



# Top Net Revenue Opportunities

## Healthcare Revenue Recharge – Episode 6, Value-Based Care

August 22, 2024

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*Presented by:*

**Jane Jerzak, RN, CPA – Principal**

**Martie Ross, JD – Principal**

## Introductions

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**Jane Jerzak, RN, CPA**  
Principal

Jane brings three decades of audit and consulting experience to her work with PYA healthcare clients in the areas of financial modeling, clinical data analytics, and strategic advisory support. Along with the PYA Business Intelligence and Managed Care service lines, she assists health systems, hospitals, ambulatory surgery centers, and physician clinics to recognize appropriate reimbursement.

Jane is a recognized thought leader and has authored articles on a wide range of topics, including value-based care, strategic hospital analytics and pricing, clinical integration, population health, and more.

## Introductions

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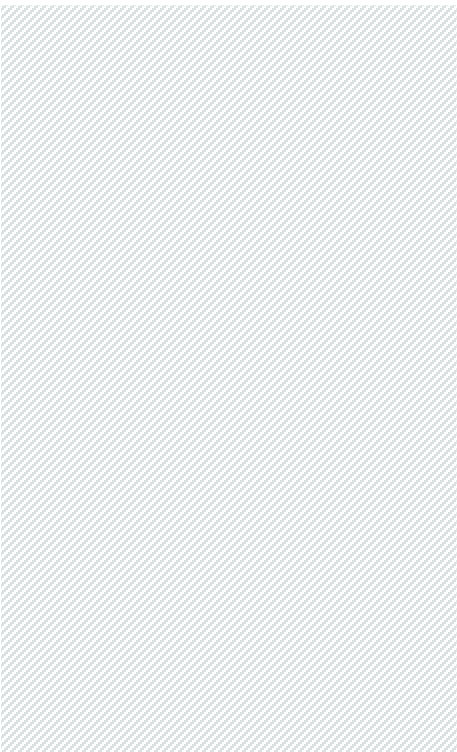
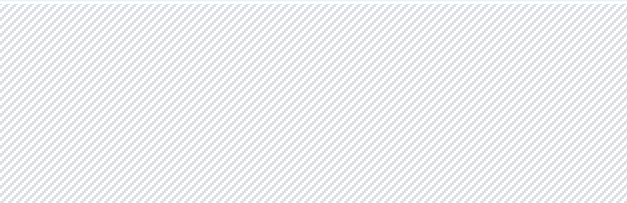


**Martie Ross, JD**  
Principal

Following a successful two-decade career as a healthcare transactional and regulatory attorney, Martie now serves as a trusted advisor to providers navigating the ever-expanding maze of healthcare regulations. Her deep and wide understanding of new payment and delivery systems and public payer initiatives is an invaluable resource for providers seeking to strategically position their organizations for the future.

Martie synthesizes complex regulatory schemes and explains in straightforward and practical terms their impact on providers. She has made hundreds of presentations to professional and community organizations on a broad range of industry topics.

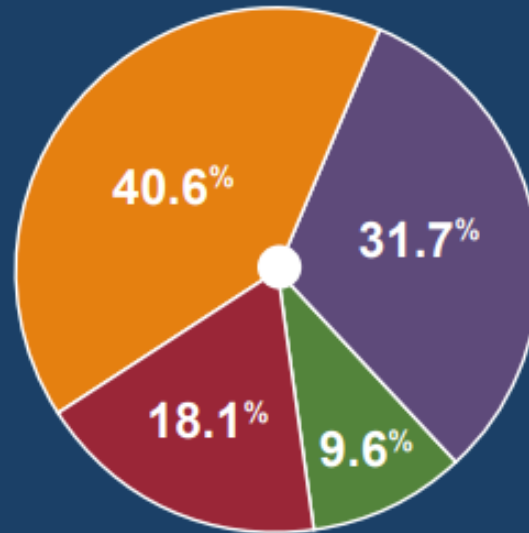
# What Is Value-Based Care?

 <b>Category 1</b> Fee for Service <i>No Link to Quality &amp; Value</i>	 <b>Category 2</b> Fee for Service <i>Link to Quality &amp; Value</i>	 <b>Category 3</b> APMS Built on Fee for Service Architecture	 <b>Category 4</b> Population-Based Payment
	<b>A</b>	<b>A</b>	<b>A</b>
	<b>Foundational Payments for Infrastructure and Operations</b> (e.g., care coordination fees and payments for HIT investments)	<b>APMs with Shared Savings</b> (e.g., shared savings with upside risk only)	<b>Condition-Specific Population-Based Payment</b> (e.g., per member per month payments, payments for specialty services such as oncology or mental health)
	<b>B</b>	<b>B</b>	<b>B</b>
	<b>Pay for Reporting</b> (e.g., bonuses for reporting data, or penalties for not reporting data)	<b>APMs with Shared Savings and Downside Risk</b> (e.g., episode-based payments for procedures and comprehensive payments with upside and downside risk)	<b>Comprehensive Population-Based Payment</b> (e.g., global budgets or full/percent of premium payments)
	<b>C</b>		<b>C</b>
	<b>Pay-for-Performance</b> (e.g., bonuses for quality performance)		<b>Integrated Finance &amp; Delivery System</b> (e.g., global budgets or full/percent of premium payments in integrated systems)

Source: <https://hcp-lan.org/apm-framework/>

# Rates of Adoption

## Aggregated Payment Data 2022



86.7% of the market represented in the survey

Based on 64 plans, 4 states, and Traditional Medicare

**CATEGORY 1**  
FEE-FOR-SERVICE  
NO LINK TO QUALITY & VALUE

40.6%

**CATEGORY 2**  
FEE-FOR-SERVICE  
LINK TO QUALITY & VALUE

18.1%

**CATEGORY 3**  
APMS BUILT ON  
FEE-FOR-SERVICE ARCHITECTURE

**3A**  
Upside Rewards for  
Appropriate Care

16.7%

**3B**  
Upside & Downside  
for Appropriate Care

15.0%

**CATEGORY 4**  
POPULATION-BASED PAYMENT

**4A**  
Condition-Specific  
Population-Based  
Payment

3.6%

**4B**  
Comprehensive  
Population-Based  
Payment

5.3%

**4C**  
Integrated Finance  
& Delivery  
Systems

0.6%

24.5% Combination of Categories 3B, 4A, 4B, & 4C Represents Two-Sided Risk APMs

Source: <https://hcp-lan.org/workproducts/apm-infographic-2023.pdf>

# Growing Pressure to Reduce Prices



April 2021

## How Corporate Executives View Rising Health Care Costs and the Role of Government

Prepared by:

Gary Claxton, Larry Levitt, Matthew Rae  
KFF

and

William Kramer, Shawn Gremminger  
Purchaser Business Group on Health

- 87% of executive decision makers at 300+ large private employers said healthcare costs will be unsustainable in 5 – 10 years
- 85% expect government will need to intervene to contain costs (price controls)
- 92% want action on anti-competitive behavior; 90% want greater price transparency

Research Report

### Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely

Findings from an Employer-Led Transparency Initiative

Chapin White, Christopher Whaley



- In 2018, relative prices for hospital inpatient services averaged 231% of Medicare and 267% of Medicare for hospital outpatient services
- Employers should pursue price concessions, exclude high-priced providers from networks

# Payer Response



- **Purchasers** (i.e., employers) assume they have limited options to control costs
  - Unaware of value-based payment opportunities
  - Lack of payer price transparency
  - Inability to evaluate quality of care
  - Unwillingness to accept narrow networks
  - Slow growth in use of on-site clinics, centers of excellence, care management/medication adherence
- **Payers** (e.g., United, Anthem, CIGNA, Aetna) post record profits
  - Limited incentives to pursue value-based care
  - Continued success in blaming providers for high healthcare costs

# Typical Payer Strategies

**Recommend plan designs  
that offload more costs to  
employees**

**Aggressively negotiate  
price concessions from  
providers**  
(exercise market power)

**Impose utilization controls  
on providers**  
(pre-authorization requirements,  
coverage limitations)

**What is the impact of these strategies on providers?**



# Providers' Value-Based Payment Strategy

1

Effectively manage employee health plan and uninsured population to reduce system operating costs

2

Develop competencies to succeed under emerging Medicare & Medicaid payment models

3

Offer local employers' meaningful opportunity to manage healthcare costs and improve employee health (versus price negotiations)

4

Incorporate shared savings models in payer contracts to align incentives and protect health system margins (glide path strategy)

Thank you!

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# Thank you for attending!

In our *Revenue Recharge* webinar series, PYA shares ways health systems and providers can identify revenue opportunities, leading to a more sustainable and visionary future for the enterprise and better healthcare for patients.

For an on-demand recording of this webinar and for information on upcoming topics and dates, please visit: <https://www.pyapc.com/healthcare-revenue-recharge-webinar-series/>

PYA webinar audio recasts are currently available on [Spotify](#), [Apple Podcasts](#), [Google Podcasts](#), and the PYA website.



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