

# Value Based Purchasing

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Value-Based-Payment (VBP) models reward value over volume which promotes population health initiatives. The goal is to incentivize providers to deliver high quality care, such as preventative care and care coordination, obtain better patient outcomes and lower avoidable costs

## Fee-for-Service (FFS)

- Encourages quantity that may compromise quality
- Missed opportunities for care coordination
- Can be a cost driver for high utilization of avoidable costs



## Value Based Purchasing (VBP)

- Encourages quality over quantity
- Facilitates care coordination, care management, and population health management
- Increased savings through improved performance and quality

**Encourage the provision of high quality care at the right time and the right place**

## Broad range of VBP arrangements with varying degrees of provider risk

### Quality Incentive Programs

- Providers are generally paid fee for service (FFS) and receive a quality bonus when they meet specific quality measures

### Shared Savings

- When medical costs for a defined population are lower than target budgets, and outcome scores are sufficient, providers have the opportunity to share in a % of that surplus as negotiated between the parties

### Shared Risk

- In this type of VBP arrangement, providers have the opportunity to share in a % of any surplus like shared savings arrangements, but would also take downside risk for a portion of the deficit for that population

## Bundled Payments

- A bundled payment occurs when a payer provides a single payment to a provider for all services related to an episode of care. (e.g., when a provider is given a budget for all costs related to maternity care)

## Global Capitation - prepaid or not (aka Total Cost of Care)

- In this type of VBP arrangement, providers take full risk on a defined population. They are given a budget for all of the services provided to the population, and are at full risk (both upside and downside) for all costs of that population

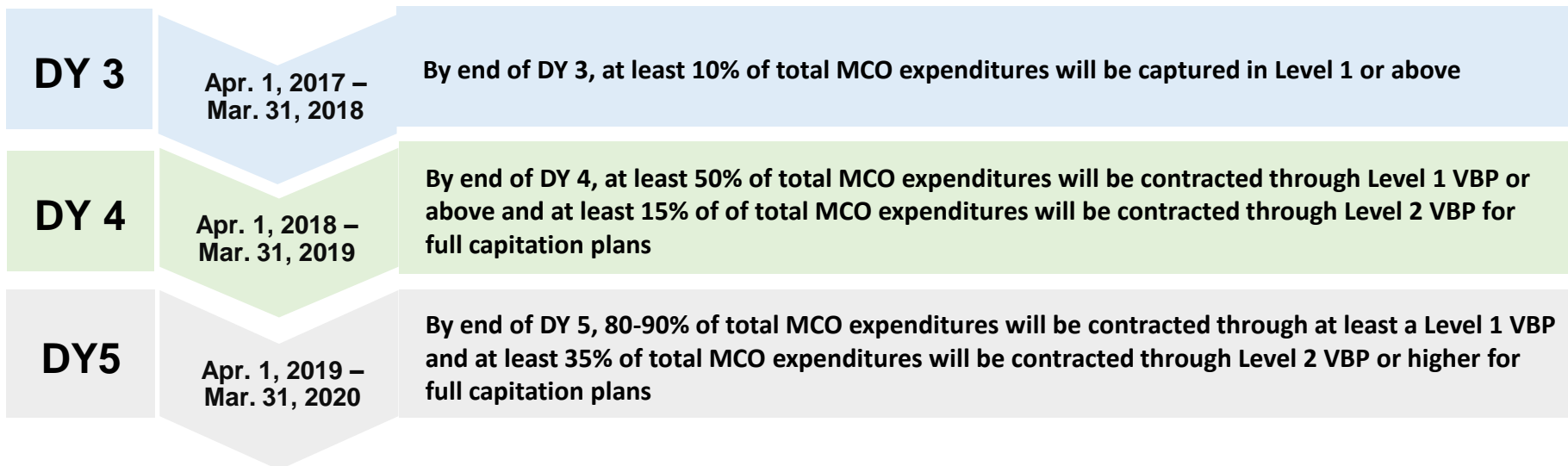
The VBP Roadmap lays out specific goals for transition to VBP arrangements. This is intended to make sure that the savings generated through delivery transformation goes back to the provider community who is making the investments. The roadmap defines four levels of VBP, which are shown below.

Options*	Level 0 VBP	Level 1 VBP	Level 2 VBP	Level 3 VBP
All care for total population	FFS with bonus and/or withholding based on quality scores	FFS with upside-only shared savings when outcome scores are sufficient	FFS with risk sharing (upside available when outcome scores are sufficient; downside is reduced when outcomes scores are high)	Global capitation (with outcome-based component)
Integrated Primary Care	FFS (plus PMPM subsidy) with bonus and/or withholding based on quality scores	FFS (plus PMPM subsidy) with upside-only shared savings based on total cost of care (savings available when outcome scores are sufficient)	FFS (plus PMPM subsidy) with risk sharing based on total cost of care (upside available when outcome scores are sufficient; downside is reduced when outcomes scores are high)	PMPM Capitated Payment for Primary Care Services (with outcome-based component)
Acute and Chronic Bundles	FFS with bonus and/or withholding based on quality scores	FFS with upside-only shared savings based on bundle of care (savings available when outcome scores are sufficient)	FFS with risk sharing based on bundle of care (upside available when outcome scores are sufficient; downside is reduced when outcomes scores are high)	Prospective Bundled Payment (with outcome-based component)
Total care for subpopulation	FFS with bonus and/or withholding based on quality scores	FFS with risk sharing based on subpopulation capitation (upside available when outcome scores are sufficient; downside is reduced when outcomes scores are high)	FFS with risk sharing based on subpopulation capitation (upside available when outcome scores are sufficient; downside is reduced when outcomes scores are high)	PMPM Capitated Payment for total care for subpopulation (with outcome-based component)

# VBP Roadmap Timeline

The New York Department of Health has outlined high-level milestones for transitioning to value based payments (VBP) by DSRIP demonstration year (DY).

By the end of 2020, it is the state's expectation that 80-90% of Plan expenditures will be contracted through a Level 1 VBP and 35% through Level 2 or higher.



**VBP Arrangements can be entered into with different types of providers or entities. These providers or entities are often referred to as VBP Contractors or VBP Partners.**

## **Hospitals**

- An example: Global Cap/Total Cost of Care arrangement

## **Physician groups – IPAs, FHQCs and Community Based Practices**

- An example: Shared savings or shared risk arrangement

## **Other providers, e.g. Managed Long Term Care (MLTC) providers**

- An example: Bundled payment for Home Health services following a hospital discharge

## **Combinations**

- An example: Bundled payments for maternity within a total cost of care arrangement

**VBP arrangements incentivize high quality and cost effective care. In addition to providing healthcare services, VBP Partners engage in a variety of population health initiatives, such as:**

## **Utilization Management**

- Review claims and financial data to identify areas of unnecessary spend and ensure patients are getting the right care at the right time and place

## **Care Management**

- Identify high risk patients and implement care management programs to provide needed care and avoid hospitalization
- Create care plans for patients with multiple chronic diseases

## **Access and availability of appropriate providers**

- After hour access to non-emergency care, in-network specialists

## **Social Determinants of Health**

- Work with community based organizations to implement social determinants of health interventions such as support to establish housing



**VBP are a great way of promoting population health initiatives and driving the right incentives, but there are a variety of challenges that plans and providers face in progressing towards the goals in the VBP roadmap:**

## **Analytics and Reporting**

- In order to drive change, providers need clear, actionable data. Many plans are not prepared to provide the right information to drive that change.

## **Provider Infrastructure**

- Even with the right information, providers need the resources to utilize that data to drive change. Not all providers have the staff or support to do so.

## **Size/Scale**

- The smaller the population, the more likely it is to have unpredictable costs that fluctuate significantly. Not all providers have a population that is credible enough to take risk on.

## **Financial Resources**

- Everyone likes risk when there is surplus. Most providers cannot handle full downside risk. Certain VBP models require that risk providers post reserves to cover potential losses, and not all providers can afford to do so.



**Thank You!**