where they do not simply aim to reduce cost or dictate clinical practice; these tools recommend the "right" type and number of services. For example, in certain cases, more days in a skilled nursing facility may ultimately result in higher quality and lower overall cost outcomes for a specific episode of care. In addition, these tools most often illustrate structural delivery system changes that result in improved performance, rather than simply attempting to identify individual providers who need to make changes. Overlooking these structural delivery system issues and focusing solely on physician performance is like walking past a $100 bill to pick up a quarter.

5 Successful programs do exist. Across the U.S., there are now several large and small VBC programs clearly demonstrating that VBC can have the intended effects, while preserving provider autonomy and provider and patient satisfaction. Demonstrated results to date include: a closer partnership between payers and providers, where both parties win by working together; shining a light on and reducing hundreds of millions of dollars of unseen structural provider system issues that have nothing to do with poor physician performance. Examples include improving scheduling and throughput for operating room suites in hospitals; or increasing thoughtful discharge planning for patients so they know the best course of action in case of deterioration. Critical success factors include full transparency between payers and providers, a robust and credible platform to support the program and a win-win financial structure for all parties with the right incentives in place.

6 The key is to make the unknown known. For provider systems to succeed in VBC, there is additional information they need. Most (non-closed) provider systems are surprised to find that approximately half of the care rendered to "panel" patients is outside of their system. That proportion is consistent among providers of all types and sizes. What this means is: a) providers in VBC need to have full knowledge of all the care received, not just the care received inside the system; b) like it or not, the system electronic medical record (EMR) contains only about half of the information for each patient; additional data sets are necessary, and c) to be successful in VBC, these non-system services need to be managed, preferably by bringing them inside the system. Typically, this "leakage" opportunity is much larger than the medical cost savings opportunity. Addressing both opportunities simultaneously creates the best plan to succeed in any VBC program.

7 The patient-centered medical home (PCMH) comes of age. Although PCMH has been around for a long time and there has even been some related reimbursement associated with it, PCMH has not gained universal traction…until now. The VBC results to date clearly demonstrate how important the overall management of patients truly is when delivering high-quality, cost-effective care. Patients need to have a lifeline into the medical system so that they either already know what to do when a medical situation emerges, or they need to be connected with their overall care management provider immediately for appropriate guidance through the complex medical care system. Most of the time, Primary Care Physicians (PCPs) serve this very important role, but not always. For example, women often utilize their OB/GYN as their PCP. Patients with only heart disease may use their cardiologist as their PCP. The key is that someone needs to assume that role and guide the patient through the health care system in the way that results in the best outcomes.

8 Know your referral network. This is really important. The two biggest surprises that emerge when providers see the 360-degree view of their attributed patient population are a) how much care patients receive outside of their system (leakage), and b) what the actual quality and cost profiles are of the referral network the provider recommends for his/her patients. In the past, the basis for referrals may have been proximity, ease of getting an appointment, social relationships, etc. Under VBC programs, it is critical that the referral criteria become high-quality and cost-effective care. To be successful, providers need to know the answers to the following questions: How good is the care my referred patients receive? If they need to be admitted, which hospitals or other facilities do the referral providers use? Are my patients getting the right type and number of diagnostic and therapeutic services? Do my patients understand what to do if their condition deteriorates? To succeed under VBC programs, clear insight into all aspects of patient care needs to be well understood.

9 Don't worry too much. Lastly, know that the physician shortage in the U.S. not only persists, but is likely to get worse before it gets better. There will always (in the foreseeable future) be a greater need for patient care than there will be available resources to get it. Yes, telemedicine, apps and the like are making care more accessible, but those patients who need care the most still need to access the existing medical system, which is stretched beyond capacity. So, as providers cross the chasm from traditional fee-for-service reimbursement to fee-for-value, know that having the right tools and the rendering of high-quality, cost-effective care continues to ensure success for providers.

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