

# Issue Brief

## Alternative Payment Methods



### The Issue

- Efforts are underway to transform the nation's health system to emphasize value over volume. The federal government is tying Medicare payments to quality and value through alternative payment models.
- Alternative payment models seek to deliver better care at lower costs. Providers, payers and others in the health care system are making fundamental changes in their day-to-day operations that improve quality and reduce the cost of health care.
- The Affordable Care Act (ACA) created a number of new payment models that move the needle further toward paying health care providers for the quality of the care they give patients, instead of the quantity of care.
- In these alternative payment models, providers have a financial incentive to coordinate care for their patients and get the right care to the right patient the first time.
- Examples of alternative payment models include:
  - Pay-for-Coordination - coordinates care between multiple health care providers.
  - Pay-for-Performance – health care providers are only compensated if they meet certain metrics for quality and efficiency.
  - Bundled Payment - reimburses health care providers for specific episodes of care such as an inpatient hospital stay.
- More than 400 Medicare Accountable Care Organizations (ACO) participating in the Shared Savings Program and the Pioneer ACO Model have generated a combined \$417 million in savings for Medicare.

### Challenge

- Historically, health care providers have been paid based on the quantity of services they give patients, with each x-ray, test, procedure or doctor's visit bringing in more money. This model inadvertently encourages more and more tests, and poor coordination of patient's care. This incentivizes providing a greater quantity of care instead of a greater quality of care that prevents future illnesses in addition to treating existing illnesses.

### Our Position

- **Presence Health supports improvement in patient experience and coordinated care to optimize health outcomes.** We support efforts to improve the patient experience and strengthen outcomes while reducing the cost of health care through new delivery models and payment mechanisms.

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- **Change takes time.** Hospitals and health care systems need adequate time and may require financial assistance in upgrading infrastructure in order to transition to new payment models. Measures of quality care will need to be streamlined and standardized.
- **Payment needs to reflect the real cost of care.** Payment rates through these models need to be improved to reflect the actual cost of care. Providing incentives through these new payment models for hospitals and health care systems to keep healthy patients healthy will lead to long-term, positive health outcomes.