FINDING THE VALUE IN VALUE-BASED CARE

The State of Value-Based Care in 2018
A Signature Research report commissioned by Change Healthcare

June 2018
Speakers

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Director – Client Solutions, ORC International

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Agenda

- Research Method
- Respondent Profile
- Detailed Findings
  - Value-Based Care
  - Episodes of Care
Research Methodology

ORC fielded a 15-minute online survey of 120 payers, targeting a mix of:

- Plan sizes
- Regions
- Job functions
  - Finance/Ops
  - Network Management
  - Medical Management
  - Technology
  - Strategy/Innovation/Planning
  - Analytics
- Lines of business covered

Screening Criteria

- Title of Associate Director level or above
- Is knowledgeable about value-based care strategies, bundled payment, and/or episode-of-care strategies at their organization
- Health plan covers 250K+ lives
**Respondent Profile**

**Size of Company**
- 23%: 250-499K Lives
- 44%: 500K-2 Million Lives
- 15%: 2-5 Million Lives
- 18%: 5 Million Lives Or More

**Businesses Covered**
- Commercial: 89%
- Public Exchange: 53%
- Medicare Advantage: 72%
- Managed Medicaid: 56%

**Region/Market**
- Payer-Centric: 24%
- Provider-Centric: 24%
- Collaboration: 29%
- Fragmented: 21%
- Don't Know: 2%

**Location**
- Northeast: 44%
- West: 36%
- Midwest: 28%
- South: 38%
Detailed Findings: The State of Value-Based Care in 2018
Value-Based STRATEGIES Continuum: Current State

Current Level of Maturity of Value-Based Care STRATEGIES

[Bar chart showing the current level of maturity for various strategies such as Accountable Care Organization, Episodes Of Care, Population Health, Patient-Centered Medical Homes, and Narrow/High-Performance Networks. The chart indicates the percentage of strategies at various stages: Established, Growing, Pilot, and Planning.]
Value-Based PAYMENT Continuum: Current State

Current Level of Maturity of **Value-Based PAYMENT** Tactics

<table>
<thead>
<tr>
<th>Taxi</th>
<th>Established</th>
<th>Growing</th>
<th>Pilot</th>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay For Performance</td>
<td>47%</td>
<td>28%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Capitation, Global Payment</td>
<td>41%</td>
<td>23%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Prospective Bundled Payment</td>
<td>35%</td>
<td>13%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Population Based Payment</td>
<td>27%</td>
<td>15%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Retrospective Bundled Payment</td>
<td>27%</td>
<td>26%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>Pay-For- Coordination</td>
<td>28%</td>
<td>33%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>
Compelling Cost Savings

Impact on Medical Costs from Value-Based Care Strategies

All respondents reported medical cost savings

Average Medical Cost Savings

5.6%
Big Shift Towards the Triple Aim

Impact on Care Quality from Value-Based Care Strategies

- 77% Care Quality: 44% Greatly Improved, 33% Slightly Improved, 18% No Change, 6% Negative Impact
- 73% Patient Engagement: 53% Greatly Improved, 20% Slightly Improved, 21% No Change, 6% Negative Impact
- 64% Provider Relationships: 34% Greatly Improved, 30% Slightly Improved, 18% No Change, 18% Negative Impact
Decline of Pure Fee-for-Service Accelerates

Proportion of Business Aligned with Pure Fee-for-Service

- 2016 Actual: 52%
- 2018 Predicted: 41%
- 2018 Actual: 37%
- 2021 Predicted: 25%

Average %: 37%
Payment Models Today & Tomorrow: Beyond 2020

Proportion of Business Aligned with Models

<table>
<thead>
<tr>
<th>Model</th>
<th>Today 17.0%</th>
<th>2021 19.8%</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitation, Global Payment</td>
<td></td>
<td></td>
<td>2.8%</td>
</tr>
<tr>
<td>Pay For Performance</td>
<td>15.2%</td>
<td>18.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Prospective Bundled Payment</td>
<td>10.4%</td>
<td>12.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Population Based Payment</td>
<td>10.2%</td>
<td>12.1%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Retrospective Bundled Payment</td>
<td>9.4%</td>
<td>10.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
<td>0.9%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Average %
Shared Risk Programs Go Mainstream

Proportion of Models with Shared Risk

- **Capitation, Global Payment (n=104)**
  - Shared Savings With Upside: 12%
  - Shared Risk With Upside & Downside: 43%
  - None: 51%

- **Retrospective Bundled Payment (n=85)**
  - Shared Savings With Upside: 13%
  - Shared Risk With Upside & Downside: 44%
  - None: 44%

- **Prospective Bundled Payment (n=88)**
  - Shared Savings With Upside: 11%
  - Shared Risk With Upside & Downside: 48%
  - None: 41%

- **Population Based Payment (n=81)**
  - Shared Savings With Upside: 10%
  - Shared Risk With Upside & Downside: 57%
  - None: 36%

- **Pay For Performance (n=105)**
  - Shared Savings With Upside: 16%
  - Shared Risk With Upside & Downside: 43%
  - None: 45%
### Commercial Lines of Business Leading the Way

#### Value-Based Care Models and Payment Strategies by Line of Business

<table>
<thead>
<tr>
<th>Model Type</th>
<th>Commercial</th>
<th>Managed Medicaid</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow/High-Performance Networks</td>
<td>63%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Accountable Care Organization</td>
<td>61%</td>
<td>38%</td>
<td>49%</td>
</tr>
<tr>
<td>Patient-Centered Medical Homes</td>
<td>57%</td>
<td>45%</td>
<td>43%</td>
</tr>
<tr>
<td>Episodes Of Care</td>
<td>55%</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Population Health</td>
<td>54%</td>
<td>42%</td>
<td>32%</td>
</tr>
<tr>
<td>Pay For Performance</td>
<td>62%</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td>Prospective Bundled Payment</td>
<td>58%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>Retrospective Bundled Payment</td>
<td>57%</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>Capitation, Global Payment</td>
<td>54%</td>
<td>38%</td>
<td>43%</td>
</tr>
<tr>
<td>Population Based Payment</td>
<td>50%</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>Pay-For-Coordination</td>
<td>50%</td>
<td>35%</td>
<td>34%</td>
</tr>
</tbody>
</table>

- **VBC model**
- **VBC payment strategy**
VBC STRATEGIES: Effective vs. Ineffective

Value-Based Care Program Effectiveness

- Accountable Care Organization (n=102): 47% Effective, 39% Currently Evaluating, 8% Not Effective
- Narrow/High-Performance Networks (n=86): 45% Effective, 44% Currently Evaluating, 4% Not Effective
- Population Health (n=96): 41% Effective, 47% Currently Evaluating, 4% Not Effective
- Patient-Centered Medical Homes (n=93): 39% Effective, 45% Currently Evaluating, 9% Not Effective
- Episodes Of Care (n=96): 32% Effective, 50% Currently Evaluating, 8% Not Effective
VBC PAYMENT Tactics: Effective vs. Ineffective

Value-Based Payment Program Effectiveness

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>Effective</th>
<th>Currently Evaluating</th>
<th>Not Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay For Performance (n=104)</td>
<td>49%</td>
<td>35%</td>
<td>11%</td>
</tr>
<tr>
<td>Capitation, Global Payment (n=88)</td>
<td>46%</td>
<td>38%</td>
<td>8%</td>
</tr>
<tr>
<td>Prospective Bundled Payment (n=94)</td>
<td>38%</td>
<td>44%</td>
<td>9%</td>
</tr>
<tr>
<td>Population Based Payment (n=83)</td>
<td>37%</td>
<td>48%</td>
<td>6%</td>
</tr>
<tr>
<td>Pay-For-Coordination (n=89)</td>
<td>37%</td>
<td>43%</td>
<td>6%</td>
</tr>
<tr>
<td>Retrospective Bundled Payment (n=82)</td>
<td>31%</td>
<td>44%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Build vs. Buy: Analytic Capabilities Dissatisfaction

Capabilities in Place Today

<table>
<thead>
<tr>
<th>Capability</th>
<th>42%</th>
<th>43%</th>
<th>53%</th>
<th>50%</th>
<th>38%</th>
<th>39%</th>
<th>44%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grouper Software/Services To Analyze Claim History By Episodes Of Care</td>
<td>45%</td>
<td>50%</td>
<td>41%</td>
<td>49%</td>
<td>37%</td>
<td>31%</td>
<td>44%</td>
</tr>
<tr>
<td>National Or Regional Cost And Quality Benchmarking Analytics Data</td>
<td>53%</td>
<td>67%</td>
<td>65%</td>
<td>71%</td>
<td>78%</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>Analytics To Identify Clinical Performance Variations</td>
<td>67%</td>
<td>65%</td>
<td>27%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Provider Reporting/Dashboards To Share Results</td>
<td>31%</td>
<td>31%</td>
<td>27%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Population Health Analytics To Identify High Risk/High Cost Members</td>
<td>65%</td>
<td>65%</td>
<td>27%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Modeling To Formulate VBC Strategy &amp; Pricing Impacts</td>
<td>71%</td>
<td>71%</td>
<td>27%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Analytics To Identify Cost Performance Variations</td>
<td>78%</td>
<td>78%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
</tbody>
</table>

% Moderately, Slightly and Not Satisfied

Vendor Provided

Internally Developed
Factors Driving Medical Cost Savings

Capabilities Correlated with Medical Cost Savings

- Modeling to formulate VBC strategy & pricing impacts
- Outsourced Care Managers/Nurse Case Managers
- Population health analytics to identify high risk/high...
- Analytics to identify clinical performance variations
- Automation to create and manage provider contracts
- Outsourced Care Coordinators
- National or regional cost and quality benchmarking...
- Analytics to identify cost performance variations
- Automation to administer and reconcile VBC...

Significant Correlations
Drill Down: Episode Intelligence
The State of Episodes of Care in 2018
### Episodes: Consistent Cost Savings

**Episode Impact on Medical Costs (% Decrease)**

<table>
<thead>
<tr>
<th></th>
<th>5.0</th>
<th>5.3</th>
<th>5.3</th>
<th>5.0</th>
<th>5.0</th>
<th>5.4</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chronic Medical</td>
<td>18%</td>
<td>31%</td>
<td>26%</td>
<td>19%</td>
<td>19%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>(n=91)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedural</td>
<td>13%</td>
<td>25%</td>
<td>26%</td>
<td>26%</td>
<td>33%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>(n=93)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Acute Medical</td>
<td>13%</td>
<td>26%</td>
<td>26%</td>
<td>27%</td>
<td>19%</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>(n=86)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancer Care</td>
<td>12%</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>(n=86)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chronic Specialty</td>
<td>19%</td>
<td>26%</td>
<td>26%</td>
<td></td>
<td>19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=84)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Maternity Care</td>
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<td></td>
</tr>
<tr>
<td>(n=96)</td>
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</tr>
</tbody>
</table>

- **7.50+**
- **5.00-7.49**
- **2.50-4.99**
- **0.1-2.49**
- **Create A Negative Impact**
Episodes: Quality Improvement Across Programs

Effectiveness of Improving Care Quality by Episode Type

<table>
<thead>
<tr>
<th>Episode Type</th>
<th>Sample Size</th>
<th>% extremely/very effective</th>
<th>% very effective</th>
<th>% moderately effective</th>
<th>% slightly effective</th>
<th>% not at all effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Medical (n=86)</td>
<td></td>
<td>49%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maternity Care (n=96)</td>
<td></td>
<td>48%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Procedural (n=93)</td>
<td></td>
<td>46%</td>
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<tr>
<td>Chronic Specialty (n=84)</td>
<td></td>
<td>43%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cancer Care (n=86)</td>
<td></td>
<td>41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chronic Medical (n=91)</td>
<td></td>
<td>37%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- Extremely effective
- Very effective
- Moderately effective
- Slightly effective
- Not at all effective
Episodes: Commercial LOB Eclipses Managed Medicaid and Medicare Advantage

Frequency of Episodes of Care by Type and Line of Business

**Managed Medicare & Medicaid Programs**
- Chronic Medical: 62%
- Procedural: 58%
- Acute Medical: 54%
- Cancer Care: 47%
- Chronic Specialty: 47%
- Maternity Care: 45%

**Commercial Lines of Business**
- Managed Medicare & Medicaid Programs: 57%
- Commercial Lines of Business: 61%

Episodes: Commercial LOB Eclipses Managed Medicaid and Medicare Advantage

Frequency of Episodes of Care by Type and Line of Business

**Managed Medicare & Medicaid Programs**
- Chronic Medical: 62%
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- Chronic Specialty: 47%
- Maternity Care: 45%

**Commercial Lines of Business**
- Managed Medicare & Medicaid Programs: 57%
- Commercial Lines of Business: 61%
Episodes: A Need for Speed

Use and Time to Implement Groupers

**Episode Grouper Types**

- Custom (Internally Developed And Maintained): 39%
- Bundled Payments For Care Initiative (BPCI) Advanced Episode Definitions: 35%
- Comprehensive Care For Joint Replacement (CJR): 30%
- Custom (Externally Developed And Maintained): 18%
- Prometheus Episode Definitions: 12%
- I Don't Know: 25%

**Time Required to Roll Out New Episode-of-Care Programs**

- 6-12 Months: 34%
- 12-18 Months: 21%
- 18 - 24 Months: 9%
- 24+ Months: 4%
- < 3 Months: 3%
- 3-6 Months: 21%
- Don't Know: 10%

Episodes: Medical Cost Savings Driving Investment

Full-Time Employees Supporting Episode-of-Care Programs

Number of FTEs Dedicated to Supporting Program

- 15%
- 17%
- 10%
- 10%
- 5%

Median: 10.0

Whether Number of FTEs Will Grow, Shrink, or Stay the Same Over the Next 3 Years

- 66% Grow
- 24% Stay The Same
- 4% Shrink
- 6% Don't Know

Whether Number of FTEs Will Grow, Shrink, or Stay the Same Over the Next 3 Years
Episodes: The Provider Engagement Challenge

Difficulty with Provider Adoption

- Gaining agreement on contracted budgets and risk/gain sharing: 13% extremely difficult, 45% very difficult, 33% difficult, 5% moderately difficult, 4% not at all difficult (58% extremely/very difficult)
- Gaining agreement on episode of care performance metrics/reports: 12% extremely difficult, 39% very difficult, 27% difficult, 17% moderately difficult, 5% not at all difficult (51% extremely/very difficult)
- Engaging providers to consider participating in an episode of care contract: 15% extremely difficult, 33% very difficult, 35% difficult, 14% moderately difficult, 3% not at all difficult (48% extremely/very difficult)
- Gaining agreement on episode definitions and inclusion criteria: 10% extremely difficult, 33% very difficult, 40% difficult, 14% moderately difficult, 3% not at all difficult (43% extremely/very difficult)

Legend:
- Extremely difficult
- 4
- 3
- 2
- Not at all difficult

Gaining agreement on episode definitions and inclusion criteria is the most challenging, with 43% of respondents finding it extremely or very difficult.
To Learn More

If you’d like to learn more about how Change Healthcare can help you use Episode Intelligence to identify, design, and scale an Episodes of Care strategy, contact:

Jim Mayhall - jame.mayhall@changehealthcare.com