

The Academy Lumeris Strategic Tracking Survey

Strategic Survey Q4 2018: The Evolving Payment Model & Physician Alignment

December 2018

The Evolving Payment Model & Physician Alignment

Introduction

As the percentage of care delivered through risk-bearing payment arrangements continues to grow, health systems are implementing strategies to increase organizational alignment around quality and cost goals. To improve alignment, health systems are integrating value-based metrics such as quality, satisfaction, and access into their physician compensation models.

In Q4 2018, The Health Management Academy (The Academy) conducted an assessment of Leading Health Systems to understand organizations' evolving payment models and identify strategies for increasing physician alignment.

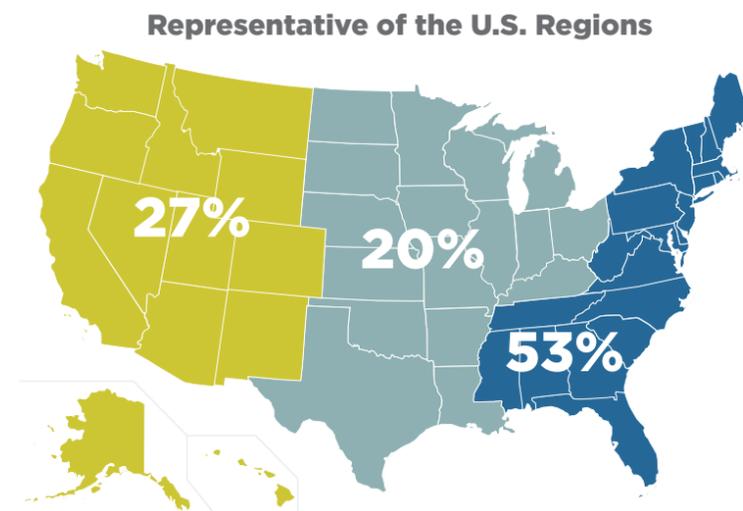
Methodology

In November 2018, The Academy conducted the seventeenth round of phone interviews for its quarterly strategic survey among Leading Health System executives, including: CEOs, COOs, CFOs, CMOs, CNOs, and CSOs.

The survey for the interview consisted of:

1. A tracking section that provides insight into trends around primary strategic areas; and
2. A special topic area that allows for an in-depth look into a timely developing issue.

Profile of Participating Health Systems



**MEDIAN
REVENUE**
\$3.8
BILLION

OWN OR OPERATE
172 HOSPITALS
WITH **34,250 BEDS**

SINGLE-STATE SYSTEMS: **67%**
MULTI-STATE SYSTEMS: **33%**

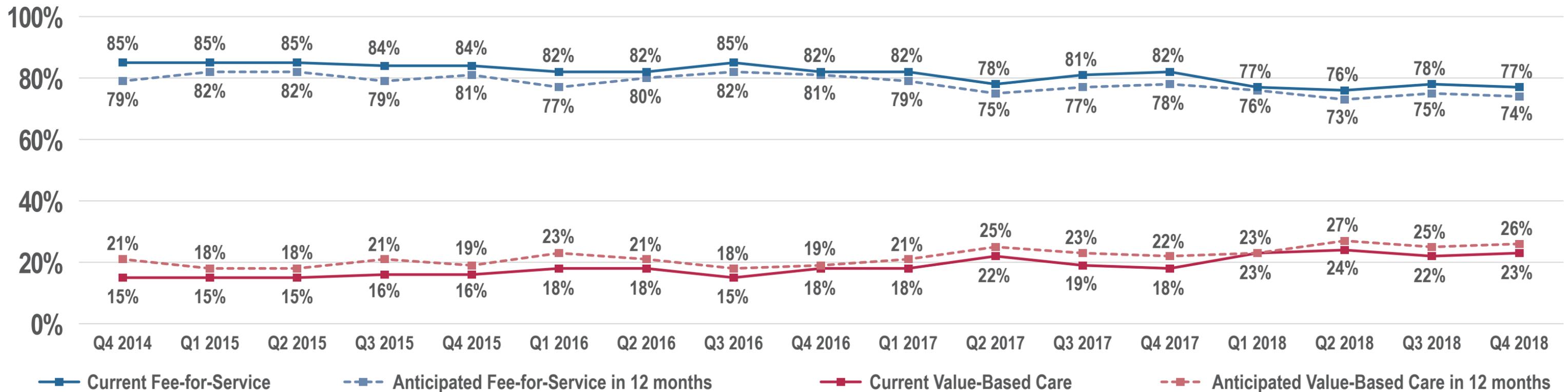
Key Findings

1. In Q4 2018, Leading Health Systems reported that fee-for-service payments account for 77% of total care delivery, while value-based payments account for 23% of care delivery.
2. Half (50%) of health systems indicate the pace of change toward value-based care is happening *quickly* or *very quickly*.
3. Leading Health Systems report primary care physicians have a higher percent of compensation tied to value-based metrics (17%) compared to specialists (10%).

Value-Based Care Continues Steady Growth

Half (50%) of Leading Health System executives reported that the pace of change towards value-based care is happening either *quickly* or *very quickly* at their organization. Reflective of this pace, the percent of care delivered via value-based models increased 5 percentage points year over year, accounting for 23% of total care delivery in Q4 2018. However, fee-for-service (FFS) payment remains the predominant reimbursement model, with 77% of care delivery accounted for by FFS payments. Health system executives anticipate modest growth in value-based care in the next year, projecting on average of 26% of care to be delivered by value-based payment by Q4 2019.

CURRENTLY, WHAT PERCENT OF YOUR CARE DELIVERY IS FEE-FOR-SERVICE AND VALUE-BASED? WHAT DO YOU EXPECT YOUR CARE DELIVERY TO LOOK LIKE IN 12 MONTHS?



“The health system is making strides, but payers have no interest in anything but FFS. We run an expensive health system based off of the trend that payers are going to switch to value-based care.” (COO)

Health Systems Tie Physician Compensation to Value

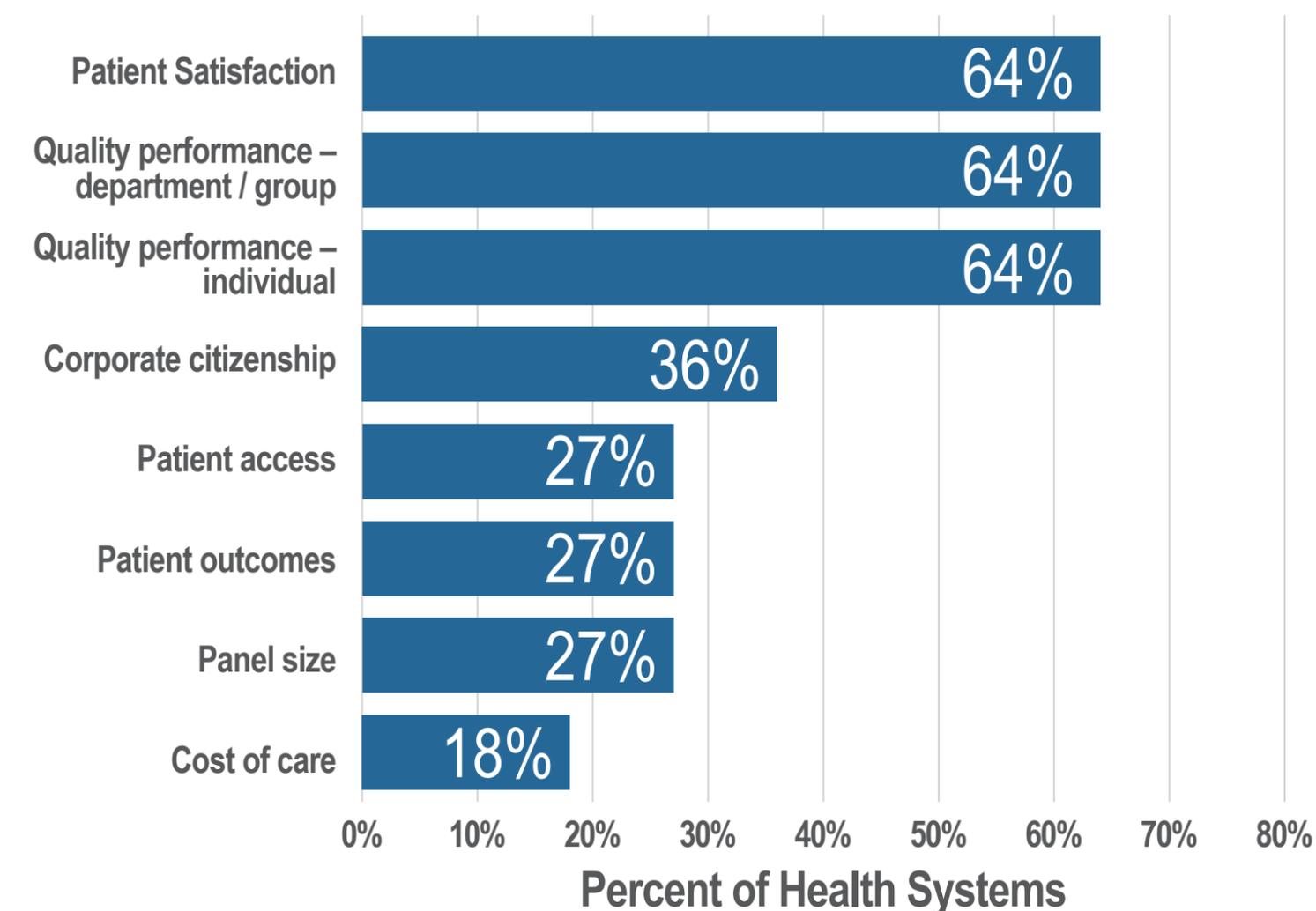
In Q4 2018, Leading Health Systems reported that their organization typically compensates physicians on a RVU-based model, with an additional value recognition component based on quality and service metrics. Health systems commonly utilize one compensation model for all employed physicians with modifiers based on specialty or region.

All health systems indicated some proportion of physician compensation is tied to value-based metrics; however, the percentage is usually higher for primary care physicians. On average, 17% of primary care physician compensation is currently tied to value, compared to only 10% for specialist physicians. Value-based metrics commonly included in physician compensation include patient satisfaction (64%) and quality performance at both the department/group and individual levels (64%).

Many health systems are evaluating their current compensation models and anticipate increasing the percentage of compensation tied to value. As health systems move further into risk-bearing arrangements, executives are working to more comprehensively align compensation with value-based care delivery.

“We have a productivity-based component to our compensation plan, as well as a value component that we continue to grow.” (CFO)

WHAT VALUE-BASED METRIC(S) ARE USED IN YOUR SYSTEM'S PHYSICIAN COMPENSATION MODEL(S)? (CHECK ALL THAT APPLY.)



About the Academy

The Health Management Academy (The Academy) is a membership organization exclusively for executives from the country's Top-100 Health Systems and most innovative healthcare companies. The Academy's learning model identifies top priorities of health system leaders; develops rich content based on those priorities; and addresses them by convening members to exchange ideas, best practices, and information. The Academy is the definitive trusted source for peer-to-peer learning in healthcare delivery with a material record of research and policy analysis. Offerings include C-suite executive peer forums, issues-based collaboratives, leadership development programs, research, advisory, and media services. The Academy is an accredited CE provider. More information is available at www.academynet.com



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About Lumeris

Lumeris serves as a long-term operating partner for organizations that are committed to the transition from volume-to value-based care and delivering extraordinary clinical and financial outcomes. We guide health systems and providers through seamless transitions from volume to value, enabling them to deliver improved and more affordable care across populations—with better outcomes. And, we work collaboratively with payers to align contracts and engage physicians in programs that drive high-quality, cost-effective care with satisfied consumers—and engaged physicians.

An industry recognized leader, Lumeris won the 2018 Best in KLAS award for value-based care managed services for helping clients deliver improved clinical and financial outcomes. This was the third year it received this distinguished award. For the past seven years, Essence Healthcare, Lumeris' inaugural client with more than 65,000 members in Missouri and Illinois, has received 4.5 to 5 Stars from the Centers for Medicare and Medicaid Services. Lumeris is committed to delivering these same results with its multi-payer/multi-population clients to meet their goals and missions.

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