



## Value Transformation: A Journey to Better Care and Lower Costs

It is widely acknowledged that our rising unsustainable health care costs, coupled with poor health outcomes, necessitates transformation of the way we deliver and pay for health care. Historically, medical services have been paid for on a fee-for-service (FFS) basis, a model that compensates providers based on the volume of services furnished, rather than the quality of care provided. Value-based payment offers a powerful alternative by changing incentives for providers and rewarding them for better patient outcomes and lower spending. While various value-based payment models have shown promise in reducing costs and driving positive health outcomes, the reality is that true transformation is a journey that takes time, investment, and commitment, and those who pursue the transition should have realistic expectations for when financial return on investment (ROI) can be realized.

Evidence to date shows that VBP models have been successful at reducing health care costs. A national study released in June 2018 by ORC International that surveyed 120 payers found that value-based care strategies reduced average medical costs by 5.6%. Almost a quarter of respondents reported savings as high as 7.5%. In addition, almost two-thirds of the payers reported improvements in quality, provider relationships and patient engagement<sup>1</sup>. Thus, VBP is a powerful tool that both holds providers accountable for cost and quality while improving patient interactions with the health care system.

VBP is about more than just reducing costs or improving quality measurements, it signifies a fundamental shift in the way health care is delivered. Value-based models encourage physicians and provider networks to care for the whole person and seek infrastructure that addresses both clinical and non-clinical needs such as food security,

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<sup>1</sup> <https://www.changehealthcare.com/press-room/press-releases/detail/change-healthcare-study-finds-value-based-care-bending-the-cost-curve>

housing and transportation. This holistic approach will help achieve the "triple aim" of improving patient experience, health outcomes, and reducing costs.

It is imperative for the health care system to adopt VBP models and test new and innovative strategies. Equally as imperative is the need to establish institutional commitment at all levels of an organization to build a new system despite challenges and the long-term investment needed to yield ROI. For example, innovation agility remains a problem. The 2018 study found that only 21% of payers are capable of rolling out a new episode of care program in three to six months. Over one third of payers need up to a year to launch a new program, and the other one third requires 18 to 24 months. As one FQHC Executive and Task Force member has said, ““The best way to assess [transformation change] is not in the grand scheme, but in the small, incremental changes where the improvement is made.”<sup>2</sup>

Change does not happen overnight, and true transformation is a journey that takes times time and investment. Medicare Accountable Care Organizations (ACOs) are a good example of this. In October 2017, Centers for Medicaid and Medicare Services (CMS) found that the likelihood of shared savings increases the longer an ACO has been in the program meaning the chances of success improved over time<sup>3</sup>. This reflects the time and upfront investment required to redesign care delivery and implement new infrastructure.

Thus, policymakers and the public are well advised to have appropriate and realistic expectations for the pace of transformation and return-on-investment over time. The need for and promise of transformation are clear, we look forward to continuing to advance VBP and to realize its full potential as the nation continues to move away from fee-for-service and embrace a more patient-centered, sustainable alternative.

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<sup>2</sup> <https://hcttf.org/2017-9-13-the-transformation-to-value-a-leadership-guide/>

<sup>3</sup> <https://www.healthaffairs.org/doi/10.1377/hblog20171120.211043/full/>