

Value-Based Payment NEWS

Deloitte Survey Sees Early Success for Value-Based Oncology Payment Models

The Deloitte Center for Health Solutions talked to health plans, providers and clinical pathway developers involved with oncology payment models to see which approaches work, the early results and the potential impact on innovation. In *Value-Based Payment Models in Oncology: Will They Help or Hinder Patient Access to New Treatments?* they report their findings. Here are excerpts.

- “Many health plans, health systems and oncology groups have begun experimenting with value-based payment models – many of which target drug spending -- to control rising costs, reduce unexplained variation in care and improve outcomes. Four of them are being tested in the commercial market: financial incentives for adhering to clinical pathways, patient-centered medical homes, bundled payments and Specialty ACOs.”
- “All of the organizations indicated that they had seen early signs of success and were working to evolve and expand the models.”
- “Value-based payment models can influence prescribing through two key mechanisms, using evidence-based clinical pathways to provide decision making support and including drug costs as part of bundled payment models.”
- “All providers were implementing clinical pathways to steer prescribers to the most cost-effective drug treatments, regardless of payment model, evaluating compliance with evidence-based pathways to find opportunities for savings on drug spending. Implementing a clinical pathway tool is among the first steps for providers participating in any of the payment models.”
- “The cost of drugs is calculated directly into reimbursement for the majority of bundled payment models being piloted. Participants [said] their bundles varied from covering the cost of one service to covering all services for up to two years. Almost everyone included drug treatment as part of the bundle, though most providers were not taking on downside risk.”
- “Several plans were experimenting with flexibility for providers using expensive new treatments, including precisely defining bundles based on cancer stage and biomarker status, adjusting bundle prices frequently, carving out new treatments and incorporating a stop-loss provision.”
- “Other health plan leaders and providers were strongly opposed to bundled payments for oncology, expressing concern about the underlying complexities of standardizing a bundle for a disease where variation is normal, due to patient and disease characteristics, particularly when patient volumes for any particular bundle are low.”

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Besler Report Details Hospital Tactics for EPM Success

There are three key ways that hospitals can maximize their success under bundled payment programs, according to Besler Consulting in a new report. They can reduce internal costs, “so that whatever reimbursement is received for the episode is as profitable as possible.” They can reduce post-discharge costs, largely in collaboration with post-acute providers. And they can improve their Medicare quality scores, for federal programs.

The consultants outline specifics in *Three Ways to Succeed Under Episode Payment Models*. “The landscape for hospital reimbursement is rapidly changing from a fee-for-service environment to a value-based system,” comments Jonathan Besler, CEO and President at Besler. “We published this report to help illuminate some of the strategies hospitals can use to navigate the changes.”

Here are details:

- **Internal costs.** While it won’t “have an impact on a hospital’s reconciliation under federal episode payment models,” the report explains, “it is imperative for hospitals to minimize expenses related to EPM patients.” For one thing, federal programs lop 3% off the top when calculating reimbursement rates; for another, if the episode cost exceeds those targeted rates, the facility faces a payback. A key to minimizing internal costs is, of course, length of stay, the report notes, adding that while “reducing LOS is always a challenge,” there are “issues that can be traced back to a lack of preparation and coordination rather than a true medical need.”

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