Quality of Care - The New Healthcare Currency

By Cynthia Burghard – August 10, 2017

We hear everyday of the challenges facing provider organizations as they straddle the shifting reimbursement landscape. Well grounded in the fee for service reimbursement models, providers struggle to balance their volume-based operating models with the growth of value-based models. In the former model, if a procedure is done it is reimbursed, regardless of the outcome. The latter it is the outcome that is rewarded and for which at least partial payment is attributed. Adding additional financial risk is the requirement for providers to invest in technology and people to deliver the results required of the contract while not understanding what an expected return on investment might be. We have long understood that improved quality eventually translates into savings, but what are providers to do in the short term to keep the lights on?

For years I have searched and not found financial modeling tools to help healthcare providers evaluate the financial viability of the terms of at-risk contracts and understand the financial impact of the dual reimbursement models. As the level of risk rises in provider organization I worry that too many organizations are blindly accepting clinical and financial risk without the tools to develop a strategy to manage that risk. There are two pieces of the equation that need to be addressed. The progress toward quality goals (to realize upside payments) and the financial impact to cost and revenue). Results of the 2015 evaluation of CMS' Shared Savings Program as reported by Health Affairs (http://healthaffairs.org/blog/2016/09/09/medicare-accountable-care-organization-results-for-2015-the-journey-to-better-quality-and-lower-costs-continues/) identified that early participants in the program demonstrated better shared savings results than newer participants. Organizations that joined the Shared Savings Program in 2013 through 2015 collectively showed a loss totaling over $100M in each of the three years while those organizations with more experience who joined the program in 2012 showed collective net savings of just over $94M.

A survey fielded in July 2017 of healthcare executives sponsored by Health Catalyst (https://www.healthcatalyst.com/population-health-strategy-firm-despite-uncertainty) "revealed that the most common impediment to starting a PHM program or succeeding with an existing program is “financial issues” such as “getting paid for our efforts” and “balancing competing contract incentives.” That answer, selected by 37 percent of survey takers, reflects the pressures that healthcare organizations face as they attempt to operate under the dominant fee-for-service reimbursement model while simultaneously transitioning to value-based care." This further supports the need for technology to help healthcare providers manage todays reimbursement challenges.

All of this highlights the need for healthcare organizations to develop strategies to realize short term savings through upside payments. Closing gaps in care has been the cornerstone of virtually all quality initiatives. While many of the quality metrics are process and structure, the industry is beginning to add

outcomes measures. For example the new Quality Payment Program rewards providers for exceeding regional benchmarks in key Clinical Quality Measures. This represents the balance of short term gain (payment for closing gaps in care) with long term gain (improving the health of the population). Payment for closing gaps in care are realized through increased fee for service payments as well a bonus payments under most risk contracts. The ability of an organization to forecast and capture those payments can provide the foundation for financing short term investments in the technology and people that are required by a at-risk contract as well as evaluating the financial viability before entering into the proposed contract.

Enli Health Intelligence (Enli.net) has developed a methodology and modeling tool based on actual customer experience the purpose of which is to demonstrate return on investment for their CareManager platform. It occurs to me that the approach provides healthcare providers with insight into larger strategic decisions. By calculating the revenue potential for closing gaps in care and the revenue from meeting quality metrics in upside risk contracts, healthcare organizations have a "de-facto budget" that can be used to negotiate budget for and support at-risk contract investments in both technology and people. The Enli model could also be used to create "what if" scenarios to test assumptions about the return on capacity investment. In an example provided by Enli they demonstrated that a 50 physician group (that owns their own laboratory, radiology equipment and other required resources) could generate $2.2M in additional revenue ($1.9M in additional fee for service payments for improving the rate of gap closure for 6 common screenings plus $300K in additional payments through Shared Savings and MIPS payments). The findings are based on the use of CareManager, Enli's tool for population health management. The ROI tool allows healthcare organizations to model targets for improving the rate of gap closure and to set their capacity to deliver additional services. Using the method developed by Enli, healthcare organizations could proactively evaluate (assuming they have access to data) their opportunity to make gains in quality improvement and quantify the financial impact to better understand the role improvements in quality metrics for all patients plays in the organization's ability to fund at-risk contract investments.

Enli should be lauded for their thought leadership and ability to demonstrate the effectiveness of CareManager. The ability of a supplier to demonstrate return on investment should be table stakes in healthcare IT procurements. Healthcare IT vendors should be, in part, evaluated on their ability to demonstrate return on investment for their prospective clients. With margins getting ever smaller, the threat of reduced reimbursement from Medicare and Medicaid growing and the increased level of financial risk providers are being asked to accept will only increase the need to demonstrate strong return on investment scenarios.

The Enli example is used in this blog for illustrative purposes and to encourage both healthcare providers and their technology suppliers to develop methodologies and models that provide insight into the financial impact of at risk contracts. As reimbursement models evolve and terms and conditions change, it is critical for healthcare providers to enter into contracts with full knowledge of its implications to develop strategies to be successful.

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