

# Delaware Hospitals Committed to Value-Based Health Care

BY WAYNE SMITH

PROVIDING HEALTH CARE is a costly endeavor. The traditional fee-for-service payment model makes it more costly than it needs to be due to incentives inherent in that approach to reimbursement. The promise of tying reimbursement to value rests in different models broadly called value-based payment models.

Hospitals are equipped with the latest technology designed to meet the needs of every patient that walks in the door from setting a broken bone to delivering a child, performing an emergency operation or treating patients with multiple conditions. They also need to be staffed to meet emergencies twenty-four hours a day – hospitals cannot close overnight like other provider offices. Someone has to be the backstop for illnesses and accidents that don't occur at convenient times during the day.

In addition, hospitals and health care delivery systems must employ high quality physicians, nurses and other clinicians and professionals to meet patients' needs. With the average physician spending more than \$58,000 per year for medical school, tuition loan reimbursement is often needed in addition to offering competitive salaries for hospitals to attract top medical talent. Hiring enough nurses also presents a challenge that will only increase as Delaware's population ages and demands for care intensify.

In Delaware, our aging population is an added challenge. We are the seventh oldest state in the nation. As a result, health care demand will continue rise, as will costs, in order to meet growing needs in our state. Even with the high quality services currently delivered in Delaware to address the health needs of all, we recognize many factors make health care an expensive proposition. Can anything be done to ensure dollars are spent overall where they can help people live healthier lives for longer periods of time?

The primary need to address the economics of health care is to align incentives with value. The long-established fee-for-service system incentivizes more -- more tests, more visits, more billable items. Almost every serious thinker on health care economics realizes that fee-for-service must be replaced by value-based contracting. Designing and implementing value-based contracting holds the great promise of aligning incentives to maximize value in the system.

What does a value based contracting system look like? Such a system shares risk between hospitals, providers, individuals, and plan sponsors. Everyone needs a stake in a system that is designed to incentivize healthy behavior, population health and preventative care. A value based contracting system puts a premium on primary care and population health. Educating people, making sure people are engaged with a primary care provider, making sure people's health needs in the community are addressed all flow from a system designed to reduce chronic disease and keep people from having to go to hospital for expensive procedures and treatments for what ails them. Addressing conditions early or preventing

them from occurring in the first place can occur with timely and consistent primary care and excellent population health.

The hospitals and health systems of the Delaware Healthcare Association (DHA) are on the forefront of creating the new value-based payment systems for Delawareans. Payment reform incentivizes quality and positive patient outcomes. Payment reform will better ensure patient access to high quality health care, support a robust primary care system, and focus efforts on population health.

DHA has been a strong advocate for reform and actively participated in Delaware's State Innovation Model ("SIM") initiative. SIM worked to advance our State's health care delivery system in developing new delivery and payment models focused on moving toward value-based care, improving care coordination for chronic disease, reducing variations in care, and developing quality scorecards to assess health outcomes. DHA member health systems have also embraced new health and payment delivery structures like Accountable Care Organizations (ACOs) to tie reimbursement to value and quality. ACOs are shared savings programs where a groups of doctors, hospitals and other medical providers come together to provide coordinated high-quality care to their patients. If those providers come in below their expenditure goals, they get to share in the savings produced.

Value-based care is powerful and effective. Nationwide, hospitals participating in ACOs have saved millions of dollars for Medicare while delivering high quality, coordinated care. ACOs are an important step in the move toward other value-based payment models. Significantly, all adult general acute care hospitals in Delaware are Medicare ACO participants.

Payment reform isn't simple or cheap. Payment reform requires substantial investment in data collection and assessment tools and other infrastructure. Nationally, hospitals invest approximately \$5 - \$12 million initially and \$6.3 - \$14.1 million annually in time and resources to establish and maintain ACOs. This investment produces results -- hospital-affiliated ACOs are saving patients and Medicare millions of dollars -- \$174 million in net savings to Medicare in 2017 alone.

In addition to ACO participation, Delaware hospitals are also developing statewide Clinically Integrated Networks to assure the highest quality care. In partnership with legislators and the Administration last year, Delaware hospitals have committed to the goal of having 60% of patients under value-based contracts by 2021.

Hospitals are making significant commitments to value-based care, but we need insurers and our state partners to come together and work jointly with us to move toward value-based models. If providers, payers and state government join hands, our work together can achieve our shared goal of providing all Delawareans with accessible, high quality, and financially sustainable health care. ■