



The State of the State of Value Based Care

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What is Value Based Care?

- The healthcare industry uses a variety of terms interchangeably:
 - ◆ Value Based Care (VBC)
 - ◆ Alternative Payment Model (APM)
 - ◆ Value Based Payment (VBP)
 - ◆ Value Based Contracting (VBC)
- All of these are used interchangeably to talk about methods of paying for health care services that move away from the traditional Fee For Service model





What is Value Based Care?

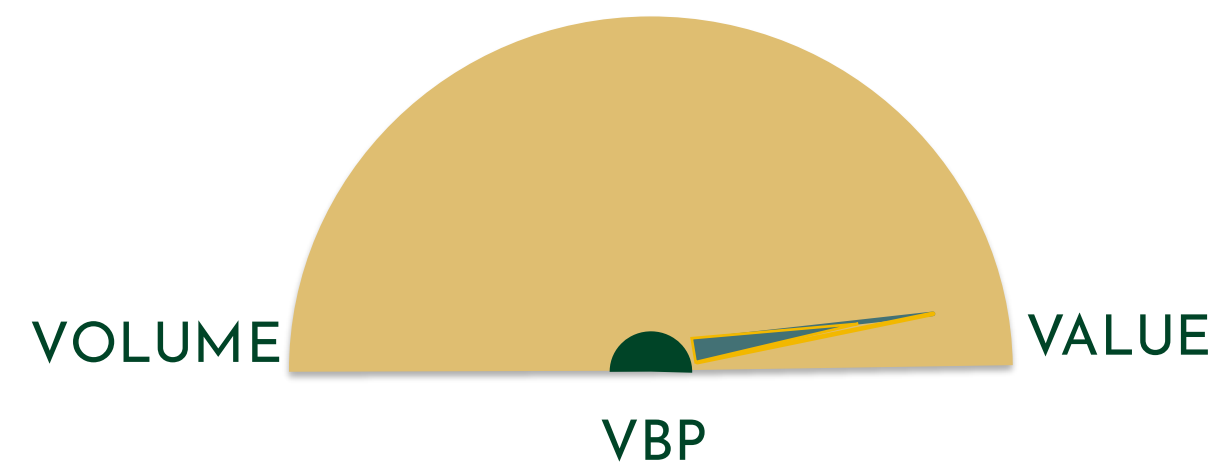
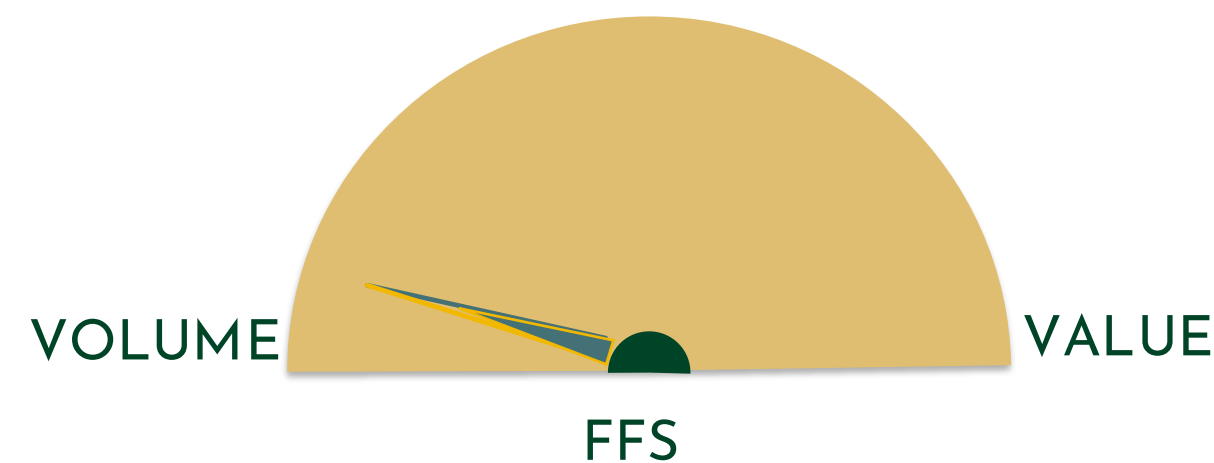


An approach to reimbursement that rewards value over volume

An approach to incentivize providers through shared savings and financial risk

A method to directly tie payment to providers with quality of care and health outcomes

A component of delivery system reform that is key to sustainability



What is Value Based Care, REALLY

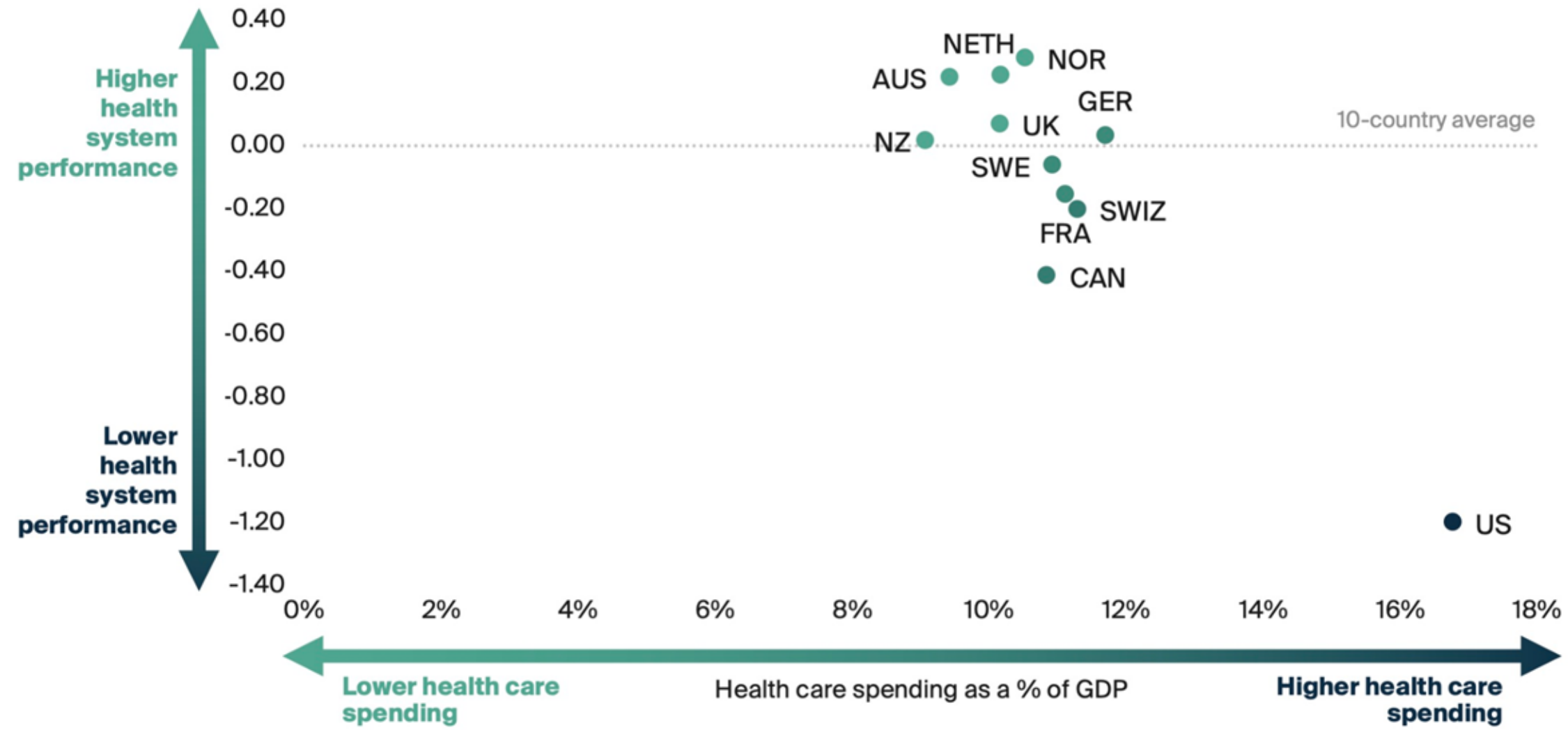
- It's not simply a payment reform effort
- Remember the triple aim?
 - ◆ Population Health (clinical outcomes)
 - ◆ Patient Experience
 - ◆ Per Capita Cost
 - ◆ Bonus: Provider Experience
- Value based care isn't an end in and of itself; it's a means to an end



Why is VBC important?

EXHIBIT 4

Health Care System Performance Compared to Spending



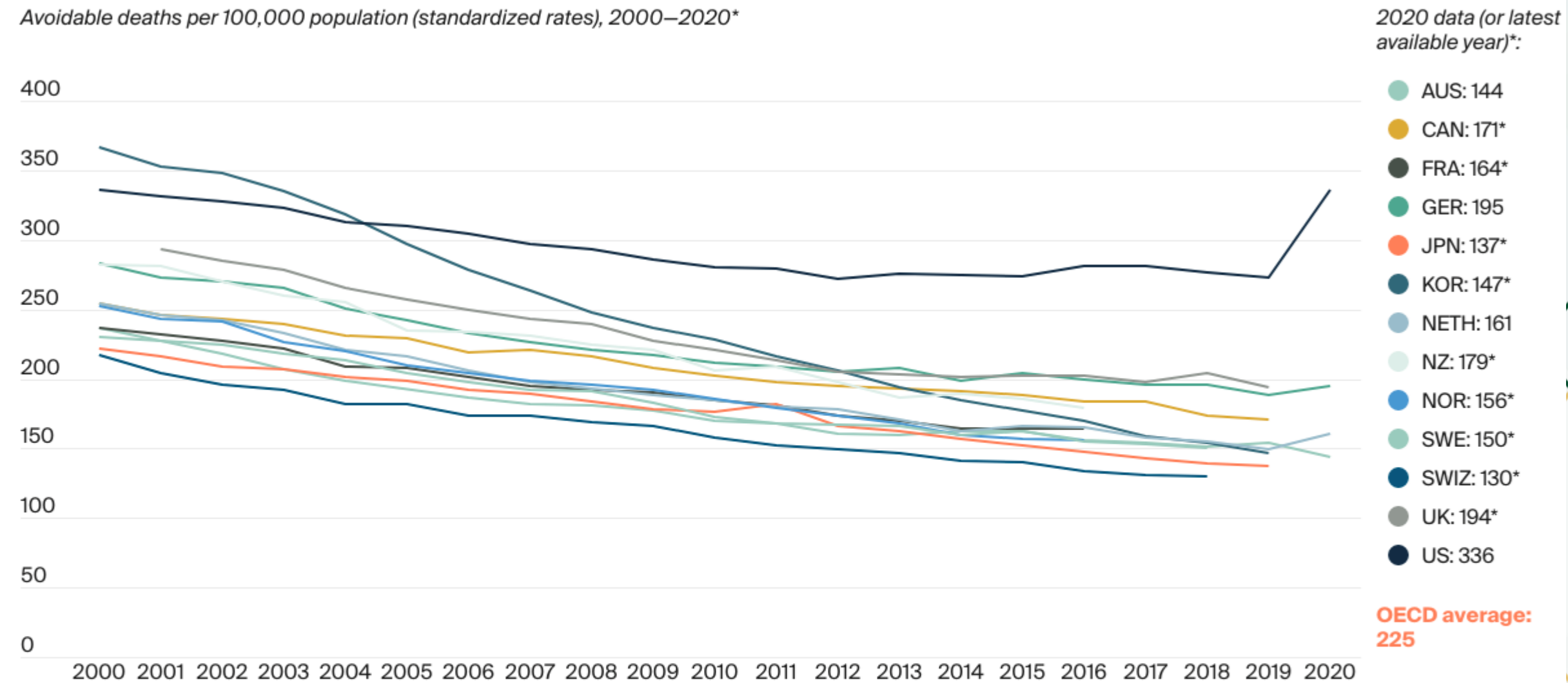
Note: Health care spending as a percent of GDP. Performance scores are based on standard deviation calculated from the 10-country average that excludes the US. See How We Conducted This Study for more detail.

Data: Spending data are from OECD for the year 2019 (updated in July 2021).

Source: Eric C. Schneider et al., *Mirror, Mirror 2021 – Reflecting Poorly: Health Care in the U.S. Compared to Other High-Income Countries* (Commonwealth Fund, Aug. 2021).

Why is VBC important?

Avoidable deaths per 100,000 population in the U.S. are higher than the OECD average.



Download data

Notes: Rates reflect age-standardized rates. Avoidable mortality includes deaths which are preventable and treatable. * 2019 data for CAN, JPN, KOR, and UK; 2018 data for SWE and SWIZ; 2016 data for FRA, NZ, and NOR.

Data: OECD Health Statistics 2022.

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). <https://doi.org/10.26099/8ejy-yc74>

Avoidable mortality refers to deaths that are preventable and treatable. Preventable deaths can be avoided through effective public health measures and through primary prevention, such as nutritional diet and exercise. Treatable mortality can be avoided mainly through timely and effective health care interventions, including regular exams, screenings, and treatment.

**We have a highly-wasteful,
highly-inefficient,
highly-dangerous system of
health care in the United
States today.**

We can do better.



For Today:

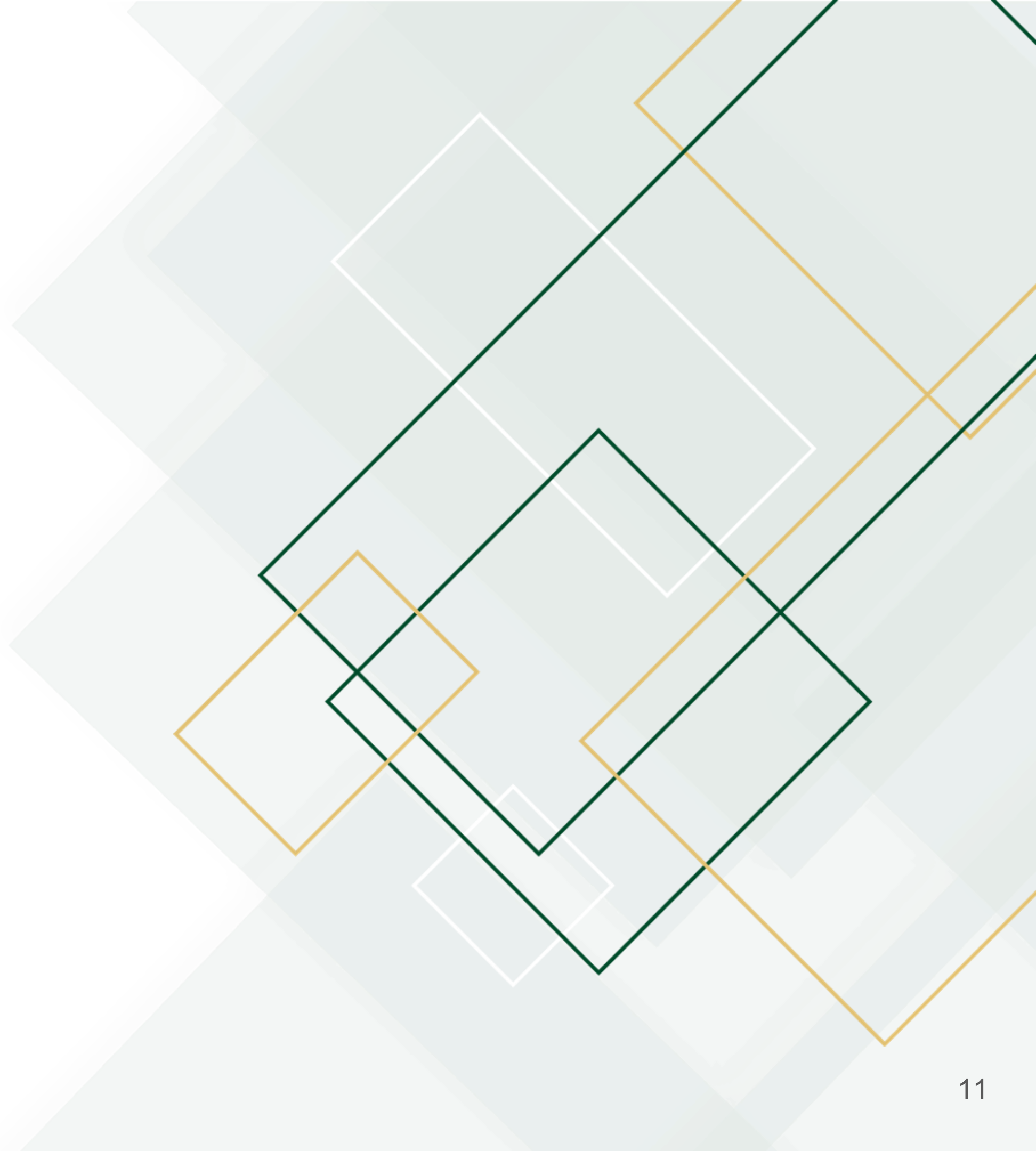
- Where are we on the road to value?
- What's pushing us forward?
- What's holding us back?
- Rural health
- What's next?



A Short List of Happenings Over the Last 18 Months:

- New federal administration has been sworn into office, including a new HHS Secretary, a new CMS Administrator, and CMMI Director
- Four Alternative Payment Models previously offered by CMMI were closed or terminated early; five new models introduced
- A new strategic vision for CMMI has been released, with significant new areas of focus that differ widely from the previous CMMI administration, including a dramatic re-focusing towards prevention, technology enabled patient monitoring such as wearables, and competition
- We've transitioned from the V24 to V28 for Risk Adjustment model
- CMS has announced that instead of "spot checking" 60 plans it will begin fully auditing all 550 MA plans using RADV
- Medicaid facing unprecedented eligibility and program changes from congress
- The Affordable Care Act and its Individual Market shrank by 25.1%, meaning 17.5M Americans
- Medicare Advantage is facing unprecedented cost pressures from heightened utilization trends



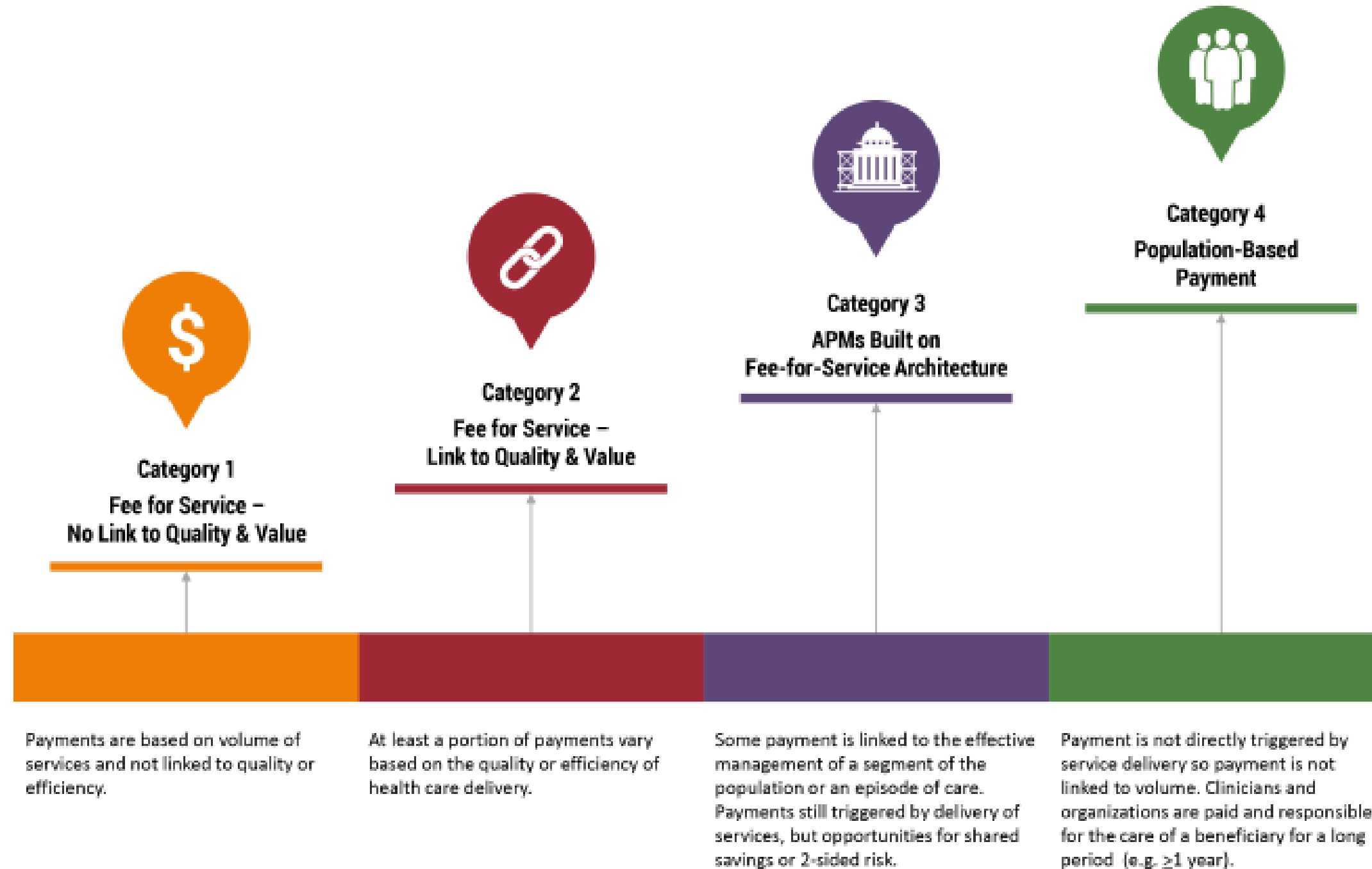


**Where are we on the
road to value?**





HCP-LAN: Health Care Payment Learning & Action Network





VBC Adoption Rates Nationally

“In 2024, 44.9% of all payments flowed through Category 3 & 4 payments (some risk).

28% of payments flowed through 3B+ (downside risk) contracts across all lines of business.”





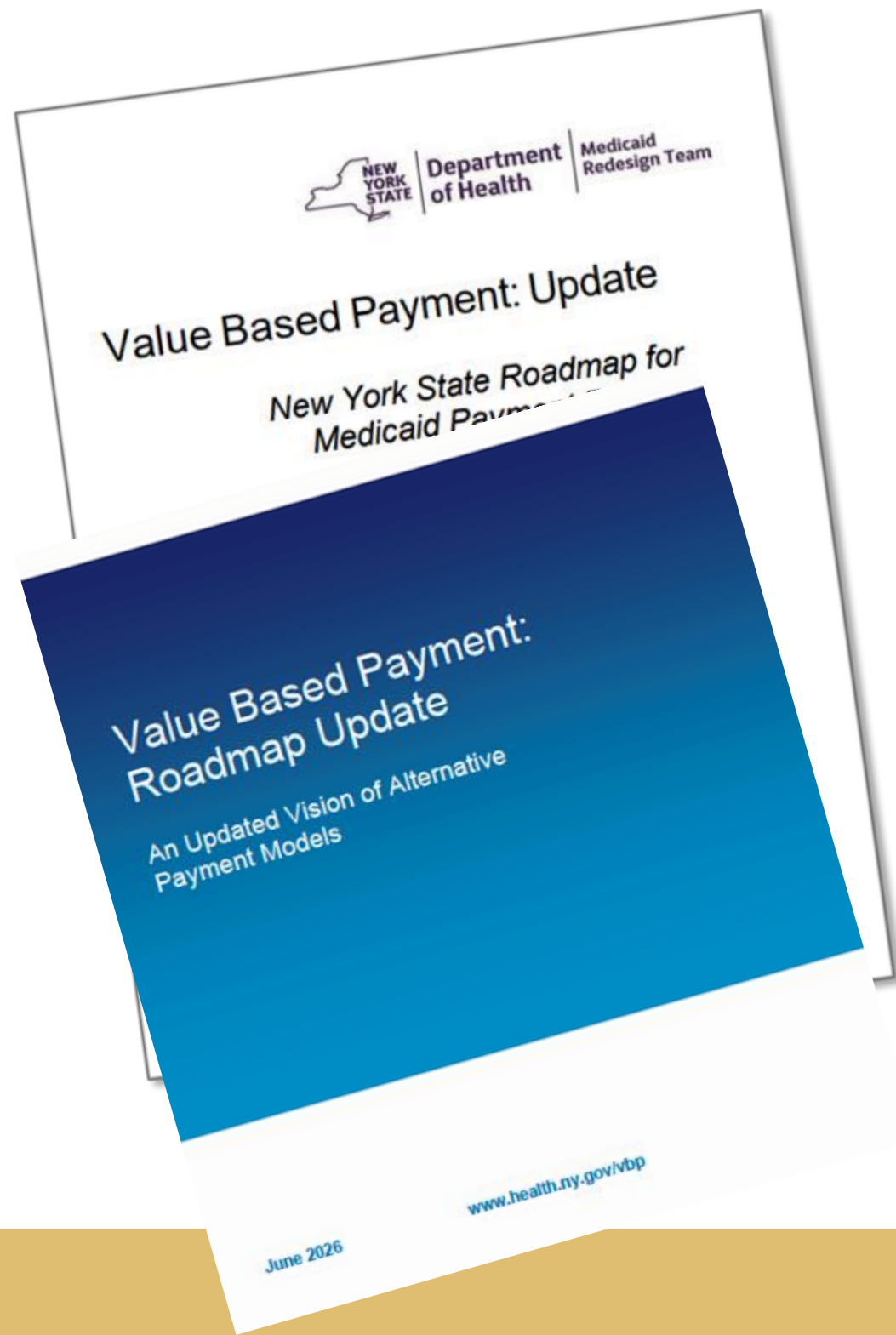
Value in Medicare

- Medicare Advantage (~50% of market)
 - Capitation, risk-adjusted pre-payments for care
 - Downstream contracting with providers
 - Unprecedented expenditure pressures post-COVID, leading to more
- Traditional Medicare (FFS) has a number of value based offerings
 - ACO LEAD (previously ACO REACH, previously Direct Contracting)
 - MSSP (Medicare Shared Savings Program)
 - TEAM
 - AHEAD

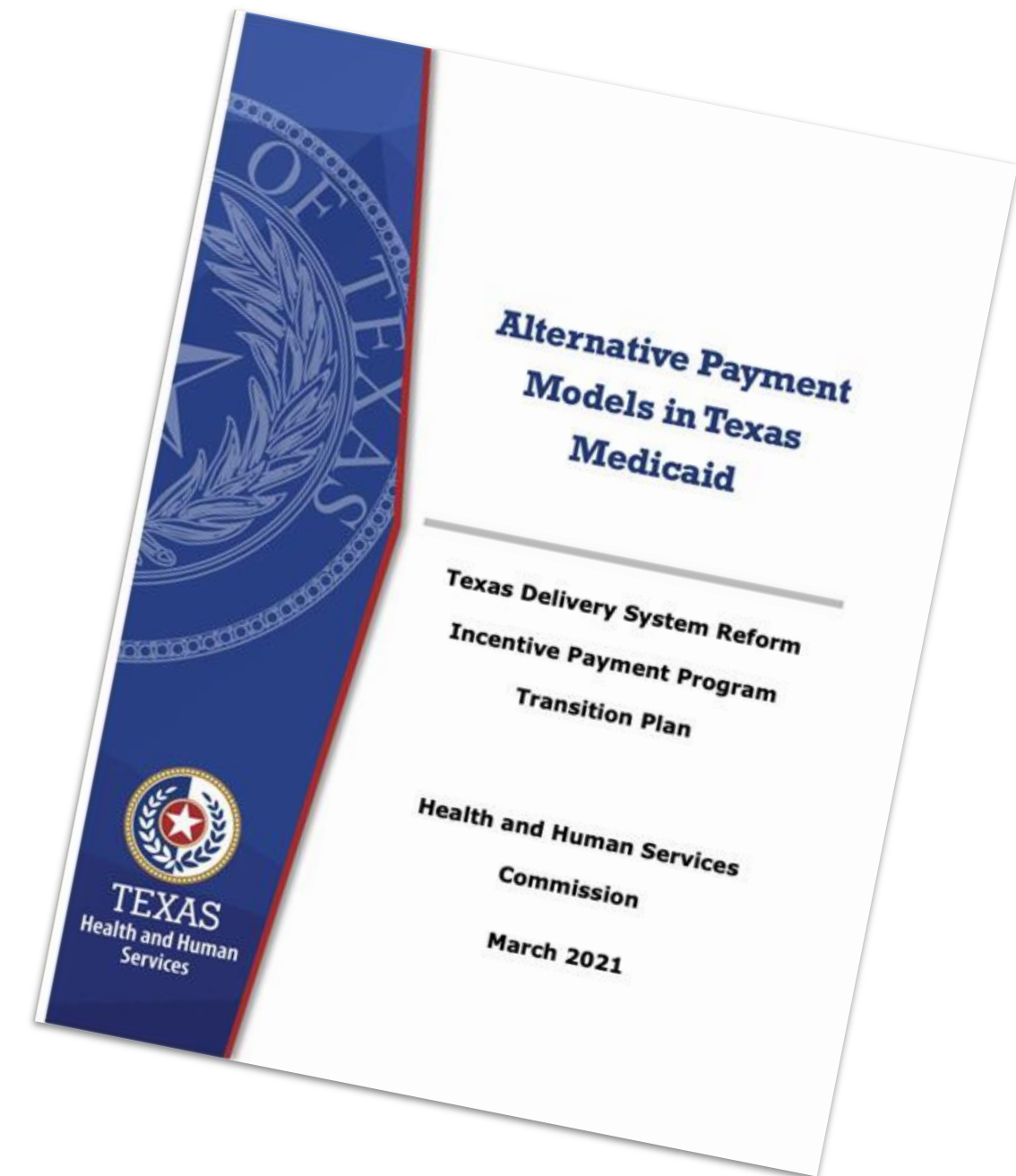




Value in Medicaid



Status	Wave	Episode	Status	Wave	Episode	Status	Wave	Episode
In Performance	1	Perinatal	In Performance	5	Breast biopsy	In Performance	8	Acute Seizure
		Asthma acute exacerbation			Otitis media			Syncope
	Total joint replacement	Tonsillectomy		Acute gastroenteritis				
	COPD acute exacerbation	6		Skin and soft tissue infections	8		Bronchiolitis	
	Colonoscopy			HIV			Pediatric pneumonia	
	2	Cholecystectomy		Pancreatitis	9		Colposcopy	
		PCI - acute		Diabetes acute exacerbation			Hysterectomy	
	PCI - non acute	3		Spinal fusion	9		Gastrointestinal obstruction	
	GI hemorrhage			Spinal decompression			Appendectomy	
	EGD	4		Femur / pelvic fracture	9		Hernia repair	
	Respiratory infection			Knee arthroscopy			Acute kidney and ureter stones	
	Pneumonia	7		Ankle non-operative injuries	9		Cystourethroscopy	
UTI - outpatient	Wrist non-operative injuries							
UTI - inpatient	7	Shoulder non-operative injuries	9					
ADHD		Knee non-operative injuries						
CHF acute exacerbation	7	Back / neck pain	9					
ODD								
CABG								
Valve repair and replacement								
Bariatric surgery								





New York State's 2026 VBC Roadmap Update

- Move past TCOC arrangements to sub-population arrangements; plans will be required to submit analysis by August
- Reducing quality measurement soup (limit to 10 measures/contract)
- Attribution takes center stage
- Target budget setting transparency
- Data transparency between Plan and Provider
- Removal of SDOH requirement in Level 2 and above

What's Pushing us Forward?





Federal Government Priorities Have Shifted

- Value based care remains a top policy priority in Washington, but some changes in policy direction
- Away from “Every patient in an accountable relationship” towards “What level of risk?”
- Mandatory models push providers into risk
 - TEAM (hospital-based)
 - AHEAD
- Mandate downside risk be taken, and sooner
 - MSSP
- New models seek to change how we’ve been doing things
 - ACO LEAD
- Changing how we measure?
 - PROMs are once again being talked about



Market Forces are Shifting: Medicare

- Medicare spending remains on a three-year high and all signs point to no end in sight to this trend
- CMS adjusting Medicare risk adjustment rules of the road
- The unicorns of Oak Street and Iora: flashes in the pan?
- Large insurers struggling in new ways
 - During an Q4 earnings call, Optum Health reported flat, year-over-year revenue this past quarter. Optum CEO Patrick Conway attributed three factors to the quarter's results: the company's provider network grew too large, a reliance on affiliated physicians not aligned with value-based care policies created operating inconsistencies, and products and services were not aligned with Optum's "clinically oriented, value-based model."
- Value continues to be the answer to the key struggles



Market Forces are Shifting: Medicaid

- One Big Beautiful Bill significantly impacted the state-federal partnership model
- Tightening of Medicaid Eligibility and Coverage: The law includes a number of provisions impacting Medicaid enrollees that ultimately make it harder for eligible Americans to access and retain their Medicaid coverage and certain populations will have less coverage.
- What this means for Medicaid Managed Care: A smaller, but sicker and riskier population is left on the program
- Health insurance companies are struggling to act in response
- Value continues to be the way forward; albeit smaller margins on sub-populations who will lose coverage

Rural Health Focus





Rural Health Transformation Funds

- Once in a generation investment of Federal funds for rural health objectives
- Needs to be aligned with care delivery reform and its objectives
- Focus on sustainable outcomes for rural populations
- Look to other states like Texas
- Focus on value is a must!

Where are We Headed?





The Tipping Point

- It depends who you ask, but we're slowly and steadily approaching the tipping point in value based care
- Culture eats strategy for breakfast, no?
- 40% of patient panels may be the tipping point
- Commercial insurance must break before it bends

What's Not Working?

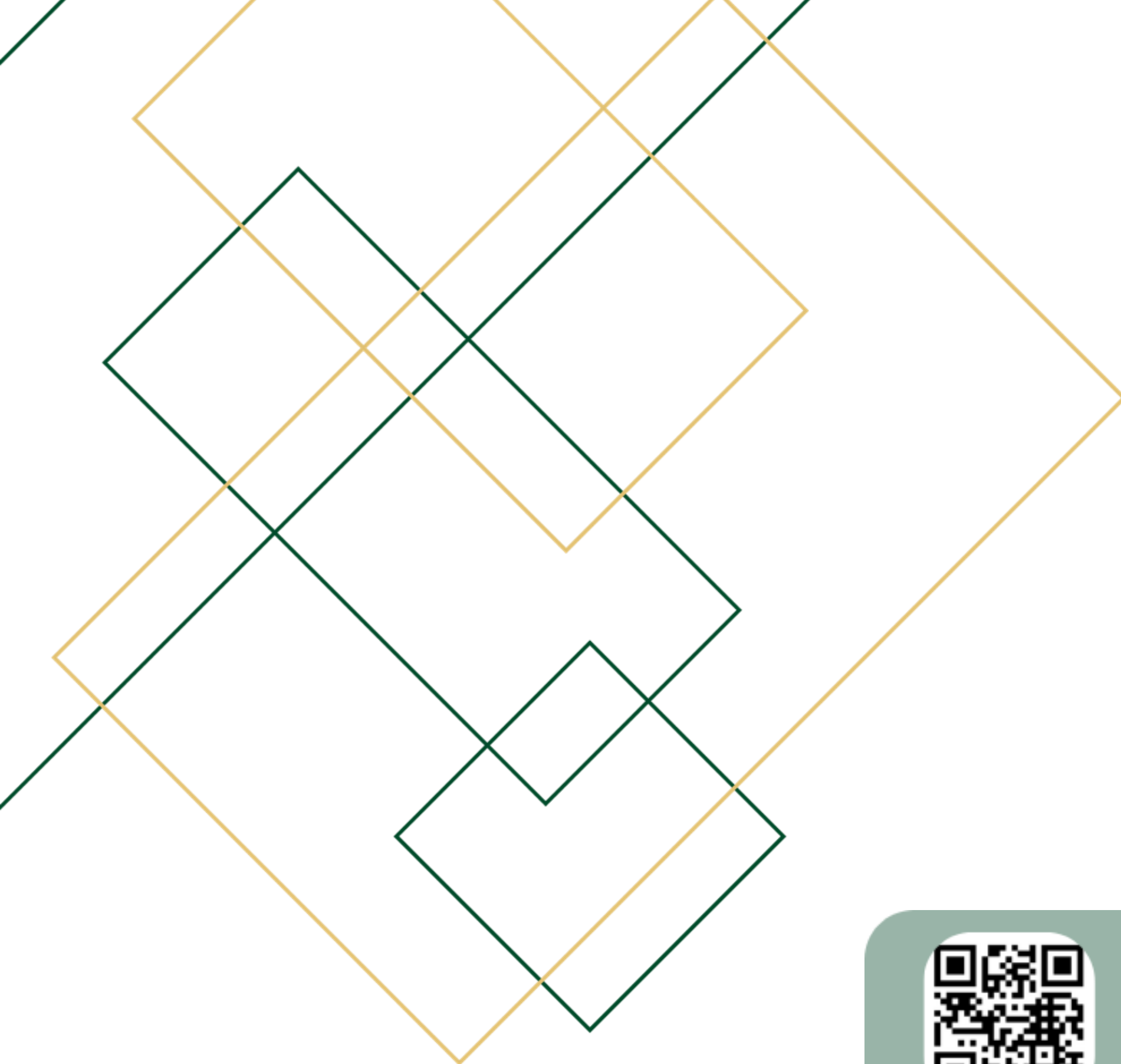
- Primary Care Providers are the new attribution engine; not all are ready for the power dynamic shift
- Lack of primary<>specialty care integration; flying blind on 70+% of spend doesn't work in VBC
- Hospitals continue to bury their heads in the sand about the future; hint look at the retirement trends
- Payers are not ready for this new world and are often laggards in the value ecosystem
- Data, data, data! Who has it, how good is it, what is it telling us. Data continues to be the new oil.



What's Not Working?

- Lack of focus on key care delivery areas, such as at-home care, long-term care, I/DD population, maternity episode, pediatrics
- Lack of systems-thinking with regard to how patients access care
- Thinking that FFS care works in a value-based world
- Lack of imagination





Thank



You!



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