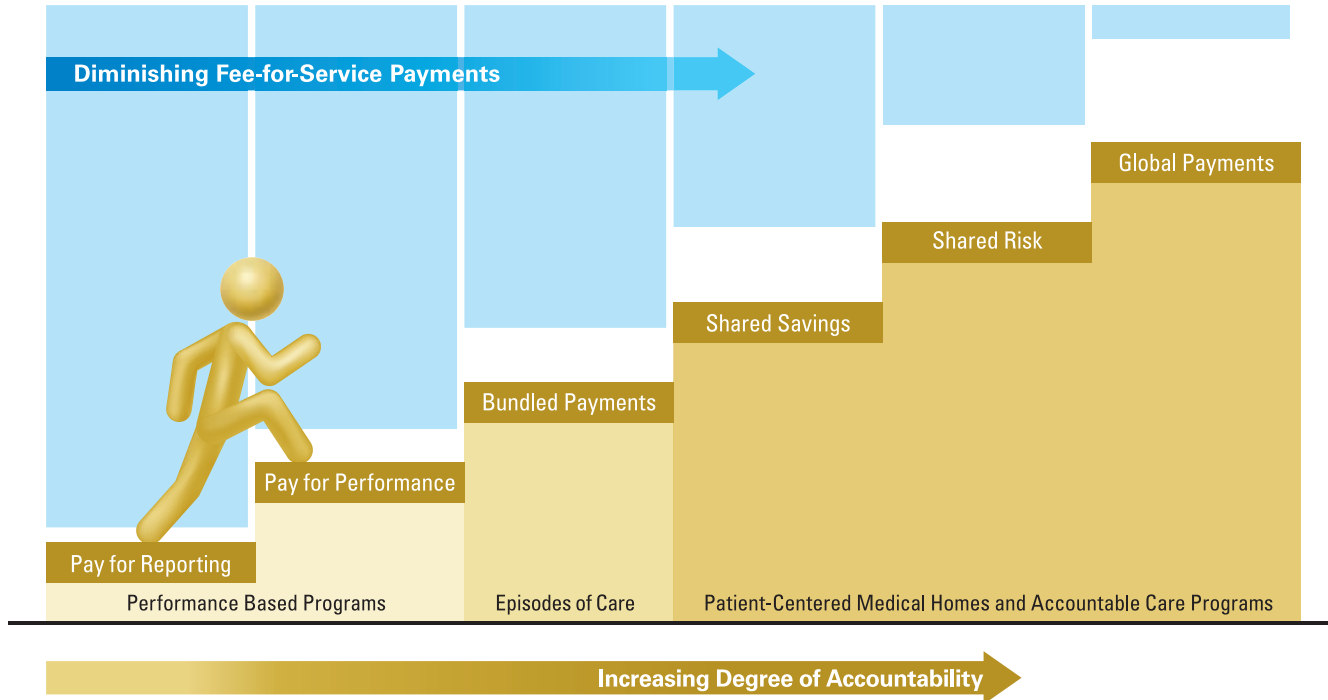


Transitioning Toward Value-based Payments



Rising health care costs are unsustainable. Slowing health care costs means improving the quality and efficiency of care while addressing the access and experience of the care. The industry as a whole—from Medicare to commercial payers—is moving away from fee-based volume of care to reimbursement for improved outcomes of care or value-based care.

This graph shows the trajectory of change of the physician payment system: from volume to value. The volume-based fee-for-service payment system will become less common, as the degree of accountability and the level of financial risk increase. Physicians are encouraged to take accountability for:

- The increased quality and lower costs of provided care (*Pay for Performance payment model*)
- The entire episode of patient's care (*Episodes of care*)
- The entire population of patients (*ACOs and PCMHs*)

With each step, physicians assume more financial risk connected with incorrect prediction of services needed within a defined episode of care or for a defined population of patients.

Note: The foundation of the fee-for-service payment system—the resource-based relative value scale (RBRVS)—will remain the foundation of the value-based payment system. This means that the base price for a service will still be determined by the resources needed to provide that service.

Steps:

- **Pay for Reporting:** Physicians are paid a bonus for reporting quality metrics (*PQRS* and *Meaningful Use* resources)
- **Pay for Performance:** Physicians are paid a bonus for doing well on reported quality metrics or have to pay a penalty for not reporting (*VBPM*)
- **Bundled Payments:** Physicians are paid a flat fee for all services rendered to a patient during a defined episode of care. For chronic conditions, episodes of care are usually one year long (*Bundled Payments*)
- **Shared Savings:** Physicians are able to share in the savings they achieve if the actual cost of care they provided is lower than targeted total costs (*Shared Savings*)
- **Shared Risk:** Physicians are able to share savings they achieve but they must also assume risk if no savings are achieved
- **Global Payments/Capitation:** Physicians are paid a single payment for all services needed by a population of patients during a specific period of time (*Global Payments*)