

HEALTH CARE
REFORM



CHANGING PERCEPTIONS

It's time to move past current assumptions about value-based care payments

By Sue Prochazka, Chris Skisak and François de Brantes

For the past decade, bundled payments and episodes of care have been stymied by the limitations of definitions and the inability of payers to operationalize them. But that's changing, thanks to collective action.

When most health care professionals, benefits advisors and employer benefit managers think of bundled payments, they look to routine elective procedures. Employee benefit programs could include knee, spine, shoulder or hip replacement bundled payments. In one lesser-known area, gastrointestinal services bundles can be included. Often, these "episodes of care" have a defined beginning point of care and a defined end.

These are easy medical events for employers to contextualize, but it's not the whole picture. And there's a lot more to it.

The idea of bundled payments evolved because they were easy for payers, providers and employers to imple-

ment based on the perception of defined beginnings and ends. Employers understand case rates and bundled payments, but they're not familiar with episodes. Episodes can be paid with a bundle, but a bundle is not always an episode. Understanding the nuances takes time, but it pays off.

For example, an employer can add up all of the elective procedures that occur in their organization and, if they're lucky, that will amount to 20% of their total medical spend. If they are really lucky and direct employees to the best providers contracted for those procedural episodes, they may save 10% to 20%.

Overall, they might hope to bend the cost curve by 4%. That's not nothing, but it's far less than what can be achieved.

For greater opportunities to improve value, brokers and employers can look to chronic conditions for episodes of care payments. These include low back pain and other musculoskeletal conditions; mental and behavioral health conditions; maternity; and many more. That will cover an additional 40% of an employer's medical spend beyond the 20% in procedural episodes, of which they can save 15% to 20%. Those savings add up and, importantly, don't come at the expense of quality care. Quite the contrary.

While seemingly simple, the concept of comprehensive episodes of care payment programs is not immediately intuitive and can seem too good to be true. After all, you get fixed predictable prices, with warranties on quality and providers held accountable.

Contrary to a typical "point solution" (such as concierge services or on-site primary care) that employers can buy from their health plans or on their own, a comprehensive episodes of care program usually requires collective action to create systemic change in the delivery system close to where people work and live. And employers are taking a direct role in making it happen, putting their credibility with their employees on the line. As such, they have to make sure that the solution will deliver the goods: better quality while controlling prices.

Facilitation of the implementation of such a program by an employer coalition is one of the better ways to make it a reality. For example, the Houston Coalition set up meetings with each of the coalition members' carriers to walk them through the proposed program, get their feedback and engage them in providing critical historical claims data to fully scope the program. The coalition also held numerous education sessions with its members to help them understand the difference between point solutions, typical bundled-payment programs and an episodes of care program.

These programs are different from a health plan-packaged solution. When a health plan deploys a program to an employed population, the employers are one step removed. However, an employer sponsoring an episode of care program and creating steerage to contracted providers directly engages its employees. They have to make sure the solution will work properly and deliver high-quality care. That's why employers have been willing to sponsor Centers Of Excellence (COE) programs and contract directly. Not just any provider, but those that are best in class nationally.

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And while COEs are paid a bundled rate, that's where the similarities with a broad-based episodes of care program end. The latter is designed to engage many providers in a local area, contract with them for a comprehensive episode, and

hold them accountable for outcomes. Importantly, it's not limited to procedures, but also includes conditions. When a plan member goes to a COE for a procedure, many COEs will order a second opinion, either on site or remotely, to determine whether the patient actually needs the surgery. And if they don't need the surgery, they get sent back home.

A condition episode will encourage the physician managing the patient to perform appropriate care. If the patient needs surgery, then they get it and can be referred to a COE; but if they don't, they simply continue to be managed without it. While the surgery is paid separately, a portion of the price of that surgery would count against the budget to manage the patient's condition.

In other words, thanks to condition-based episodes of care contracts, physicians are discouraged from performing procedures when they're unnecessary but encouraged to perform them when they're the best treatment option.

If employers encourage their employees to get care from higher-value providers contracted in an episode of care, competition for value will emerge. This passes on greater value to employees because:

- Engaging as many providers as possible in episodes of care contracts will decrease high prices for routine procedures and treatments, rates of avoidable events/complications, use of low-value care services, and volume of unnecessary procedures;
- Steering patients to the best providers will energize all providers to deliver higher quality care at a lower price.

Employers are not going to yield the fruit of alternative payment models they expect if it doesn't tie in with a comprehensive episodes of care program, which is why business coalitions are instrumental in driving these programs to launch. ↺

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