



## Leadership for Value-Based Care

*Four areas of knowledge and skills must be mastered to make the move from fee for service.*

At its core, healthcare transformation is about improving healthcare value, and a question executives and governing boards are wrestling with is how to successfully transition to value-based models of care delivery and payment. Many organizations are not yet ready to have their payments tied to achieving cost and quality objectives for patient populations and assuming some level of risk.

Health systems cannot afford to wait to see how early adopters fare before they begin to move away from fee for service. If they do, they risk losing market share and their competitive advantage.

“Value-based care is here to stay—you need to get started today and not put it off,” advises George Lynn, former CEO of AtlantiCare and past chairman of the American Hospital Association. “And, it’s 180 degrees from what we’ve learned about reimbursement: What made your organization successful in a fee-for-service environment will make you unsuccessful under value-based care models.”

Lynn says senior leaders and healthcare organization boards must understand how dramatically different the relationship between cost, access and quality of care becomes in the move

from a fee-for-service to a value-based care model. And, they also must consider the skills, competencies and tools leaders will need to succeed in an environment focused on delivering value. Chief among the new required competencies is a broad and deep understanding of risk.

“Expect to take on some level of risk—the question is, in what form?” says Phil Kamp, CEO of Valence Health, Chicago, a firm that offers healthcare organizations solutions for value-based care, helping them assume financial control and improve quality of care delivery.

Lynn, a Valence Health board member, and Kamp have identified four areas of knowledge and skills CEOs must master and help their boards understand in making the value-based care shift.

### Understand What Assuming Risk Means

Risk models differ among Medicare, Medicaid and commercial insurers. Hospitals and health system leaders need to understand the level of risk various models pose and ensure the risk models in which their organizations choose to participate complement each other well. For example, if a health system has adopted both

bundled payment and capitation, bundled payments should not be the dominant approach.

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### Know Your Market

For many health systems, competing effectively under value-based care models may mean creating regional partnerships. Hospital leaders must first determine the number of patients they will need to care for to be profitable under various value-based care models or scenarios. For example, the right volume of patients and providers needed for a successful commercial pay-for-performance contract will differ from the number of patients and contracted healthcare providers needed to offer a successful Medicare Advantage product. Each value-based care arrangement opens the door to partnering with one or more provider organizations—and each region’s solutions will be unique. There is no cookie-cutter approach.

An organization's market share is a critical factor in setting strategy. If a hospital or health system is a dominant player in its market, the answer might be to purchase the resources the organization will need to position itself effectively for value-based care. If it's not, the organization likely will have to form relationships with primary and tertiary care providers and payers.

**Dive Into Data Analytics**

Chief executives and boards will need to better understand risk management and patient population data to determine actionable steps for improving health in specific populations. Analyzing the data from EHRs is a start, but this approach alone isn't sufficient. It's even more important to

have the capability to aggregate data from multiple sources, such as practice management systems and admissions, discharge and transfer information from numerous facilities. Payer, pharmaceutical and lab data should figure into the mix as well, as each provides insight into how and where care is being delivered and how care could be more effectively delivered in the future.

Most hospital leaders will need help in making strategic sense of their data. Adding insurance and actuarial expertise to the board or bringing in outside expertise can be helpful. One of the biggest mistakes hospitals sometimes make is thinking their CIO and hospital IT staff can do it alone.

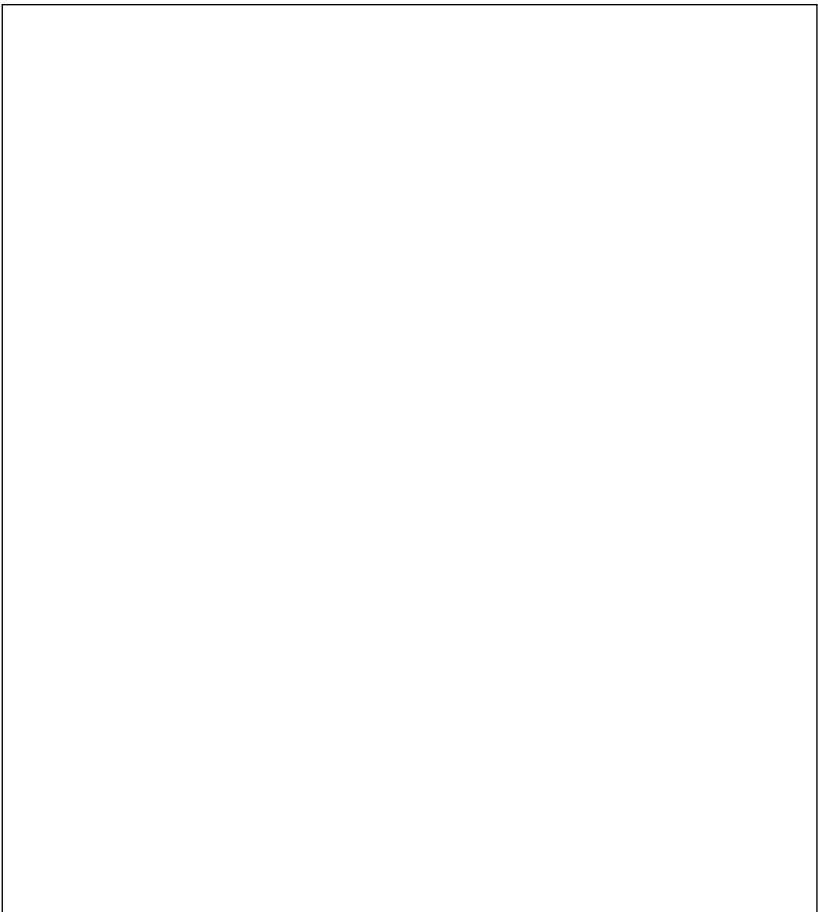
**Engage Physicians as Value-Based Care Partners**

Because physicians will be compensated differently under value-based business models, healthcare senior leaders and boards should understand what incentivizes physicians to accept risk and follow clinical best practices. They also should ensure physicians understand how the move toward value-based business models affects reimbursement. Effectively engaging physicians as partners often requires developing physician-led groups that can represent the diversity of clinical voices needed when making and implementing value-based care decisions.

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Physician leaders can be worth their weight in gold, particularly in pulling together employed and independent physicians to achieve value-based goals or forming contracting partnerships. They should be mentored and developed at every opportunity and lead the processes of standardizing care protocols, referrals, physician compensation and delivering quality care.

To be effective, physicians should have significant representation on



committees that will advise and make value-based care recommendations. Within those committees, solid primary care representation also is needed because those providers are the clinical linchpin of value-based care.

Primary care providers are vital for identifying patient populations for whom the healthcare organization will ultimately bear clinical and financial responsibility. Understanding where the organization's primary care providers are making specialty and facility referrals also is important. An examination of referral patterns may indicate which additional physicians a system should try to attract to its network to expand its service population under various value-based care models or risk-based contracts.

### **The Value of a Collaborative Effort**

Once healthcare organizations and physicians are clinically integrated, they can assume risk together. Such a model often supports more effective negotiation with payers and should provide participating physicians with more information about their patients, allowing them to provide more individualized care.

"In the value-based care model, much more effort needs to be devoted on the front end of care delivery to prevent hospitalization," Lynn says. "The physician is still the pivot, but the incentives have changed. Healthcare organizations should regularly communicate with physician practices to make sure

they have the resources to care for patients in the right place and at the right time."

Above all, chief executives and boards must be ready to step up and lead change. "Find your comfort level on the risk-taking continuum," Lynn advises. "What's most important is to do *something*. Lots of organizations can benefit from doing feasibility studies to prepare for risk and can get help learning how to manage it as well." Best practice models can be found in pediatric health systems, he adds, particularly for dealing with risk management under Medicaid.

Kamp says the vast majority of executives he talks with think value-based

care is inevitable, and all healthcare stakeholders must embrace it. "It's really a big chance to take control of how care is delivered; and it puts more of that control—both clinically and financially—in the hands of providers," he says. ▲



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