HOSPITALS

Transitioning to Value-Based Reimbursement

In an ever-evolving environment, hospitals and health care systems in the United States are steering away from a fee-for-service (FFS) model. While FFS has exhibited value, it also has the potential to create perverse incentives. Recognizing the incentive problems with FFS, the Center for Medicare and Medicaid Innovation (CMMI) introduced several models over the past few years that have challenged participants in the health care system.

The biggest change was a shift to value-based reimbursement, meaning a search for better health outcomes at a lower cost. The value-based reimbursed model calls on a fee-for-value (FFV) strategy and involves shifting the financial and clinical risk from the payer to the provider. Providers are rewarded based on the quality and efficiency of care, as well as their ability to contain costs. As the transition to a FFV approach ramps up, providers are being held accountable for leading this change in the care continuum. So what does the shift to FFV mean for hospitals and health care systems?

The Challenge with Change

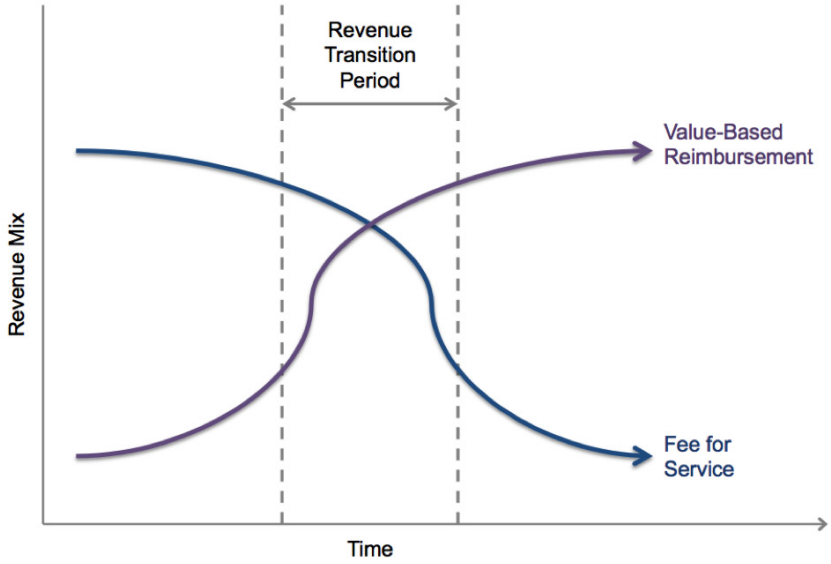
"Value-based reimbursement success hinges on a cost effective operation," explained Steve Mombach, Senior Vice President at TriHealth. "That means doing more with less. Reviewing programs with a less than effective bottom line, driving toward our mission of quality care, lowering costs and enhancing patient satisfaction."

The transition to FFV also requires time and a thorough understanding of patient populations. Gaining provider buy-in can be an obstacle, as value-based contracts alone will not change the delivery system. Value-based payment incentives are another key factor in success, but growths in revenue available to providers through value-based reimbursement have been gradual. Financial rewards tied to the FFS model can cause reluctance from providers to change what has been a profitable - although challenging - system (Figure 1).[1]

"There are many challenges with the transition to value-based reimbursement, but the key is ensuring our team members and physicians realize we are in a new reality. Population health is a new way to deliver care, a new model for reimbursement and an opportunity to deliver the most cost effective, quality care, known as the triple aim," said Mombach. "TriHealth has several initiatives tied to population health, cost savings and retaining business within the system. We are very active and conscious of the changing reimbursement that is on us now. Changes to care processes impact reimbursement with the 340B Drug Pricing Program (340B), with new centers opening that can no longer be treated as hospital-based and insurance companies driving business to less expensive venues."

1. http://go.beckershospitalreview.com/ramifications-for-the-healthcare-industry-the-move-to-value-based-reimbursement

Figure 1:



https://www.healthcatalyst.com/hospital-transitioning-fee-for-service-value-based-reimbursements

As organizations continue to transition to value-based care, it also is important to note the greater emphasis being placed on the strength of hospital boards and management. Creditors and analysts are now more interested in seeing that an organization is planning than they are in knowing the specific details of the plan. Key questions are:

- How is the organization set up for value- and risk-based reimbursement?
- What is the organization's affiliation plan?
- What is the organization's track record and plan for implementing new technology?
- What is the organization doing to connect to its community?

Importantly, hospitals need to understand that a complex adaptive system cannot be predicted, so risk management is difficult to anticipate. Leaders at hospitals and health care systems who encourage adaption to change, by implementing robust processes and systems, will have the best chance to survive and thrive in a time of vast transformation.

Looking Ahead

The challenges mentioned above can be daunting. No longer can a hospital board or management get by with vague assurances to questions about planning for a vastly different payment structure. However, over time, the FFV programs likely will affect providers, beneficiaries and lenders in a positive way. The programs give health care providers the opportunity to stand out from a quality of care, service and hospitality perspective by making global initiatives to enhance their operations. This methodology forces health care providers to refocus and reconsider their "why" statement ("why we are here and why are we doing this?"). Hospitals and other health programs were created to care for the sick by those who had a passion for helping others. Effectively implementing FFV programs within a health care organization returns to the original principles that guided the creation of health care in society today.

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