Transforming value-based healthcare payment models

Provision of quality care at low cost is at the heart of the new value-based care model. Evidence suggests that value-based contracting has led to a reduction in insurer costs and utilisation, which is why it remains a top strategic consideration for many organisations, according to a report from the Health Care Transformation Task Force (HCTTF).

Among the top five commercial payers — Cigna, Humana, Aetna, UnitedHealth and Anthem — HCTTF counted 184 publicly announced value-based payer-provider contracts between 2015 and 2017.

The report notes that payers continue to invest heavily in value-based pay models, which have been shown to generate cost savings and improve care outcomes. For example, in the first year of Anthem's Enhanced Personal Healthcare programme, it cut emergency room costs by 3.5% and realised a gross savings of $9.51 per attributed member per month. Meanwhile, Cigna's Collaborative Care programme generated total medical cost savings of approximately $145 million in 2015.

Moreover, HCTTF has observed that payers are starting to favour arrangements such as accountable care organisations (ACOs) and capitated contracts that encourage providers to take on more significant financial risk.

"The economic impact of these investments is not widely understood, mainly due to limited public data and the complex interplay of other external factors such as legislative and regulatory uncertainty. However, despite these limitations, the broad scale of investment makes a compelling case for the importance of sustained efforts to identify effective value-based payment models," the report says.

Although value-based payment programmes are a top strategic priority for payers, implementing and sustaining such programmes has not been easy. A major obstacle is the unpredictability of insurance market regulation. That can leave payers with less organisational capacity to focus on alternative payment models, as many are "scrambling to shore up their risk pools and decide whether and how to offer their products in various markets," according to the report.

Another problem for payers is the uncertain return on investment, as it's often difficult to calculate ROI given the variability of patients, providers and markets. To account for that, payers must give programmes enough time to adjust to unexpected hurdles, but also switch to new models quickly if needed, the report advised.

The Trump administration's recent decision to scrap mandatory bundled payment models has raised some concerns, with some industry analysts saying that the move may slow down the movement from fee-for-service to value-based payments.

Source: NEJM Catalyst
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