How to reap the benefits of value-based reimbursement.

1. Set a course for parts unknown – together!
2. Cost accounting levels the risk-based playing field
3. Where to go from here
Set a course for parts unknown – together!
Death, taxes, ICD-10… and value-based care

Do you remember the early advice to prepare for ICD-10?

Get everyone in the practice – especially the docs – to understand and support the initiative (whether or not they agreed with it!); everyone in the practice on the same page. Because delays included, the transition to ICD-10 was inevitable.

The transition to value-based care is inevitable too. But similarities to the ICD-10 transition end there.

“The shift from volume-based to value-based health is inevitable.”

New England Journal of Medicine-”Catalyst”
The two transitions: ICD-10 and value-based care…

...apples and oranges
The transition to ICD-10 was a one-time event with two one-year delays before the October 1, 2015 go-live date. There are no delays in the transition to value-based care and there is no specific go-live date. “The transition” to value-based care will take years. Stakeholders creating value-based reimbursement and shared-risk models will continually refine them… without end!

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The unknown incentive of value

We’re all heading for “parts unknown” in the transition to value-based care because we’re so early in the transition. The wide array of alternative payment models means there’s no benchmark for guidance. No historical performance milestones. The big compass is Triple Aim: better patient experience (including quality and satisfaction); improved population health; lower costs.

But after that, until some precedence and patterns emerge, it’s an alternative payment model “free-for-all.” The industry has to execute enough shared-risk payment contracts to confirm what works and what doesn’t. In this “learning process,” ambulatory practices will become more adept with quality reporting and clinical data analytics – two core functions that drive alternative payment models.

The most significant guidance to date was announced in Spring 2016 when The Centers for Medicare & Medicaid Services (CMS) launched the largest ever multi-payer initiative to improve primary care, called the Comprehensive Primary Care Plus (CPC+) model. From a news release announcing CPC+ it’s evident that cost and utilization will help determine the amount of remuneration practices receive.

The American Medical Association (AMA) has extensive information on working with actuaries to accurately assess and manage the risk associated with alternative payment models.

The ability to provide meaningful data builds a solid foundation for value-based care readiness.
As ambulatory practices are pushed to take on more risk, collaborate across care settings, and welcome shared savings opportunities, they must leave the old fee-for-service life behind. It’s a challenge because often the focus is to restructure patient care processes to improve quality and patient experience. But leaving behind fee-for-service also should change a practice’s RCM.

It better, or the negative revenue impact of low first-pass claims performance could pale in comparison to the substantial financial loss of a poorly executed shared-risk contract.
Cost accounting levels the risk-based playing field
Cost accounting is the key to back office RCM success

Without robust cost accounting, providers will struggle to negotiate risk-based/shared-risk contracts successfully. Because they won’t be able to identify the best methods for cultivating value. How can you decide on the right level of risk to accept without knowing the costs to provide treatment and services?

Cost accounting in healthcare? Really?

Managing risk without cost accounting becomes guessing at risk. Cost accounting is the recording of cost incurred to create a product, provide a service, or accomplish a purpose or objective. After cost accounting data is collected, classified, and recorded, the data is summarized and analyzed to determine the economic factor of, in the case of healthcare, achieving objectives in an alternative payment/risk-based contract.

We haven’t… because we haven’t had to!

Sure. It’s a pretty new concept in healthcare. Ambulatory practices and facilities haven’t historically examined this amount of financial detail because the fee-for-service reimbursement model doesn’t consider cost. That changes now. Permutations of cost accounting can determine the price to deliver patient care to certain populations and in particular settings.

However, it’s still crucial to review your claims data alongside the bigger picture of your practice’s or facility’s cost data.

(Psst! Healthcare is one of the only industries that does not use cost accounting as a tool for reimagining processes…until now.)
It’s a challenge. Yes it is.

Accepting the need for cost accounting in healthcare is just the first step. The true challenge lies in creating reliable, consistent access to data that can inform the cost accounting process – information that includes resource(s) utilization, time spent with patients, clinical protocols, claims data, etc.

Until now, health information technology (HIT) has not facilitated smooth access to these various kinds of data. Practices have had to gather and interpret this information on their own. A time-consuming and resource-intensive proposition for sure. However, technology and services are evolving to change this.
Where to go from here
First, another look at your own clinical and administrative workflows is always a good strategy.

Tracking true costs across your clinical and administrative workflows starts with cleaning up workflows you already know need improving. For example, inaccurate patient registration data still is enough of an issue to mention here. It was true ten years ago and it’s true today. The opportunities for error are plentiful, from entering a transposed health insurance member number to not catching a duplicate record, and dozens of ways to end up with bad information at the very beginning of a patient visit.

‘Nuff said: “Garbage In; Garbage Out.” [GIGO]
The only way to get answers to the above questions and others like them is to introduce robust cost accounting into the financial workflow of a practice:

- Examine claims data
- Review utilization information
- Evaluate your clinical protocols, including time and motion studies

A great first step is to start with one or two patients and develop some cost accounting methodologies around them. As you get more comfortable with capturing data needed for robust cost accounting, you’ll expand and apply your cost accounting data collection process to other patients, and even to other patient population groups.

Sound daunting? Well... yes! Sure it does!
Put it all together and start now to capture reliable cost information

In the not-so-distant future, there will be technologies and services that can bring healthcare organizations the cost accounting data they need in a usable and meaningful format. But practices shouldn’t wait to launch new cost-capturing processes; payers are not waiting to create alternative payment models!

Even though your practice’s ability to engage in true cost accounting is still evolving, here’s another review of the strategies you can follow – right now – to start capturing reliable cost information.

Recap of key strategies

1. First, closely examine the value-based models you are participating in or are considering.
2. What are the costs associated with treating the patients that comprise the shared risk contract?
3. What resources are used?
4. Which resources are used the most and why? And with what success?
5. On average, how much time does it take to manage each patient encounter?
6. What percentage of your patients follow the “average time for patient encounter?”
7. How many outliers are present?
8. What are the costs to treat “average patients” vs. those who fall outside your established norm?
Take the Next Step.

There’s no better time than right now to engage one of our revenue cycle management professionals. Learn more about the technologies and services we’re creating to bring healthcare organizations like yours the cost accounting data you need in a usable and meaningful format.

You can end up on the reward side of value-based reimbursement! But you need a plan and an approach to capture cost data, analyze it, and leverage the data to make sound decisions around the alternative payment models that are fast becoming “normal” in our industry.