

Structuring Your PPS For VBP Success



Fair, Evidence-based Solutions. Real and Lasting Change.

PPS Learning Symposium
September 17th 2015

About HCI³

- **Not-for-profit that designs and implements programs to improve the quality and affordability of health care in the US by modifying the current incentives driving provider and consumer behaviors.**

National Perspective on VBP

- **The Good:**
 - Medicare (CMMI) has jolted the system off the status quo, and there's no turning back
 - States have followed suit, increasing the momentum
 - Private sector employers are pushing ahead, slowly, but some private sector health plans have gotten into high gear
- **The Bad:**
 - CMMI has made many incentive design mistakes
 - States have had a tendency to take a one-size-fits-all approach
 - Employers are only dabbling in VBP
 - National health plans are barely engaged (despite the rhetoric)
- **The Ugly:**
 - CMMI seems deaf to constructive criticism
 - Providers are getting ripped between two conflicting sets of incentives
 - Claims and benefits administration systems are stuck in the 20th century

An Organizing Principle

Form follows Function, and Function follows Incentives

“While there is a shared recognition that organizational form is never an end in itself, nor a guarantor of good performance, boards will need to guard against the risk that form takes center stage rather than function, diverting attention from how sustainable improvements will be delivered for patients.”

United Kingdom’s National Health Services Report, 2014

Most payers do not understand this. NYS is an exception !!!

Some Generalized Models of Organizational Forms

- Collaborative solutions – federations and joint ventures
- Contractual solutions – service level chains and management contracts
- Consolidated solutions – integrated care organizations, multi-site and multi-service chains

Some Examples From Retail

Collaborative

True Value.

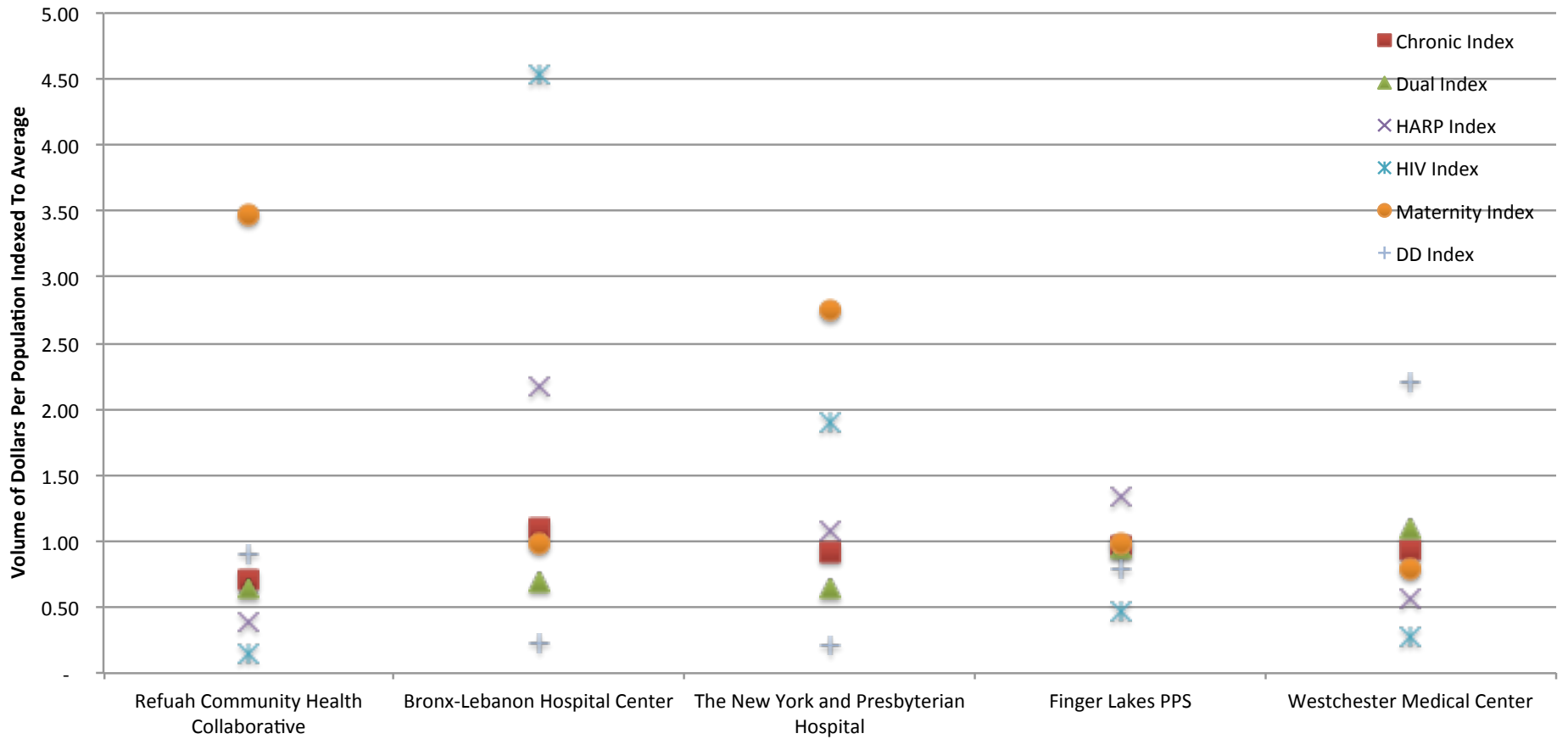
Contractual



Consolidated



Not Every PPS Is The Same



What's The Bottom Line?

- **Understand your "customers"**
 - The patients and their families
 - How they're segmented
 - moms having babies
 - patients with chronic conditions
 - HARP
 - The types of services they must have to get favorable outcomes
- **This analysis helps identify the functions you have to excel at...and therefore the form you should create around those functions**

How Do You Execute The Strategy?

- **Buy v. Build**
 - Do you need all the functions aggregated in one organization?
 - Are there some functions others are better at and that you can subcontract to?
- **Federate v. Integrate**
 - Is an Amazon-like structure more flexible for your patient population than a Target-like structure
 - In a True Value model the different functions can be co-owners, operated independently but under one corporate brand
 - Does this actually matter to your patients?

Once The Form Has Been Shaped Around The Functions...

- How will the incentives trickle down to the line clinicians?
- What happens when one function (e.g. maternity/newborn care) does really well but the mothership is over budget?
- What happens when some functions do well, others do poorly and the mothership breaks even?

Important Principles Of Motivation

- 1. Systematically eliminate bad incentives**
 - If you're judging performance based on RVUs and you want a group to effectively manage a HARP cohort, that won't work.
- 2. Accountability has to be tied to line of sight on actionability**
 - If you're holding the OB/Gyn group accountable for a mom's total cost of care, including breast cancer, when their line of sight is on the pregnancy, delivery and newborn, that won't work.
- 3. Feedback on cost and quality has to be timely, reliable, actionable**
 - Aim for quarterly reports

And Here's The Good News For NY

- **Every company in every other sector of the economy has been dealing with these issues successfully for decades**
- **There are lots of best practices that can be found in innumerable case studies**
- **Seek help from the larger companies in your market (Xerox in Rochester, GE in Albany, IBM in the Taconic Valley, any Fortune 50 in NYC, etc..)**

Some Final Recommendations

- Know your “customers” and identify your biggest opportunities for winning
- Develop or engage the analytic capabilities you need to monitor financial and quality progress
- Get your commercial contracts in line with your Medicaid ones – it’s almost impossible to manage the incentive conflicts
- And always remember: Form follows Function and Function follows Incentives

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