## HFMA REGION 9 WEBINAR

# Pacing the Transition From Volume to Value: Four Keys to Success

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# Poll Question #1:

What **type of organization** do you work for?

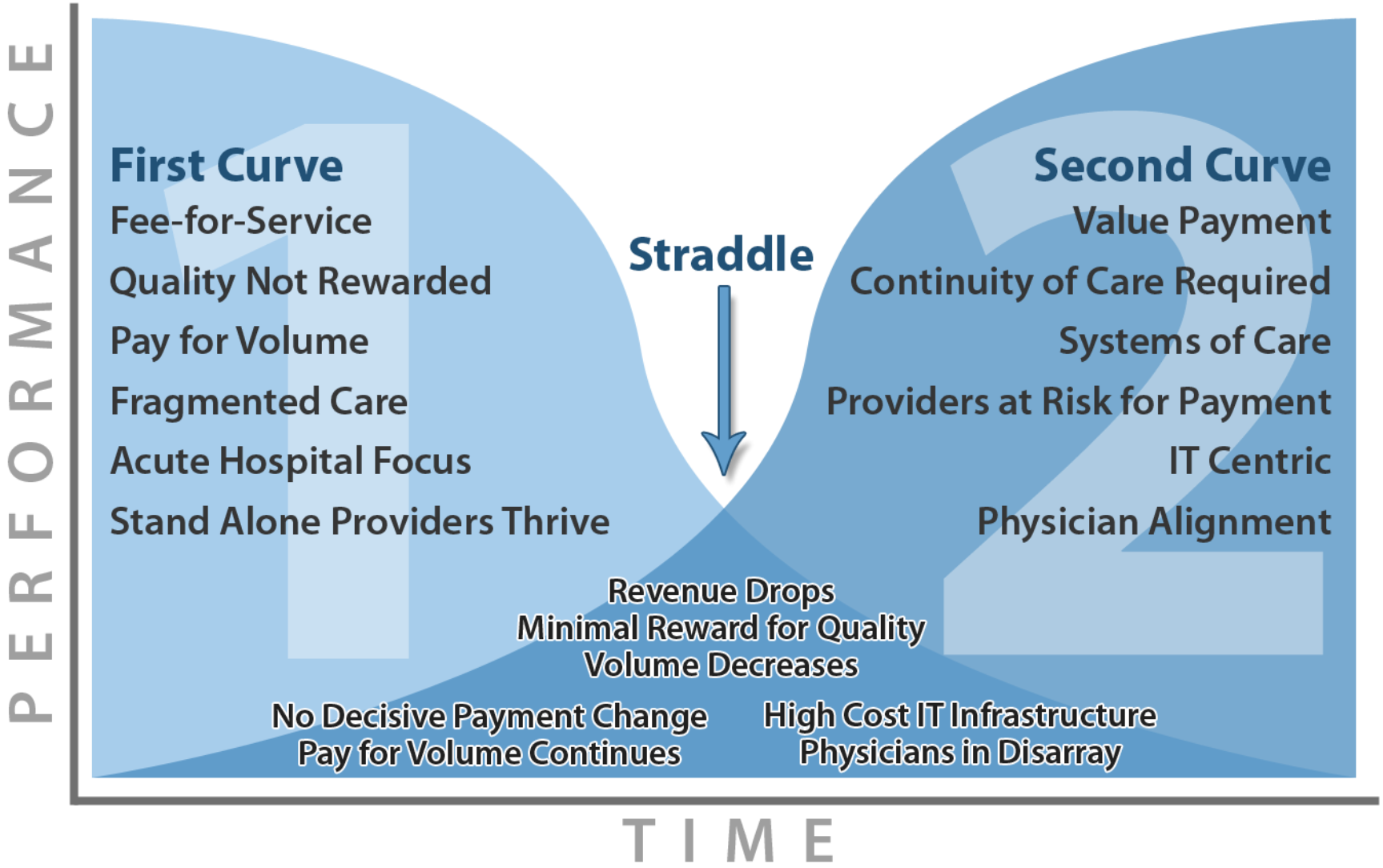
A. Hospital/health system

B. Other healthcare provider type

C. Payer

D. Other

# The Dilemma


PERFORMANCE
First Curve
Fee-for-Service
Quality Not Rewarded
Pay for Volume
Fragmented Care
Acute Hospital Focus
Stand Alone Providers Thrive
Straddle
Second Curve
Value Payment
Continuity of Care Required
Systems of Care
Providers at Risk for Payment
IT Centric
Physician Alignment
Revenue Drops
Minimal Reward for Quality
Volume Decreases
No Decisive Payment Change
Pay for Volume Continues
High Cost IT Infrastructure
Physicians in Disarray
TIME

# Positioning for Transformation

## Timing Is Everything!

Decisions on ***when*** and ***how*** to change payer contracting strategies and underlying operational platforms must be informed by four key considerations:

- Government Policy Drivers
- Local and Regional Market Drivers
- The Organization's Current Position/Profile with Regard to Value-Based Transition
- The Organization's Strategic Intent for Adoption of New Care Models

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# CMS' Push to Value-Based Reimbursement

MINIMUM SPEED 40

CMS is setting the **"floor"** on the level and pace of change required

**2016**

**85%**
Tied to quality and efficiency measures

**30%**
In ***alternative payment models***, e.g. ACOs, bundled payments.

**2018**

**90%**
Tied to quality and efficiency measures

**50%**
In ***alternative payment models***, e.g. ACOs, bundled payment.

***Medicaid APMs provide opportunity to minimize losses with less downside risk and provide upside by minimizing use of high-cost services***

# Local Market Drivers

## Five Key Market Drivers

- **Population Size and Density**
- **Market Costs and Use Rates**
- **Commercial Payer Activity**
- **Employers**
- **Competitors**

***Even markets with limited local pressure will require change based on federal and state healthcare programs.***

# Five Key Market Drivers

## Population Size and Density

- Large, urban populations more likely to attract payer attention
- Medicare Advantage and national commercial payers more likely to target larger markets as they drive most of the value-based activity
- Markets with larger, denser populations can achieve economies of scale to support population health infrastructure

## Market Costs and Use Rates

- Cost data at the market and provider levels becoming more transparent
- High cost markets will attract attention of insurers and local employers
- McAllen, Texas – case study

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# Five Key Market Drivers

## Commercial Payer Activity

- The appetite for change of commercial payers is critical
- First-mover advantage where national payers seek ACO partners
- In smaller and more rural markets, payers are less likely to drive change due to limited or no competition for health plans

## Employers

- Large, self-insured employers often drive value-based contracts
- If a market is dominated by self-insured employers, it is more urgent to address healthcare costs directly
- First-mover advantage will drive pace of partnership development
- A single contract with a market's largest employer could rapidly impact market share, particularly in rural markets

# Five Key Market Drivers

## Competitors

- If competitors are aggressive in developing their population health capabilities, rapid action may be required to remain competitive.
- If no providers in a local market, or even encroaching markets, pace will be slower to shift to value-based models.

***Even markets with limited local pressure will require change based on federal and state healthcare programs.***

# Knowing Where An Organization Stands

***A clear and common understanding of where an organization currently stands creates the platform for change and revels the influences that led to the current state.***

## Four Current Status Profiles for New Care Models

| Profile | Description |
|---|---|
| ***Watching and Waiting*** | ▪ Not convinced that the transition to value-based models will endure<br>▪ Reactive to mandated programs as required for reimbursement |
| ***Beginning the Course*** | ▪ Recognize the need to change gradually, but not willing to risk FFS<br>▪ Developing low-cost components of the PHM infrastructure<br>▪ Entering into low-risk models such as one-sided shared-savings models |
| ***Mid-Course/ Into the Corner*** | ▪ Balancing FFS and value-based reimbursement - tension<br>▪ Well-developed infrastructure for PHM including ACO contracts<br>▪ Beginning to make decisions which risk short-term FFS payments |
| ***In the Final Lap*** | ▪ Transitioned to an operating framework built around “Triple Aim”<br>▪ A substantial portion of revenue stream is value-based, including two-sided or per-capita risk |

# Poll Question #2:

Where does your organization currently stand?

A. Watching and waiting

B. Beginning the course

C. Mid-course

D. In the final lap

## Three Important Process Elements

1. Discussions must include broad stakeholder involvement including "critics" as well as "champions"

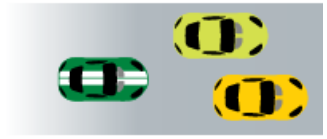
2. The assessment must honestly reflect how the organization ***really*** behaves rather than how it would like to think of itself – or the image it would like to project

3. The assessment must include a reflection on ***what*** has influenced the organization to be in this position at the current time.
   - *Is it strictly a reflection of external factors?*
   - *Does it reflect a risk-averse culture?*
   - *Did historical experiences influence the perspective?*

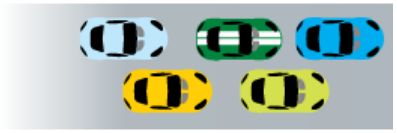
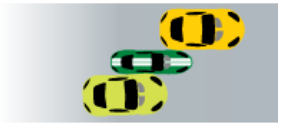
# 4 Strategic Intent

*How does the organization want to be positioned in the future?*
*What pace of change is required to achieve that goal?*

## Strategic Intent Profiles for New Care Models

| Profile | Description |
|---|---|
| ***Protect and Defend Current Status*** | ▪ Remains convinced that FFS will endure<br>▪ "Double down" on traditional FFS strategies<br>▪ May reflect a belief that transition is unaffordable<br>▪ May optimize short-term financial performance, but risks missing a transition point in the industry |
|  ***Catch Up to the Market*** | ▪ Recognizes it is lagging behind and wants to establish competitive parity<br>▪ Implies some urgency in the pace of change |

## Strategic Intent Profiles for New Care Models

| Profile | Description |
|---|---|
|  ***Steadily Advance with the Market*** | ▪ Neither “bleeding edge” or left behind<br>▪ Steadily develop VBP capabilities while maintaining FFS<br>▪ Does not seek significant competitive advantage<br>▪ Moderate, but consistent, pace of change |
|  ***Disrupt the System and the Market*** | ▪ “True believers<br>▪ Seeks first-mover advantage<br>▪ Willing to risk short-term financial pain to make the transition<br>▪ Depending on current position, the pace of change can be very rapid. |

# Poll Question #3:

Which best describes your organization's **current intent**?

A. Protect and defend current status

B. Catch up to the market

C. Steadily advance with the market

D. Disrupt the system and the market

# Closing the Gap

## How Much Change is Required to Reach Your Goal?

### Degree of Change Required to Move from Current Profile to Strategic Intent

| Current Status | Strategic Intent: Protect and Defend Current Status | Strategic Intent: Catch Up to the Market | Strategic Intent: Steadily Advance with the Market | Strategic Intent: Disrupt the System and the Market |
|---|---|---|---|---|
| Watching and Waiting | Moderate | High | High | Very High |
| Beginning the Course | Low | Moderate | High | Very High |
| Mid-Course/ Into the Corner | N/A | Low | Moderate | High |
| In the Final Lap | N/A | N/A | Low | Moderate |

# Monitoring Market Movement

## Monitor to Determine Optimal Timing for Key Initiatives

Organizations must answer three questions to establish an effective market monitoring capability:

1. What are the ***few*** strategic-level market metrics needed to monitor to inform major decisions?
2. How do these differ based on an organization's current position and strategic intent?
3. What are the ***"trigger points"*** that indicate a significant market shift?

# Monitoring Market Movement

## Common Market Metrics to Track Pace of Change

- Population Size and Density
- Market Costs and Use Rates
- Payer Activity
- Employers
- Competitors

Metrics can serve as ***trigger points*** that indicate significant market shift demanding immediate action

# Poll Question #4:

## Which Trigger is Most Important to Track?

A. Market Costs/Use Rates

B. Payer Activity

C. Employers

D. Competitors

# Across the Finish Line

While the industry continues to evolve to alternative payment and care models, ***a more nuanced approach*** is emerging for individual systems.

By ***honestly assessing*** who they are and where they want to be positioned in their market, healthcare systems can ***pace their change*** to reflect the reality of their local markets and proactively manage the risk of transition.