Transformation and Risk Podcast

Episode 3

Value Based Care

Linda Jones

Welcome to Healthcare Insights, the transformation and risk of value-based care. This podcast aims to provide a comprehensive understanding of value-based care concepts and its impact on the healthcare industry. We will also be discussing some of the challenges organizations face as they transition to value-based care.

I'm Linda Jones, I'm one of the regional healthcare leaders for Marsh and I'm thrilled to embark on this journey with you. And we do call it a journey because everyone's at a different place. In today's rapidly evolving healthcare environment, the concept of value-based care has gained significant attention. But what exactly is value-based care? How does it differ from traditional fee for service models? And most importantly, what does it mean for patients, providers and payers? Throughout this podcast, we will explore these questions and more as we dive deep into the core principles and practical applications of value-based care.

Today we've invited industry experts and healthcare professionals who are at the forefront of this transformative movement. I'm excited to introduce you to my colleagues and friends from Marsh McLennan companies. First, Dr. Deirdre Baggot who is a partner from the health and life sciences practice of Oliver Wyman. And Dr. Prachi Nagda, who is a partner with Mercer. As thought leaders on this subject, they will be covering topics such as care coordination, population health management, quality metrics, payment models, and the use of technology and how they work to draw out better outcomes. We will also discuss the challenges and opportunities that arise when transitioning from a fee for service model to a value-based care approach. So let's jump right in.

Value-based care is a defined as a healthcare delivery model where providers are paid based on the health outcomes of their patients and the quality of services rendered. Value-based care is defined as a healthcare delivery model where providers are paid based on healthcare outcomes of their patients and their quality of services rendered.

Starting with you, Deirdre, can you talk to us about how value-based care is transforming the healthcare industry and where we sit across the country?

Dr. Deirdre Baggot

Thank you. I'm delighted to be here this morning, to talk about my favorite topic. And this really where I got my start in healthcare. The way we think about the evolution of value-based care, is really in four phases. Phase one, think about pre 2010, pre Affordable Care Act, pre meaningful use. Where a consumer would go to a physician office, see her physician. Her physician would conduct an exam. Might order some labs. Submit claims and receive payment. That's phase one of this evolution, and that's really fee for service.

And fee for service, we will always have some component of that. Fee for service works really well in rural settings where you have an uneven, neven supply and demand. I don't think we'll ever be in a scenario where we have zero fee for service. But that's really phase one of value-based care.

Phase two is think 2010, really sort of 2010 to 2020. Really fee for service beginning to link quality and payments. The importance of phase two in this evolution is that that's really where we began to build foundational capabilities. We began to scale EHRs with all, with meaningful use and all of the important investment in- in health IT. But still largely, a fee for service chasse with some links to quality and value. So those were times when we began to implement, bonus payments for reducing re-admissions for example. But largely phase two, about a 10-year period and it was largely focused on foundational capabilities, specifically EHR.

Phase three is APMs building on fee for service architecture but think shared savings. Beginning to think about downside risks. Much of the work out of CMMI the last seven, eight years on various alternative payment models. Most of our clients, that's where they're at today. Shared savings. Mostly upside risk with some downside risk.

And then phase four which is really some of our clients are there today. And certainly where CMS is headed for 2030 is really when you begin to think about populations. The one think I'll say about this time right now is, there's been tremendous innovation particularly I would say in the MA population with payouts around care delivery model. And I think that's largely where many of our clients are at today.

Linda Jones

Prachi, as a medical director, what is your thoughts, regarding how physicians perceive this transition?

Dr. Prachi Nagda

Definitely. And first, thanks for having me, Linda. In terms of physicians, right, where they're coming from is obviously initially as Deidre mentioned, right, as the evolution was happening, physicians were worried. They were not sure what their data was. They were not sure what processes were there to support them. I think as the evolution of value-based care arrangements are evolving and have transformed, and the support that physicians are getting, I think they have come a long way in terms of their adoption of value-based care strategies in general.

And a lot of it is also to do with where the market has evolved, the physicians that are coming into practice. You know, all of those enhancements and enablers of such arrangements have been really, really helpful in turning things around for the physicians and truly supporting them. . I don't think there ever was a case where physicians didn't want to do it. It was just they had the systems being in place for them to go ahead and, and adopt this, payment arrangements.

Linda Jones

Deirdre, just following up on Prachi. What are your thoughts about how technology really will impact the challenges that we're seeing? But the accountability and, for real time data. And just because you talked about the change in the second, phase of where we are of how things have changed, how do you see that technology plays a role with all of this?

Dr. Deirdre Baggot

From my perspective, technology is really the linchpin in our success in value-based care. I mentioned, earlier in phase two, meaningful use implementation as really being foundational for our ability to manage populations. Providers have to have ubiquitous access to health information. And frankly, consumers do as well. Consumers and their family members are the fastest growing users of EHRs. Technology is really an important enabler I also mentioned. Some of the care delivery and care management innovations, much of that are point solutions, digital, therapeutics, all tech-enabled medicine.

I think that we have learned that providers that are tech-enabled areas to offer significantly improved clinical outcomes. What I'm excited about with gen A- gen AI specifically is the use case around efficiency. I think for providers, time is so critical and we don't have enough of it. And I'm excited for the future with gen AI and what it will enable in terms of, our ability to help providers be more efficient with where they spend their time and how they do that most effectively. But I would say in terms of managing complex populations as we continue to see the US population age, I think technology is really, a critical enabler to our success and downside risk.

Linda Jones

And some people think, correct me if I'm wrong, that it's more of a focus for Medicare. Because they hear Medicare Advantage versus we talk about pediatrics or bundled payments for, maternity care, or whatever. I mean, how does that-

Dr. Deirdre Baggot

Sure.

Linda Jones

[How does that] play out across the various age groups and the opportunities for coverage?

Dr. Deirdre Baggot

Good question. I would think about it in terms of the relative level of predictability of the clinical condition. Something like an elective procedure has a relatively predictable cost and quality come. Does really well in an episodic or global payment. Conditions that are chronic in nature such as COPD or heart failure or diabetes – those have done well in some sort of PMPM population based type payment where you're managing that population over the year.

Sometimes you can have an episodic payment within a population health-based payment . So you can have Linda who's diabetic, but she also needs a knee replacement right? And you could actually have both payment models, that would be very typical, actually. I think predictability of the condition and course of treatment cost predictability in clinical core-predictability in terms of clinical course.

Things where it's less predictable, conditions that are less predictable and populations and are more complex. I look at the Medicaid population. We've seen significant innovation in the Medicaid population. About a third of their payments today are some sort of value arrangement. But it's largely shared savings which is really appropriate in a population that has many challenging social determinants of health considerations. And so I think you do have to look at the population. You also have to look at where providers are at in terms of their enablement and dial up your risk based on some of those factors that I mentioned.

Linda Jones

And Prachi, from a medical doctor perspective, is there a feeling [around] some of the more rural states. Or, states that have a larger aging population. And you sometimes hear how the challenges of people accessing physicians, on Medicaid. How does that all play into the adoption and the acceptance?
I think with rural states, we will continue to have some of those challenges . I think as Deirdre mentioned, we

need to have that scale or volume to spread the risk, et cetera. With rural markets, I think some of the virtual care strategies is where we'll see some of these. Where again there is connectivity to more specialists piece- primary care all the other care, through virtual care as well where I think that virtual team could be the accountable team.

But I think if you add to what Deirdre was saying from the government perspective, I want to highlight also in terms of employers. Where employers are coming at this, in terms of value-based care. And we are seeing a lot of progressive employers driving in certain markets as well. Where they are looking at value-based care arrangements. The reimbursement models are very similar to what Deirdre mentioned it's PMPM based where they are looking at a certain region where they have enough volume and members to, so that the system, health system that they are working with is comfortable with taking on that risk and are looking at a PMPM model.

But all the more popular models we see is around that episodic treatment with centers of excellence creations. Where employers are looking to partner directly with health systems or through other parties. But that is that bundled payment model. Where as a lot of the services are bundled into a single flat fee rate and the providers are accountable for delivering that care.

Linda Jones

So as you think about it from a health systems standpoint, they are a large employer, typically.

Dr. Prachi Nagda

Yes.

Linda Jones

So how are they managing their own benefit program for their employees with regard to value-based care?

Dr. Prachi Nagda

Wouldn't that be nice?

Linda Jones

(laughs)

Dr. Prachi Nagda

If everyone did that and started there. But definitely I think we're seeing health systems as an employer themselves wanting to innovate as once the foundation of technology, processes, people are built. They're getting to a point, "Let me start small. Let me try with maybe an orthopedic episode or bariatric episode and how my physicians and, care teams can- can evolve." And really using their own, population as a starting ground to create some of these value-based care arrangements.

We have clients that have started with orthopedic centers of excellence then expanded into bariatric. But then gone into a more capitated arrangement with their own system. Where a majority of the care continues to be in their system. And leakage or specialty care that may not be available within their health ecosystem going outside. And having that wrapped network around care coordination and those teams are also really important going back to that. It is how they are creating those teams between the business side of it and the care delivery side. Bringing those real time alerts, all those collaborative teams.

I think there is great visibility from looking at absence data, integrating some of that piece into it and looking at it as a total worker health. I have a couple systems that are looking at it, actually through the total worker health lens where taking the VBC step even further and bringing some of these other components into the mix. So really centering things around the patients, around their employees and strategies around them supporting it not so much in a silo, but in a more holistic way.

Dr. Deirdre Baggot

I think I want to build, Linda, on what you said about, health systems as the largest provider. Because payers are as well. So when you look in most geographies, the health plans and the health systems are the largest provider. And, their ability to use the base of their workforce to test innovations in care delivery is remarkable. That they have an enormous ability to influence ultimately the product that employers buy. And so when you think about a large health plan in a particular geography or large health system, the test the value arrangement and pilots around what works and what doesn't. And then how that informs the products that we build that ultimately employers buy. Payers and providers have enormous ability to shape our future value-based payment in exactly the design of many of those products, if that makes sense.

Linda Jones

This is a question for Prachi. You know arguing from a career standpoint, we're really trying to get patients to change their behavior.

Dr. Prachi Nagda

Right.

Linda Jones

And how does the interaction with the structure or actually the communication style of healthcare providers need to evolve to take people on that journey to get them more, involved in their own health care?

Dr. Prachi Nagda

I think that's a very, very important piece of the success puzzle -- they are people. People want human interaction. People want to be driven that way. I'll say

this. In my past experience at a health system, we started this collaborative care team between the system between the payer, et cetera. And when we did that, we found we could not take a care manager, a nurse who has been doing care management for 15 years, and put her or him in a new model that was more collaborative around VBC.

I think assessing the skill of your existing staff is very, very important. They may be used to a certain piece, but it is kind of unlearning and learning a new way where you're more accountable for that holistic management and accountability is going to be important. .

Linda Jones

Sure. The communication skills are vital. And I do hear even some value-based care, companies or, providers are looking at those who have high EQ because you're really trying to assess social determinants of health and try to get people to be engaged to keep their appointments. And to get providers to practice differently. You know, whether that's the best pharmacology that they're prescribing or how you could try to manage those, those patients.

Dr. Prachi Nagda

And I think it is that exactly. Because it is to get your patient to change their behavior. Which is really, really hard to do. It is going to be an iterative process. But you have to help them along to a behavior change. I think that is absolutely integral.

Linda Jones

So kind of shifting focus now really looking at, we've talked about the structure. We've talked about some of the technology needs, care coordination. Deirdre, what about the financial risk and uncertainties associated with value-based care? Because there are some solutions, and not all of the value-based care models have a downside risk component. But just want to touch base with you about some of the financial exposures for organizations to adopt value-based care contracting.

Dr. Deirdre Baggot

Sure, yeah. Great question. I think the integration of financial and delivery systems is what really enabled us to unlock better care, delight consumers. However the financial piece has certainly been an obstacle, particularly for independent providers. And ensuring that the financial mechanisms are something that organizations are prepared to manage is really, really important.

So you look at health systems. You know, they're wondering about, re-insurance products and what mechanisms they have available to them to transfer risk. I would say for most physician providers, that we've worked with over the years, while they're very comfortable in upside risk arrangements, many of them from a cashflow standpoint are not in a position, to take significant downside risk. So they do need to begin to look at structures and products that enable them to share savings and share risk.

And so I think if we really want to scale this, we are going to have to have a suite of products on the financial side that enable all of the stakeholders to comfortably manage populations well and manage the risk, Linda. I think- those have evolved as well. But certainly when you look at the adoption of upside only, providers can quickly get comfortable with that level of risk.

But in order to really scale this and sort of deliver on a lot of CMS' aspirations around 2030 and all Medicare recipients and population health arrangement, means that we've got to have financial products and tools that are workable for providers.

Linda Jones

Right. And our clients, particularly some of the health systems or the large national physician groups, have utilized their captive insurance companies to take on and reinsure that downside risk. And that may be with multiple contracts, different payers, and that they can consolidate that into one, reinsurance agreement and really try to transfer that risk so you're not expected to stroke that check. (laughs) You know?

Dr. Deirdre Baggot

Yeah.

Linda Jones

At the end of the term.

Prachi, from your perspective, tell us about physicians and their viewpoint on downside risk.

Dr. Prachi Nagda

I think we're seeing increasingly physicians and practitioners taking that on.

Linda Jones

If they need to?

Dr. Prachi Nagda

Mm-hmm. I think that they have to. I think it's the market-driven approach that they have to be doing that. I think it comes to data. They know their complication rates. They should know the risk of the population they are seeing. So that's very fact-based with them. I've seen that work much more favorably rather than enforcing something. So getting physicians comfortable, with you are going to see X risk patient . Your patients are not more risky than your, another practice's patients. Or they are. And which is why we are having that X factor increase in your reimbursement . Getting them comfortable with their numbers, and really sharing that. I think what we find is that data is helpful in

guiding. It may not be the ultimate truth, but it definitely helps guide that discussion . And getting physicians comfortable to adopting to that. I mean, we are seeing that movement where they may not have a choice, and they have to adopt to those methods, given their system may have, chosen to be in such brackets. But I think the more data, the visibility that they have, we're seeing physicians being more comfortable with these arrangements.

Linda Jones

Right. Thanks. I do have our last theme of questions. I was wondering if you could both, describe this. Is one, do you have any lessons learned from organizations that have effectively implemented valued-based care? And second, what do you see is the future, for those organizations or those that are just now starting? Like is it too late? but let's start with you, Deirdre. So thoughts about really lessons learned on who's successful and what the future might hold?"

Dr. Deirdre Baggot

Sure. So from having implemented bundled payments really early on and it's really changed the trajectory of my career when I could see the impact that we could have on members and consumers when we integrate financial and delivery system, models. I'm bullish on value-based arrangements.

I think a couple lessons learned that I would share. One, I would say is you want to get some quick wins out of the gate. You're bringing lots of providers together and changing behavior and changing the delivery system. And it's really important to get some quick wins out of the gate.

You know, we recruit physicians for their ability to make partial decisions and be independent thinkers . And independent decision makers. And now we've changed the mind to much more team-based work . And so I think the quick wins out of the gate was probably number one for me.

The other thing that quick wins does is it usually ensures that you have some savings to share . And that's really important early on as well as you start in an area where you have significant buy-in, a density of population where you can actually have meaningful tests of change in care delivery. So think a predictable population where you've got good density, good buy-in, and some quick wins out of the gate is really important foundationally.

And then I also would say the technology that we talked about earlier. Asking providers to do something and not giving the tools isn't terribly effective. It's actually causes disengagement and erodes trust. And so we have to help providers be successful. And one of the important ways that we do that is giving them terrific technology that enables their day. And you don't have providers going from the hospital to the ASC to the office and back to the hospital. I mean, there are lots of things that we do that cause friction in a system. The more we can reduce the irritants of providers' day and enable them to do what they do best, I think you have the ability to sort of expand and get to scale.

And then I would say for health system operators, I think your points around sort of financial systems and making sure that this works. You know, in value-based arrangements, it's not that one person is going to get paid less. It's that we're all likely going to get paid less. And so we've got to do this more effectively and we have to really change the way we think about how we deliver care. We've got to delight consumers and give them care in the way that they want to receive it. Maybe that's at home. Maybe it's not. But we all have to be willing to get paid less.

I think, that would be another important point that I would make. Is when we're building systems where it's primary care based we want, you know pharmacy is going to get paid less or the hospital's going to get paid less. Or the payers going to get paid less don't tend to be terribly scalable. I think we all have to come together and work together collaboratively and deliver care differently. And that's where you get to some of these really exciting, sustainable models. Hopefully that's helpful.

Linda Jones

Yeah. Very interesting. And Prachi, your thoughts on what you've seen has been successful as well as your thoughts of the future?

Dr. Prachi Nagda

I think and, and Linda to your point, it's never too late to start . If you are starting, I would say go for quick baby steps . You don't need to go all in all at once. Small steps are okay.

What I've found also successful is have a champion . Why are you doing this. Who is going to be our champion? Hopefully that champion, it is a physician who can bring the other physicians along with them. So I think those would be the ways I would say would be a good way to start. And I've seen them working successful and helping drive the VBC.

Those that are further along, I think my two cents to them would be don't forget to innovate, continue. There is always room for improvement. and there are different strategies. That the government payers as well as employers are looking for ways to partner with you. Continue to be bold and drive the envelope because if you do, then we will all get better.

Linda Jones

New models continue to evolve. I mean, we're still seeing new models.

Dr. Prachi Nagda

Absolutely. Absolutely. And the future for VBC, I think it's going to be really, really right if we continue to

evolve and integrate more of technology, innovative strategies, collaboration between the patients, providers, and the payers essentially. I think it's going to really augment and uplift the care, in general.

Linda Jones

Wow. Well thank you very much. That wraps up our third episode of Healthcare Transformation and Risk podcast series. Today we've taken a closer look at integrating value-based care in the healthcare industry. Delving into challenges that organizations face and the strategies needed for successful transformation. We hope you found our discussion insightful and that it provided a deeper understanding of the complexities and solutions in this critical area of healthcare.
Join us in our upcoming episodes as we continue to explore more facets of healthcare transformation. Thanks for listening.