Understanding Payment Reform

Health Care Value Hub Conference

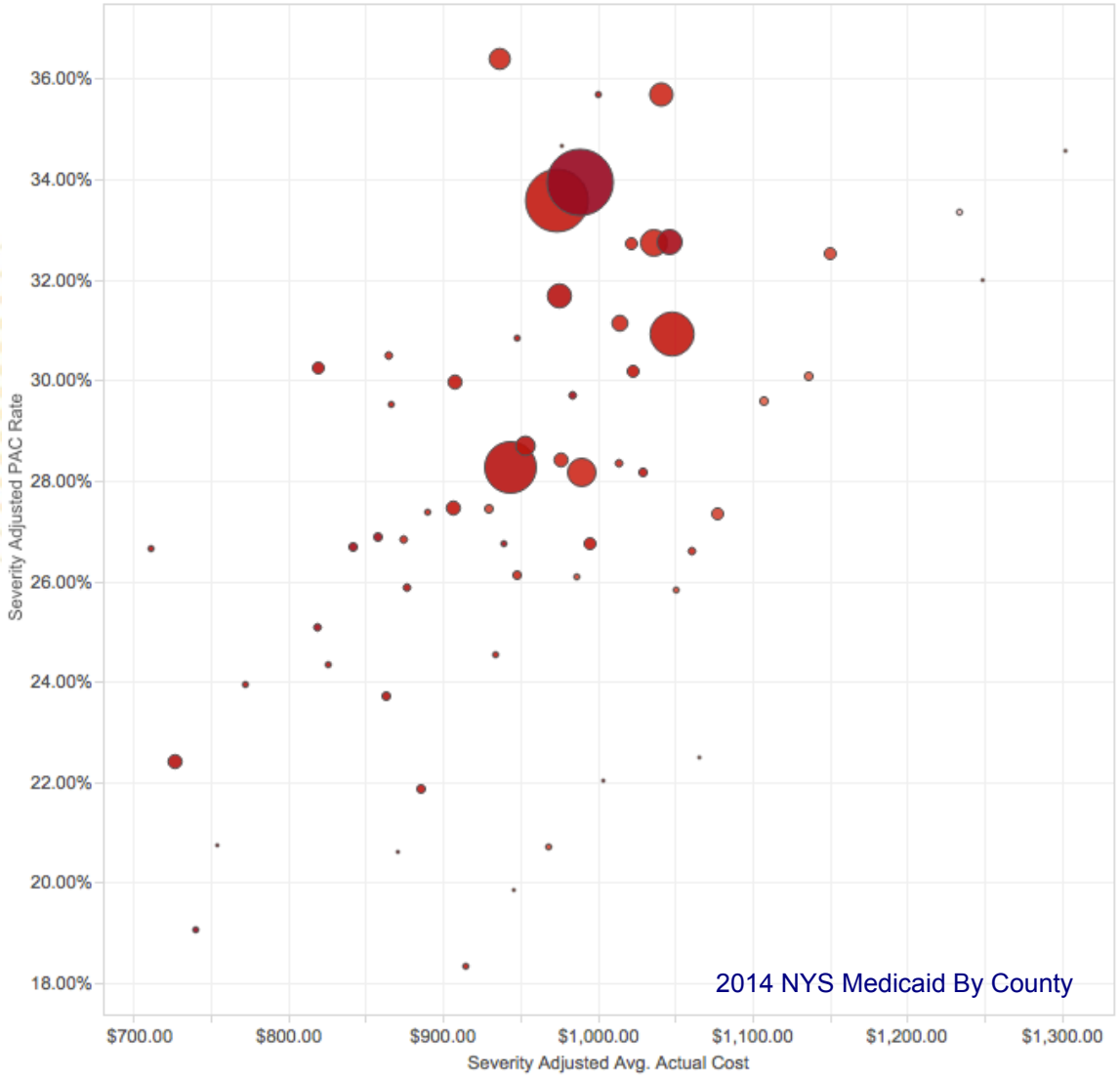
11-09-2015

About HCI^3

- Not-for-profit that designs and implements programs to improve the quality and affordability of health care in the US by modifying the current incentives driving provider and consumer behaviors.
- Driving principle in designing incentives: Minimize the bad ones

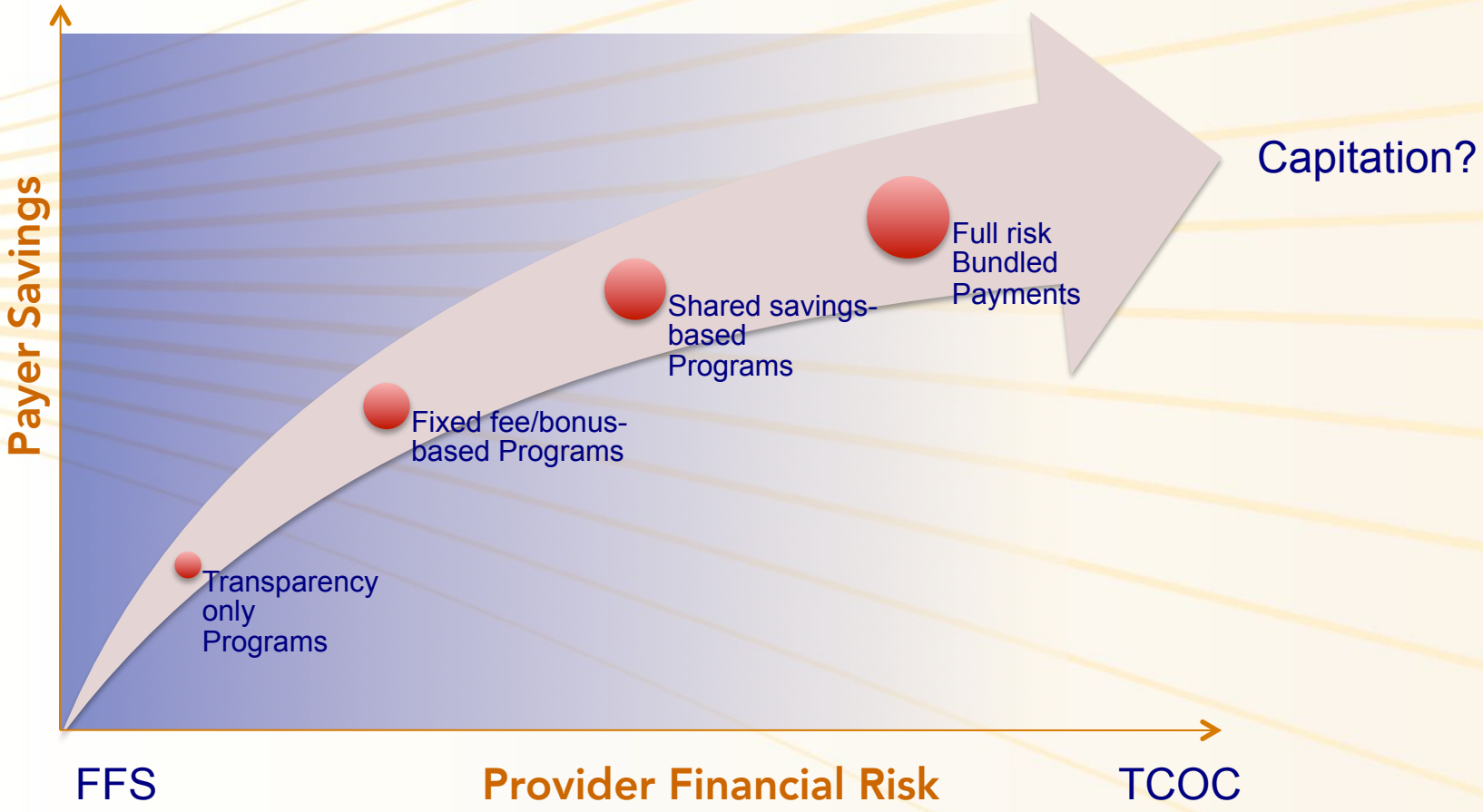
The Different Zones of Health Care Spending

Average Cost and Rates of Complications for Asthma



- Overall, chronic conditions are poorly managed
- Costs vary a lot
- Those who see more patients don't always do better
- The more there are avoidable complications, the higher the cost of the episode…in today's payment world
- The excess costs are paid by consumers and their employers/insurers

The Relationship Between Risk & Reward



The Basics: Which Payment to Use When

- FFS encourages use of services
  - Effective for preventive care services
  - Could be effective for chronic care management (but there's a bad incentive for hospitals)
- Bundles discourages overuse of services within the bundle
  - Effective for most routine conditions and procedures
- Capitation discourages overuse of any service
  - Effective for highly integrated providers who can manage the entirety of patient care and have lots and lots of patients

Final Thoughts

- We must accelerate the pace of deployment of payment reform models
- Providers have to become financially accountable for bad outcomes
  - Today, it's third party payers (meaning employers) and patients
- By and large, insurance risk should stay with insurers because it can distract from the true work of practice reengineering

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