The Four Critical Drivers of Healthcare Reform

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With the constitutionality of the Affordable Care Act no longer in dispute, it is essential to their continued viability for healthcare providers to adapt successfully to a healthcare system transforming from a fee-for-service payment model to one of value-based purchasing. This article will discuss the four critical drivers of the value-based payment model and examples of the metrics used to measure them in the Affordable Care Act.

KEY WORDS: Affordable Care Act; healthcare reform; value-based purchasing; Accountable Care Organization, Patient-Centered Medical Home.

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In 2005, a decision made by the Centers for Medicare & Medicaid Services (CMS) initiated the transformation of the U.S. healthcare system payment model from one historically based on fee-for-service (FFS) to one of value-based purchasing (VBP).[1] No longer would a provider's reimbursement be determined by the number of services provided, but by the value of those services. Although the Obama administration fully codified the new VBP model in the Affordable Care Act (ACA), the initial stages of VBP were proposed and implemented by the Bush administration, thus ensuring that VBP payment model is here to stay no matter which political party controls Congress.

THE CRITICAL DRIVERS AND METRICS OF VBP

The goals of improving quality and reigning in the escalating healthcare costs in the United States have dictated the four critical drivers of VBP embedded in the ACA: clinical quality, patient outcomes success, healthcare system efficiency, and patient safety. Let's look separately at each critical driver and examples of the financial metrics the ACA uses to measure them (Table 1).

Clinical Quality and Patient Outcomes Success

Debuting this October are two examples of financial penalties codified within ACA that illustrate the importance of the clinical quality and patient outcome of success. The first is the CMS incentive payment system. To fund the incentive, this program withholds 1% of the total yearly reimbursements to providers and eventually increases it to 2% when fully implemented in 2017.[2] The withheld monies are returned as an incentive payment only if the provider attains benchmark levels in 12 processes of care and eight patient satisfaction measurements.

The second example is the CMS program penalizing hospital readmissions. This program attempts to abate the currently greater than 19% of patients readmitted within 30 days of discharge.[3] There are two financial punishments to providers in this program. The first is providers will not be paid for services related to the original admission diagnosis rendered during the readmitted patient's hospital visit. Similar to the incentive payment system, the second punishment is levied in the form of a penalty to a provider that has a readmission rate greater than a predetermined benchmark. Initially, this penalty is CMS keeping 1% of a hospital's base Medicare reimbursement. The retained monies will increase in a 1% yearly increment to a maximum of 3% in 2014. With a reported median hospital's operating profit of 5% in 2011, failure to recapture the 2% withheld monies in the form of an incentive payment, and being penalized the 3% for too many readmissions, will have devastating consequences for many hospitals.

Healthcare System Efficiency

Two examples of this critical driver's metrics are the Patient-Centered Medical Home (PCMH) and the Accountable Care Organization (ACO). The PCMH financially rewards providers for guiding patients through the healthcare system maze, reducing repeat tests, and preventing preventable illnesses. Providers are reimbursed for their healthcare system efficiency by keeping costs down, rather than encouraging visit after visit and test after test. With ACOs, providers hope to gain greater monetary rewards by

Table 1. Examples of Critical Drivers of the Affordable Care Act's Value-Based Purchasing Payment Model

Clinical Quality	Patient Outcomes Success	Healthcare System Efficiency	Patient Safety
Incentive Payment Program	Incentive Payment Program	Patient-Centered Medical Home	Hospital-Acquired Conditions
Hospital Readmission Program	Hospital Readmission Program	Accountable Care Organization	Public Reporting of Provider Performance

assuming the financial risk of insuring a pool of patients. To realize these rewards, they must deliver healthcare with a more efficient and unified delivery system. Both PCMHs and ACOs will leave money on the table if they are not more efficient than the traditional healthcare delivery model.

Patient Safety

Patient safety is enhanced by the ACA in two major ways: decreased reimbursement for hospital-acquired conditions (HACs) and required public reporting of provider performance information. HACs represent a condition or comorbidity that the patient acquires during a hospital visit, which was not present on admission. Since 2008, payments have been denied for the more common HACs, such as decubiti, fractures resulting from patient falls, catheter infections, or preventable deep vein thromboses. With the ACA, the list of HACs has grown and is mandated to continue to increase. This will result in decreased provider reimbursement for previously reimbursed patient adverse events.[4]

The coupling of the public's appetite for information and the ACA requiring the Center for Quality Improvement and Patient Safety to make its findings available to the public may represent the largest financial hit for providers. A wide range of information will be posted on the Internet, ranging from staff friendliness, infection rates, wrong-site surgery, and preventable patient deaths. Members of the public will shun the underperforming providers and will take their illnesses along with their wallets to those providers that score the highest grades.

CONCLUSION

Changing from a fee-for-service to a value-based purchase payment model is a transformative shift affecting all aspects of the U.S. healthcare system. For providers, understanding the four critical drivers and the metrics used to enforce them is essential to their financial viability.

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