

Payment for care will be value-based

The Tennessean

By Hal Andrews • July 5, 2009

Other Views

Health-care reform is a key initiative for President Barack Obama, and Congress has recently proposed numerous initiatives to improve quality and lower costs.

In the "Silicon Valley of Health Care," the various reform proposals will affect virtually every health-care company in Nashville. The most conservative estimates suggest that Congress will reduce payments to health-care providers by \$500 billion over the next 10 years and that number does not include inevitable payment reductions that commercial Medicare Advantage plans will demand from hospitals and other providers.

At this date, it appears that the Senate is further along than the House in proposing health-care reform. While the House committees have released some general principle, the Senate has held numerous hearings and filed draft legislation.

The Senate Finance Committee, chaired by Sen. Max Baucus, D-Mont., and the Senate Health, Education, Labor and Pension Committee, chaired by Sen. Edward Kennedy, D-Mass., are leading reform efforts.

Broadly speaking, Baucus is focused on using payment reform throughout the health-care delivery system to increase quality and lower costs. In contrast, the bill released on June 9 by Kennedy is much more expansive, including provisions for covering the uninsured, long-term care, disease management, regional trauma care networks, and much more.

Active purchasers will emerge

In the coming months, consumers will hear a great deal about Value-Based Purchasing, episode-based payments and Comparative Effectiveness. Based upon options outlined by the Senate Finance Committee, the first major payment reform will be Value-Based Purchasing (VBP).

The purpose of VBP is "to transform Medicare from a passive payer of claims to an active purchaser of care." In a nutshell, VBP proposes to link payments to results, including quality, efficiency, patient satisfaction, and other measures. Under current proposals, hospitals will be rewarded for attainment (i.e., sustained excellence) and improvements over their baseline performance.

For the measures that the Centers for Medicare and Medicaid Services (CMS) incorporates into VBP, hospitals will be ranked against national benchmarks.

Consumers make purchasing decisions based on value in almost every part of their lives except health care. Until now, a myriad of factors have prevented consumers from making value decisions in health care.

Of course, value is different from one person to the next. For example, if quality is the same among hospitals, some people will decide on convenience, some on perception, and some on price. People also

consider value differently based on the service. For brain surgery, quality is most likely the most important or only consideration; for a blood draw, convenience and price are more likely to be important.

Value can, and will, be defined for health care, and CMS is leading the charge. History suggests that private payers will not be far behind. VBP, in some form, is headed to a hospital near you.

Hospitals that embrace benchmarking to understand performance against regional and national benchmarks will be poised to receive higher reimbursement and improved market share in an increasingly competitive health-care landscape.

Consumers who seek information beyond quality will be surprised, and pleasantly so in many cases, to see that there are many different choices to meet their particular need.