Value-Based Care and the Future of Care Delivery in America
Learning Objectives

Topics To Cover

1. The Need for Value in Health Care
2. Understanding Value
3. Value-Based Care Today
4. Barriers and Opportunities
Evolution of Amazon

- 1994
- 2004
- 2014
- 2019

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Three Facets of Health Care

Clinical Care  Financing  Administrative Structure

See also Reinhardt, Uwe, “Priced Out” 2019
The Need for Value
Health Care Spending by Country

Continued Growth of Medical Care

Average Difference Between Medical Inflation and Total Inflation

- **1950s**
- **1960s**
- **1970s**
- **1980s**
- **1990s**
- **2000s**
- **2010s**

Average: 1.7%

Source: St. Louis Reserve, “Inflation in the healthcare industry vs. general CPI”
Health Care’s Impact on Income

Family of Four with Employer-Based Insurance, $100k Income

- Out of Pocket Spending
- Health Insurance

Source: Kaiser Family Foundation. Household Health Spending Calculator, Peterson-Kaiser Health System Tracker
Key Challenges to Change
Challenges

Three Key Challenges

1. Price
2. Distribution
3. Jobs
Volume of Care

Doctor Visits Per Year

Source: OECD Health Data 2018.
Based on most recent year's reported data for each country
Impact of Pricing: Procedures

Cost of Appendectomy, 2015

- South Africa: $1,786
- Spain: $2,003
- Australia: $3,814
- Switzerland: $6,040
- New Zealand: $6,199
- United Kingdom: $8,099
- United States: $15,930

Cost of Bypass Surgery, 2015

- Spain: $14,579
- South Africa: $18,501
- United Kingdom: $24,059
- Australia: $28,888
- New Zealand: $32,480
- Switzerland: $34,224
- United States: $78,318

Impact of Pricing: Drugs

Cost of Xarelto, 2015
Xarelto is used to prevent blood clots

Cost of Humira, 2015
Humira is used to treat rheumatoid arthritis

Notes: US refers to the commercial average.
Non-Uniform Distribution of Costs

Concentration of health care expenditures, U.S. civilian noninstitutionalized population, 2012

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey (HC-155), 2012
Health Care and Jobs

Change in Industry Employment, 1990-2018

Source: Leavitt Partners Analysis of BLS Quarterly Census of Employment and Wages

“Health care” is the NAICS segment that includes healthcare and social assistance employment for government and private employers.
Health Care’s Role in the Economy

Dominant Industry by State, 2018

Source: Leavitt Partners Analysis of BLS Quarterly Census of Employment and Wages

“Health care” is the NAICS segment that includes healthcare and social assistance employment for government and private employers.
Change in Health Care
Changing Relationships

Patients

Providers

Purchasers

Payers

Evolving relationships

Evolving utilization

Shifting risk

Consumer purchasing

Contracting

Value-based payment models

"Policitics"

Policy + Politics

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Defining Value
What is Value-Based Care, Exactly?

VALUE = \frac{OUTCOMES}{COSTS}
The Theory of Health Care Reform

Pay Providers Differently for Care

Providers Change Their Behavior

Better Outcomes
Better Experience
Lower Costs

Payment Reform
Delivery Reform
Triple Aim
Progression of Provider Payment Arrangements

Population-Based
- FFS
  - Care Management Fee
  - Pay-For-Performance
  - Shared Savings
  - Shared Savings/Losses
  - Partial Capitation
  - Full Capitation

FFS
Pre-ACO
ACO

Episode-Based
- Usual & Customary
- Fee Schedule
- Retrospective Bundle
- Prospective Bundle

Increasing Risk
ACO Growth

ACOs and Total Covered Lives

Source: Leavitt Partners Center for Accountable Care Intelligence

44 Million Lives
ACO Prevalence Over Time

Estimated ACO Penetration by Hospital Referral Region
2018

Source: Leavitt Partners Center for Accountable Care Intelligence
Hospitals in ACOs Over Time

2018

Source: Leavitt Partners Center for Accountable Care Intelligence
Impact of Value-Based Care
ACO Starts and Drops Over Time

ACO Starts and Dropouts Over Time

- ACOs Started
- ACOs Ended

ACOs Started: 250, 150, 100, 150, 120, 100, 80, 60
ACOs Ended: 5, 10, 15, 20, 25, 30, 35, 40
ACO Results - Experience

Shared Savings Rate by Age, 2017 Results

Percent with Shared Savings

ACO Age in Years

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%

1 2 3 4 5
MSSP Quality and Savings

Most Recent ACO Program Results (National)

Savings Per Beneficiary

- MSSP: $35
- Pioneer: $115
- Next Gen: $134
- Comprehensive ESRD Care: $1,490
Making Change Happen
Challenges

“Overcome-able” Barriers

1. Payment Models
2. Care Delivery
3. Business Case
Change Through Payment Models

Incentives
Transparency
Consumerism
Framework To Managing a Population

Identify Population Needs

Create Intervention Opportunities

Partner Appropriately
Obstacles to Making the Business Case

- Experimentation vs Roll-out
- Changing Worldview
- Governance
Percent of Market Population Covered by Population-Based Payment Models

- 25<sup>th</sup> Percentile: 1%
- Median: 4%
- 75<sup>th</sup> Percentile: 14%

Source: Leavitt Partners ACO Database, 2017

N=945 Markets
Changing Worldview

Capacity-Focused Approach
Business model:
1. Identify the best-paid services
2. Build capacity for those services
3. Fill that capacity

Needs-Based Approach
Business model:
1. Identify patients’ needs
2. Build low-priced services to fulfill needs
3. Prevent high-cost care
Governance

Traditional Objectives for Health System Leaders
1. Increase Market Share
2. Increase Margin
3. Improve Brand

Value Objectives for Health System Leaders
1. Lower total cost of care
2. Decrease amount of services needed
3. Improve Brand
Keys to Success
Keys

Vision

Business Plan

Consistency
Looking Forward

Next Year → Ten Years