

## Integrating Value-Based Payments in Healthcare

By: Tom Burch, CRPC®

### *Integrating Value-Based Payments in Healthcare*

Healthcare reform has led many physicians to express concerns about the future of the industry. Change is difficult, and can often lead to stress. Stress is a heavy burden to bear as a physician and can unintentionally affect the treatment of patients.

The traditional fee-for-service payment system is under criticism for driving up the nation's healthcare bill by rewarding overuse. Under this model, providers are penalized for providing better care that keeps patients from repeatedly interacting with the health system. Various efforts to change productivity incentives for doctors and hospitals are being tested nationwide. One is a value-based payment model that offers bonuses to doctors delivering high-quality care that is cost effective. They would be compensated for the value of the care they provide, rather than the volume of services rendered.

### *Defining Value*

There are various value-based care models for an organization to choose from and it's up to the provider to determine which is the best fit for their healthcare organization. While most agree that the shift to value-based payments is a positive development for the industry, some healthcare systems simply don't have the infrastructure in place to evaluate their population's risk factors yet. Furthermore, there is no broad agreement as to what "value" means and how to measure it, as many value-based arrangements are largely still experimental at this point.



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For many, value is linked to patient satisfaction. This has led many to increase their focus on hospitality, food quality, décor and other factors conducive to a positive experience for the patient. However, patient satisfaction is not always indicative of quality healthcare and outcomes. There are still some areas of medicine that could lend themselves better to a fee-for-service reimbursement for quantifying productivity.

For value-based payment models to work there has to be a way to motivate patients into taking ownership of their health. In addition to eating well and exercising, patients need to take their prescribed medication and follow instructions from their doctor. Ultimately, value-based payment cannot address all the underlying causes of poor health and many have suggested that a broader public health strategy is necessary.

### *Decline of Private Practice*

A number of employers and insurers are already paying health systems a yearly, all-inclusive payment for each patient regardless of their medical needs or how many

tests are dispensed. Insurers have also become more aggressive in demanding lower rates from individual practices with little clout to resist. Providers also worry that the goalposts will always be in flux, and that insurers will simply offer less during the next contract if savings are achieved in the 1st year. Standardizing performance metrics and benchmarks across the many insurer plans and provider groups will be challenging.

Smaller practices are struggling to keep overhead low in this new era of greater regulations and declining reimbursements because they don't have the leverage to effectively negotiate terms and fees with an insurer. As a result, the percentage of physicians in solo and partnership practices continues to drop. According to data from Merrit Hawkins, one of the nation's leading physician placement firms, search requests for soloists fell from 22% of all requests in 2004 to 1% in 2012.

The decline of government and private health plan payments, along with the need to invest in electronic health records, are just a few fac-



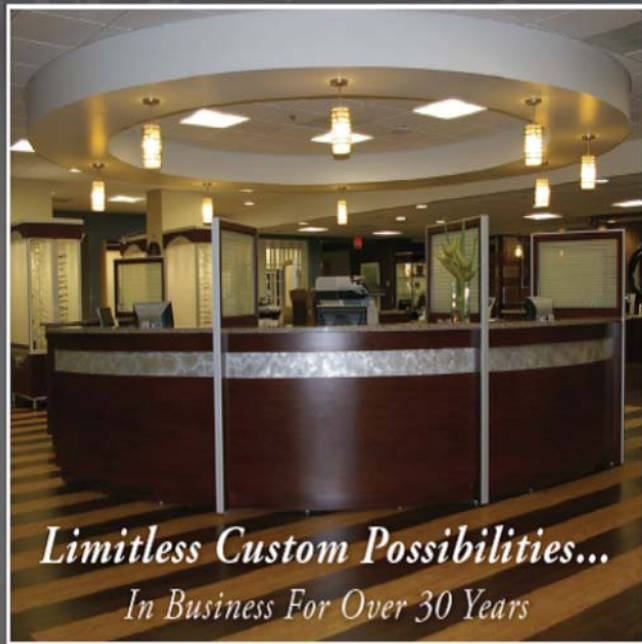
tors that have many doctors considering consolidation with major health systems. Medical systems are also increasing the number of doctors they hire as employees. Large hospitals have a reputation for not negotiating after they've made an initial offer, but signing and productivity bonuses can be increased by having a solid grasp of the market value for that area.

While remaining independent is a challenge, many small and solo practices improve their chances of survival by banding together in independent practice associations (IPAs) that share administrative services. These function similar to group practices but allow the physician the flexibility to set their own hours, hire their own staff and opt-out of certain insurers. However, hospital employment doesn't mean a physician has to totally relinquish control. Many doctors receive leadership and director positions with their new employers that allow them a fair amount of input regarding critical decisions. No matter which route they choose, physicians today have to be more intentional about having a clear strategy for maintaining profitability.

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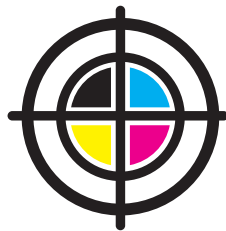
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