



How Payer Contracts Are Evolving

in the Era of Big Data and Value Based Payments



Perspectives

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A look at all sides of the issues

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Various arrangements resulting from the data collection explosion

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Perspectives



Payer Perspectives

□ Payer

- Moving away from fee-for-service models and paying for 'value' and 'outcomes'
- Increasing pressure from employers to provide value and quality-based programs and networks
- Development of 'value based' contracts that include pay for performance (P4P), meeting targets to 'earn' incentives, per member per month (PMPM) stipends for coordinating care
- Rapidly moving toward no-pay-for-poor-performance (e.g. CMS 'value modifier')
- Access to certain consumers / patients based on performance, in the form of tiered networks (e.g. United Healthcare's Tier 1 program)

Employer Perspectives

□ Employer

- Moving away from premium-based insurance to 'self-funded' programs
- Self-funded insurance presents risk (all claims need to be paid by employer) and opportunity (driving benefit design and coverage)
- Seeking 'direct care' opportunities with primary care and specialist care (e.g. the Whole Foods contract with CTPCA) to lower costs and / or improve care and access for employees
- Seeking new models of care and better value from networks



Patient Perspectives

□ Patient / Consumer

- Substantial 'cost sharing' in the form of co-insurance, deductibles and large co-payments driving decisions about access, utilization and provider selection
- Desire for convenient, efficient care and plenty of competition to serve them (retail-based clinics, urgent care centers)
- Expectations for service, use of technology, 'on demand' interactions, social communications
- Involvement of Payer / Employer in chronic care

Physician Perspectives

□ Your Perspective

- Solo and small practices may not have the resources or technology to restructure operations to respond to new payment system incentives, medical home demands, expectations
- More practices merging and / or joining physician associations and organizations (ACOs, IPAs, PHOs, etc)
- Increase in physician employment at hospitals, fewer small private practices
- More complexity with insurers, many plan designs
- More complexity with regulations and government programs

These are challenges to maintaining your practice's independence.



Value Based Contracting: Big Data Leads to Multiple Arrangements

Value Based Contracting

□ Value-based contracts are based on:

- Pay-for-performance (P4P) Measures: These measures are typically tied to meeting certain metrics such as HEDIS rates, controlling non-par utilization and limiting brand name drug prescribing
- Pay-for-Value Structures: Such as Clinically Integrated Networks (CINs), Patient-Centered Medical Home (PCMHs) and Accountable Care Organization (ACOs) organizations

In addition, these typically involve 'wrap around' incentives such as the above and attribution per-member per-month

□ Fee-for-service (FFS) payments are being phased out and are being replaced by value-based payments

□ Payers are 'tiering' providers by performance- giving you one more thing to keep an eye on!



Value Based Contracting

- Pay For Performance can encompass many things
 - Performance may be based simply on meeting HEDIS "quality" measures, or on "self-reported" measures, claims costs, patient utilization and so on
 - The National Quality Forum (NQF) is leading focused efforts to collect and normalize data, and endorse additional performance measures to be more clinically focused

But we aren't there yet. Pediatrics is the least of Payers' concerns – they are more focused on the 'big ticket' diseases to help bring down costs.



Value Based Contracting

It's all about value and achieving the Triple Aim of delivering payment to providers that are improving health and producing quality outcomes, resulting in a satisfied patient at a reasonable cost over time.

Commercial Payer VBP models include:

- Shared Savings/Gain Sharing
- Narrow Networks
- Patient-Centered Medical Home (for primary & pediatric care)
- Accountable Care
- Bundled Episodes of Care

Value contracting moves in sync with CMS and HHS



Value Based Contracting

□ Shared Savings/Gain Sharing

- Currently exists mainly as Pay-For-Performance (P4P)
- Contracts are designed where a portion of the savings is returned to the practice or organization
- Hospitals / Physician Organizations share savings with physicians who implement certain cost-saving measures
- P4P Programs roll out across networks to practices of all sizes

□ Bonuses typically between 1%-3% of FFS payments, or more IF more risk is taken on

□ More risk is being pushed into contracts now: withholds, decreases in fee schedules



Value Based Contracting

- Narrow Networks & Healthcare Insurance Exchange Plans (HIX)
 - 'Tiered' networks at the heart of the Healthcare Insurance Exchange Plans (HIX) but have gained popularity in other areas
 - Only less expensive practices 'chosen' for narrow networks
 - Determination of who makes the cut factors in rates, referral patterns and hospital relationships
 - For HIX, lower payment for physicians in return for the benefit of 'access'

Payers denying participation to 'poor-performing' providers in various plans

Value Based Contracting

- Value-Based Profiling & Tiering
 - Big data allows more visibility into payments and utilization
 - Penalizes patients for selecting 'high cost' physicians and hospitals by imposing higher out-of-pocket costs for co-pays and co-insurance
 - Performance measurement programs based on claims data primarily
- Patient cost share and physician payment rates are set according to tiering; higher copays for receiving care from providers with lower 'grades'
- Less pay for those providers who don't make the grade may be coming next



Value Based Contracting

UnitedHealth Premium® Program

The physician meets the UnitedHealth Premium program **quality** and **cost-efficient** care criteria.

RATING SCALE

Premium Care Physician



The physician meets the UnitedHealth Premium program **quality** and **cost-efficient care** criteria.

Quality Care Physician



The physician meets the UnitedHealth Premium program **quality care** criteria but does not meet the program's **cost-efficient care** criteria or is not evaluated for **cost-efficient care**.

Does Not Meet Premium Quality Criteria



The physician does not meet the UnitedHealth Premium program **quality** criteria so the physician is not eligible for a Premium designation.

Not Evaluated For Premium Care



The physician's specialty is not evaluated in the UnitedHealth Premium program, the physician does not have enough claims data for program evaluation or the physician's program evaluation is in process.

Value Based Contracting

Including costs of visits and specific illnesses in provider profiles, which may leave patients confused and hesitant to join your practice.



		OFFICE VISITS (5)	ILLNESSES & CONDITIONS (2)		
Services	Average Cost Near 12601	Estimated Total Cost	Insurance Pays	Estimated Out-of-Pocket Cost	
Office Visit - Specialist - High Complexity	\$361 - \$475	Cost Not Available	* NA	* NA Log in to view costs >	
Office Visit - Specialist - Low Complexity	\$195	Cost Not Available	* NA	* NA Log in to view costs >	

		OFFICE VISITS (5)	ILLNESSES & CONDITIONS (2)		
Services	Average Cost Near 12601	Estimated Total Cost	Insurance Pays	Estimated Out-of-Pocket Cost	
Heartburn	\$113 - \$287	Cost Not Available	* NA	* NA Log in to view costs	
Hepatitis B - Office Visit	\$387 - \$1,053	Cost Not Available	* NA	* NA Log in to view costs	

Internal Medicine

★★★★★ [Leave the first review](#)

16.2 Miles Away

[View Enrollment Information](#)

♥♥ Premium Care Physician

✓ Accepting All Patients

Internal Medicine Specialist, Internal Medicine

★★★★★ 2 Reviews

HIDE ALL (1) - 0.9 Miles Away

♥♥ Quality Care Physician

✓ Accepting All Patients



Providers who are not designated as a “Premium Care Physician” are listed on the bottom of the list (I had to search through page 12 to even start viewing profiles of non-Premium Care Physicians!)

Value Based Contracting

Keep your patient satisfaction levels up!

Patients are encouraged to choose a provider that other patients have ranked highly.

If you were the average patient looking for a physician, wouldn't you naturally choose the providers ranked with hearts and stars?

Patients will go with who appears to be the best doctor, not understanding what these rankings truly indicate, so **be alert to your provider profiles!**



CHOICE HMO

PREFERRED PROVIDERS —

☐ ♥♥ (80)

☐ ♥♥ & higher (164)

☒ All (207)

PATIENT REVIEWS —

☐ ★★★★★ (26)

☐ ★★★★★ & higher (88)

☐ ★★★★ & higher (124)

☐ ★★★ & higher (137)

☐ ★ & higher (142)

☒ All

Value Based Contracting

- Several insurers offer their members information on costs, clinical quality and physician efficiency in profiles specifically designed for consumers:
 - Blue Cross and Blue Shield Plans: Blue Health Intelligence (BHI) shares health information with employers, consumers and providers
 - Humana: Has a 'Compare' tool online that shows comparison information for how often doctors adhered to specific treatment standards
 - Aetna: Provides clinical quality and efficiency information to members
 - UnitedHealthcare: now embedded right into the physician profile as shown in previous example
 - CIGNA: Has average cost data by facility for select procedures and service

Value Based Contracting



ANALYTIC SOLUTIONS

ANALYTIC ENHANCEMENT TOOLS

CONSULTING AND DATA SCIENCE

BIG DATA

EMPOWERING HEALTHCARE ORGANIZATIONS

to improve quality, reduce costs, optimize performance, and drive innovation

THROUGH TRUSTED DATA AND ANALYTICS



PAYERS



PROVIDERS



EMPLOYERS AND BENEFIT
CONSULTANTS



HEALTHCARE STAKEHOLDERS

It's all about the DATA folks!

The
VerdengGroup

Value Based Contracting

□ How To Maintain A High 'Score':

- Check your profile in the Payers directories to see how you rate
- If you have a score that is less than perfect, contact the insurance company and find out why
- Ask them to send you the underlying data supporting your score, review it, and contest the data if they are incorrect, by showing them your patient records. We have seen pediatricians get 'dinged' for lack of a mammography when clearly that is not a patient that should have been attributed to that physicians' panel
- If you receive a packet in the mail, which you should annually, open it and review it. Contest any data that is incorrect. Payers usually give you 30 days to review and contest before they lock in the score . . .



Making Value Based Contracting Work for Your Practice



Making it Work

- Understand what is being offered and how these programs work
 - Is it all upside or are there risks associated? (e.g. withheld payments)
 - Are you able to effectively calculate your potential 'bonus'?
 - Do you have the ability to meet the requirements of these programs (through IT capability, provider buy-in, etc.)
 - Can you effectively measure where you stand today and if targets for improvement are likely to be met within the measurement period?



Making it Work

□ Assess it from the Payer Perspective

- Do they need you in their network?
- Are you doing anything smarter, better, more efficient than your competitors?
- Are you adding other specialties or resources that allow for more comprehensive care?
- Are you consumer-focused?
- Do you have value-added programs?
- Does your data support your position?

Focus on what you have that is worth paying more for - differentiate your practice from the rest

Making it Work

□ Know Your Value

- Increases are financed through cost savings
 - Do you have low patient ER rates?
 - Do you refer to cost-effective specialists?
 - Do you manage care based on evidence-based criteria?
- Are you currently participating in any P4P programs?
 - Often participating in one helps to encourage another Payer to offer you the same
- Is there an opportunity to help create and 'pilot' new programs?
 - Payers need partners for their programs



Anticipating Industry Changes to Benefit Your Practice



Looking Ahead

Prepare now to meet the needs of the continuing data explosion. Data use will not diminish, but rather will become more important as time goes on. Can your practice keep up?

- Assess the capabilities of your current information systems abilities to track and report the information that will be required to meet new contract terms
 - Can you understand the needs of your patient population?
 - Are you able to e-prescribe?
 - Can you extract data from your patient records to demonstrate performance?
 - Will you need to invest to fill gaps?

Looking Ahead

- Assess the capabilities of your staff and resources to deliver care under new models
 - Do you have a method for creating and implementing protocols?
 - Can care be effectively coordinated by your team?
 - What communication processes are currently in place with your patients? Do you have follow-up procedures in place?
 - Will your current resources be able to adjust their skills to meet new opportunities?

Looking Ahead

- Assess whether the quality programs being offered by your largest plans are likely to create revenue opportunities commensurate with the effort required
 - Evaluate which offerings can benefit you today
 - Start preparations for mandatory changes coming tomorrow
- New contracting initiatives will require physician behavior modification
 - Determine how willing your physicians are to embrace change and begin planning for it now
 - Educate them on the importance of value-based contracting and remind them that growth and success in profits is relative to keeping up with change



Looking Ahead

Tips for making value-based contracting work:

□ **Join a larger group or organization**

- Join an IPA, ACO, CIN, Super-group or other organized entity that may offer enhanced rates in return for compliance in producing quality care

□ **Become a Medical Home**

- Recognition will be key to taking advantage of incentive bonuses / preserving payment rates

□ **Start developing clinical quality, patient education and preventive / counseling programs now**



In Summary

- Understand what the payers are offering
- Understand what your practice has to offer
- Become comfortable with your ability to collect AND use data
- Prepare for upcoming changes by continuing to assess the capabilities of the staff and your systems

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