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Webinar Series

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Demystifying Health Care Payment Reform

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Presentation Overview

- How is most health care paid for now?
- Why do we need new approaches to payment?
- What are new approaches to payment?
- How do new payment approaches affect care delivery?

Duke-Margolis Center for Health Policy

The **Robert J. Margolis, M.D., Center for Health Policy** was established in January 2016 with a \$16.5 million gift from Duke medical school alumnus Robert J. Margolis and his wife Lisa, through the Robert and Lisa Margolis Family Foundation.

The Center integrates the expertise of Duke University scholars and the academic health system with expert staff for convening stakeholders and conducting policy analysis

Center Director: Mark McClellan



Mission

Improve health, health equity, and the value of health care through practical, innovative, and evidence-based **policy solutions**.

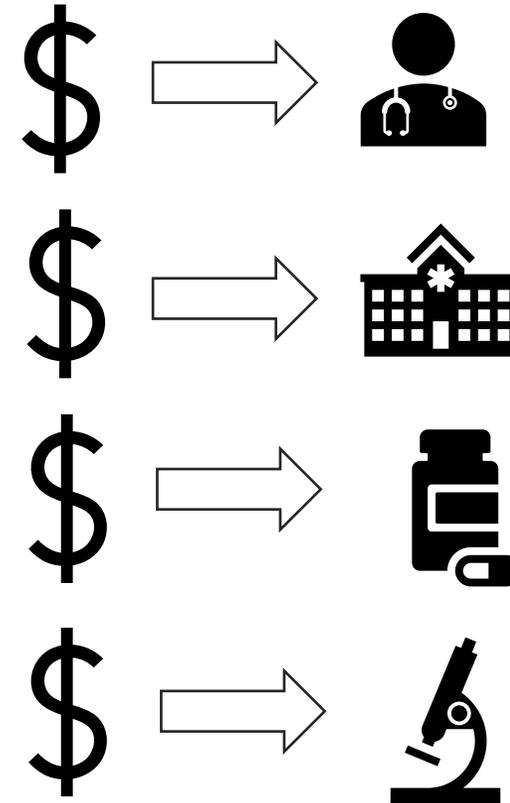
Vision

To catalyze Duke's leading capabilities, including interdisciplinary academic research and capacity for education and engagement, **to inform policy making and implementation** for better health and health care.

How is most health care paid for now?

- Most US health care payments exist in the fee-for-service system, in which providers charge a price for each service
- The fee-for-service system rewards greater intensity and volume of care services
- Patients often pay the same out-of-pocket costs even if health care services vary in effectiveness/outcomes/safety
- Important activities are not reimbursed (like coordinating care, communicating information to patients, or prevention services).

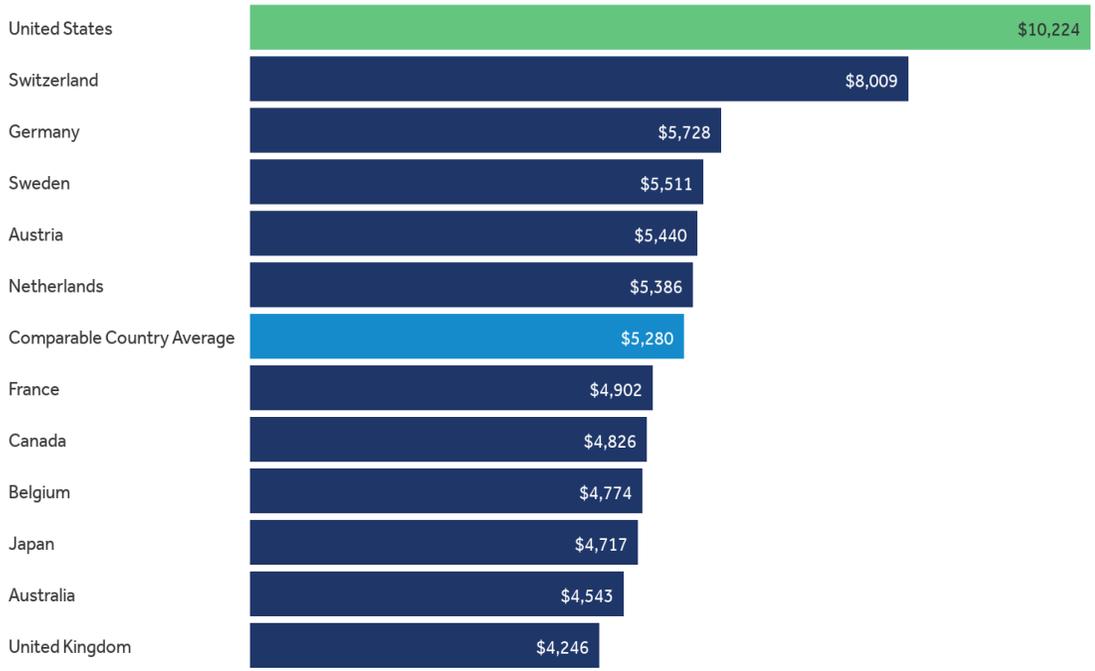
Fee-for-Service Payment Model



Why do we need new approaches to payment?

- Health Care Costs in the US are High

Health consumption expenditures per capita, U.S. dollars, PPP adjusted, 2017



Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: [KFF analysis of OECD and National Health Expenditure \(NHE\) data](#) • [Get the data](#) • PNG

Peterson-Kaiser
Health System Tracker

- Health Care Performance in the US is Lagging

Comparative Health Care System Performance Scores



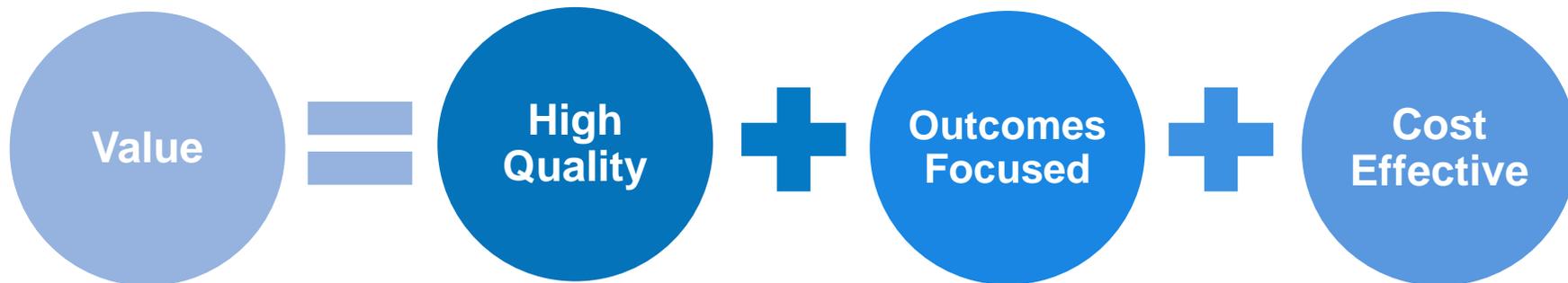
Note: To normalize performance scores across countries, each score is the calculated standard deviation from a 10-country average that excludes the US. See [How We Conducted This Study](#) for more detail.

Data: Commonwealth Fund analysis.

What are new approaches to payment?

- **Value-Based Payment Models**

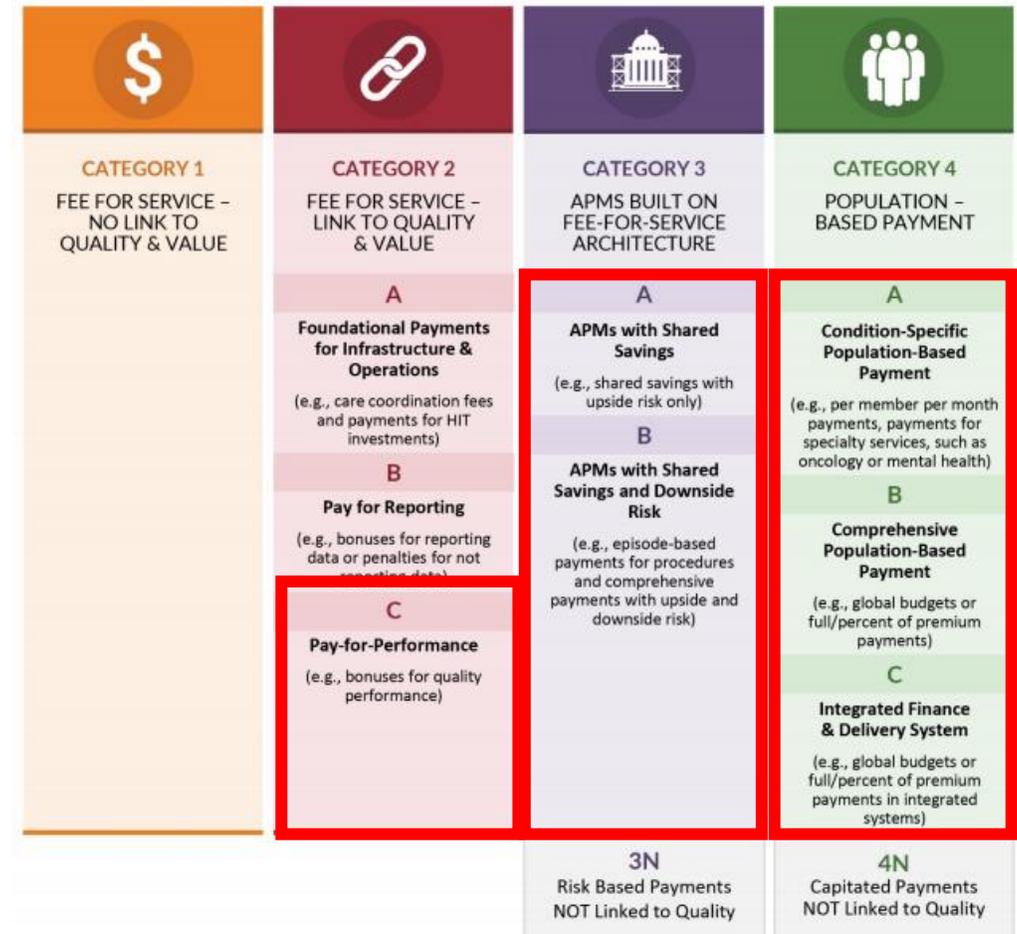
- Shifts payment's focus from individual services to encouraging and rewarding high-quality care, improved outcomes, and cost effectiveness
- Allows for more flexibilities to pay for services traditional payment does not (e.g., preventive services; care coordination)



What are new approaches to payment?

- Examples of VBP Models
 - Pay for Performance Models
 - Accountable Care Organizations and Bundled Payment Models
 - Population-Based Payment Models

Figure 1: The Updated APM Framework



Pay for Performance (P4P) models

- Pay for Performance (P4P) models give an incentive payment (or penalty) for meeting pre-defined performance benchmarks (defined by a quality measure).
- P4P models exist in both public and private insurance programs
- Examples include: The Hospital Value-based Purchasing Program, the Hospital Readmissions Reduction Program, and the Hospital-Acquired Condition Reduction Program

Bundled Payments/Episodes of Care

- Bundled payments pay a single payment for all of the services to treat a patient for a specific “episode of care”
 - Providers are incentivized to keep total costs under the bundle price
 - There’s quality measures that make sure care quality stays constant or improves.
- Episodes of care can include both procedures and conditions
 - Examples of common bundles: Joint replacement, maternity care
- Bundled payments exist in private insurance, Medicare, and Medicaid
 - Example: Bundled Payments for Care Improvement

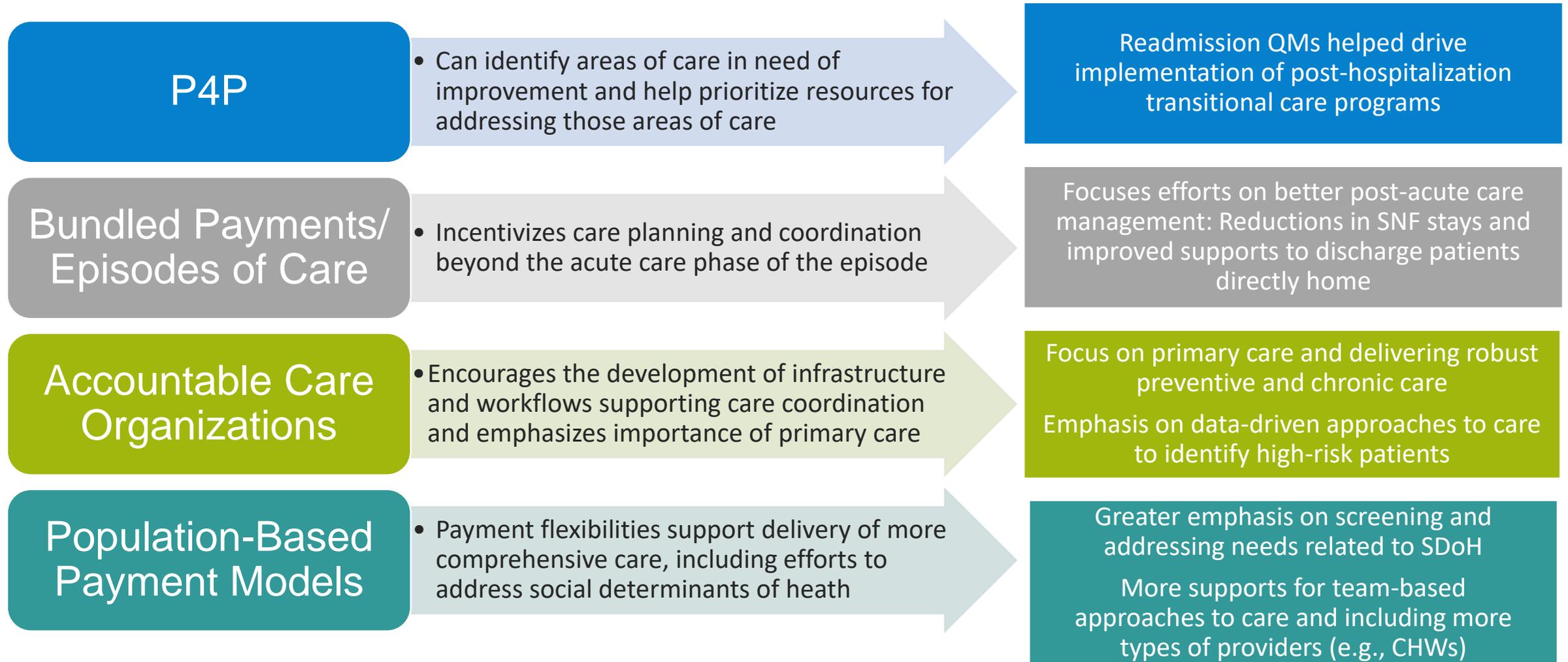
Accountable Care Organizations (ACOs)

- Accountable Care Organizations (ACOs) are groups of providers who come together to coordinate the care of their patients
- ACOs typically bear some kind of accountability for the total costs of care of their attributed population
 - Most only receive bonus payments for keeping costs low. Some more advanced ACOs lose financially if they have high costs
- ACOs exist in private insurance, Medicare, and Medicaid
 - The Medicare Shared Savings Program (MSSP) is a large ACO program for Medicare

Population-Based Payment Models

- Global payments are a fixed payment made to a provider to cover all the costs of care of their patients
 - This payment is used to cover all services, tests, drugs, etc. for all procedures and conditions
 - Global payments are typically risk-adjusted for the patient population
- Uptake of this payment model has been slower than other types of VBP models, but it is growing

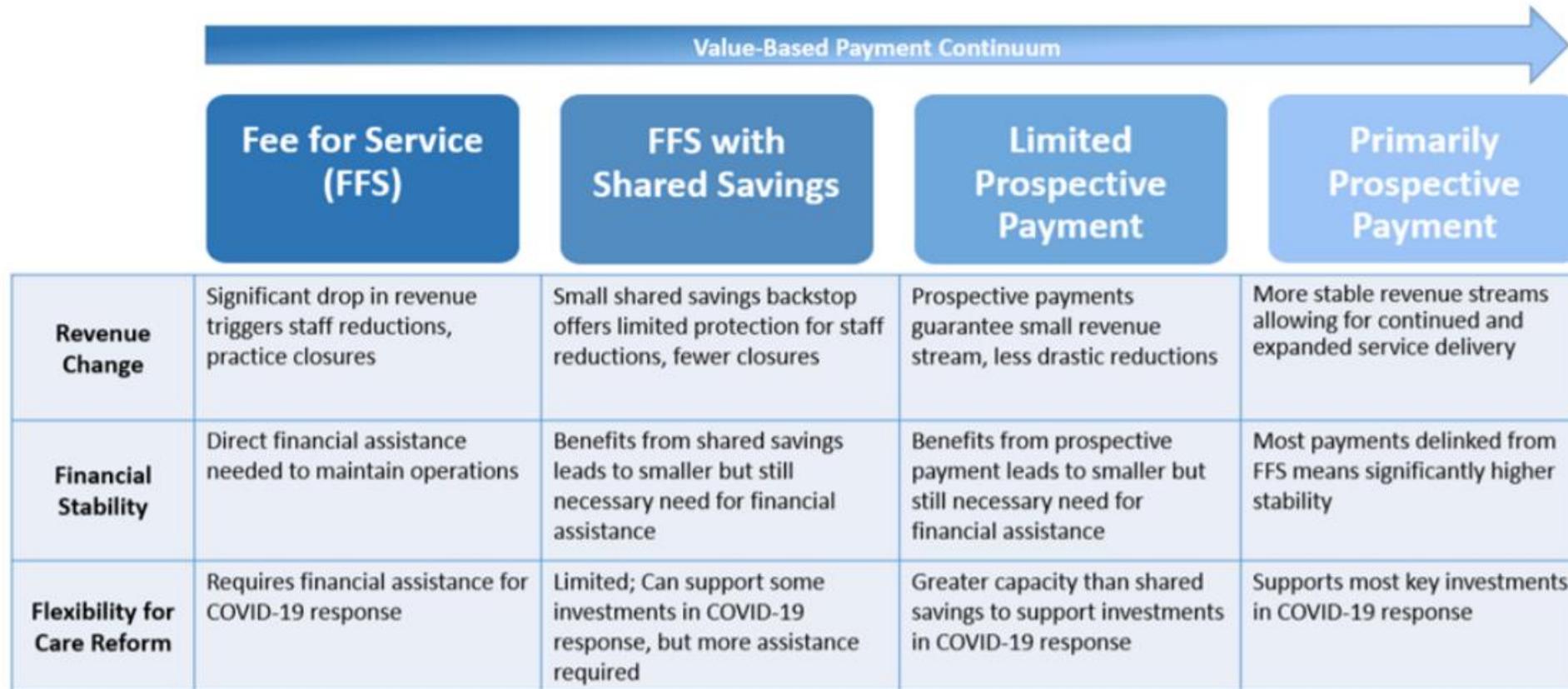
How do new payment approaches affect care?



How do new payment approaches affect care?

- Participation in VBP helped many providers with COVID-19 response efforts

Effects of Value-Based Payment on COVID-19 Response



Conclusions

- The dominant approach to health care payment—fee-for-service—drives volume of care, not value and does not support care providers in delivering high-quality care
- Value-based payment models have the potential to support care providers in delivering care that is team-based, comprehensive, well-coordinated, and better suited to meeting the full complement of needs (i.e., physical, mental, social) that can impact an individual's health and outcomes

Thank You!

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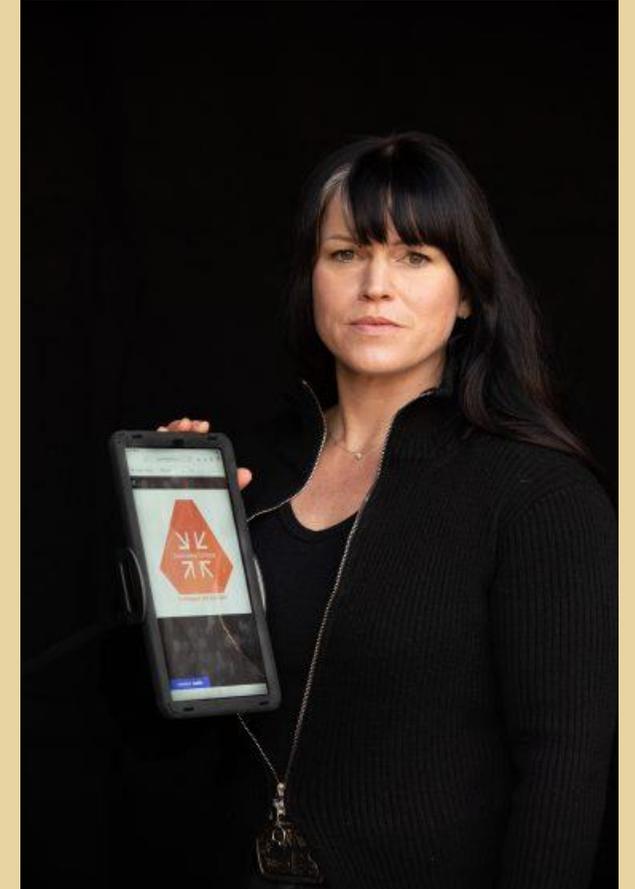


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