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# Value-Based Payments:
# An Essential Catalyst for Genuine Healthcare Reform

## By Mario J. Paredes

For the general public, the concept of Value-Based Payments (VBP) is pretty much an unknown. Over the past 15 years, however, VBP has emerged as a critical factor in the urgently needed reform of publicly-funded healthcare—Medicaid in particular. Thanks to an innovative pilot program launched by the New York State Department of Health (NYSDOH), the benefits of VBP—which links compensation of health-care providers to the actual health outcomes of their patients—will be put in the spotlight as never before.

Medicaid historically has followed a fee-for-service system that pays physicians, hospitals, and other providers for tests, office visits, and procedures – an approach that has led to fraud, inefficiency, and duplication of services. More perplexing, though, is that the actual health and wellness of the patient is not part of the equation. In fact, fee-for-service does not provide incentives for doctors to track the most important outcome of health care: how the patient is actually doing, whether his or her health is substantially improving, and lastingly so.

In comes the Delivery System Reform Incentive Payment (DSRIP) program, launched by the NYSDOH in 2015 to achieve the “triple aim” of reducing costs, improving health outcomes, and providing a better patient experience. With an overall goal of reducing unnecessary hospitalizations – the major cost center of the traditional Medicaid system – by 25 percent over five years, DSRIP will save New York taxpayers billions of dollars.

Value-based payments are the “Incentive Payment” in the DSRIP model. In this new world, Primary Care Physicians will be paid based on the degree to which the patient demonstrates good or better health – a far more meaningful outcome than the number of office visits or tests administered. Better health outcomes translate into fewer hospitalizations, which in turn translate into significant savings, which—as NYS Medicaid Director and DSRIP architect Jason Helgerson makes clear—are reinvested into the state’s Medicaid system. DSRIP and VBP make for a win-win-win formula—first of all for the state’s most vulnerable citizens, but also for providers and New York State taxpayers.

The VBP system is designed around the needs of the human person, the patients, be it concerning preventive or acute care, or the treatment of chronic conditions. Literally and figuratively, doctors are more invested in the wellbeing of their patients. This means, among other benefits, that poor New Yorkers, who for so long were lost in the old-model Medicaid bureaucracy, will find it easier to build a meaningful relationship with community-based Primary Care Providers. Patients get to spend more time with the contemporary equivalent of the old-fashioned family doctor—a doctor who really gets to know his or her patients, as well as their families.

In practical terms, through funding and logistical support, the DSRIP program steers so-called Performing Provider Systems (PPSs)—networks to which Primary Care Providers sign on—toward the transformation of doctors' offices into Patient-Centered Medical Homes (PCMHs), the nerve centers of optimal patient care. PCMH places Primary Care Physicians front and center in the total care of their patients, with control over both the value of care they deliver and the inherent costs of such care. Through unprecedented access to data, doctors are able to closely track their patients' medical history and provide better coordinated, more holistic care.

All this monitoring and integrating of data goes into providing patients with tailored care of the highest possible quality. The DSRIP program aims for holistic care, also taking to account, for example, mental health needs and social determinants of health. In Jason Helgerson's vision of the VBP system, the Primary Care Provider becomes a community leader who, "breaking down silos" on behalf of patients, reaches out to community-based services in the areas of education, housing, employment, criminal justice that are vital to the physical, psychological, even the spiritual health of the patient.

Such is the power of the VBP formula—the role of the Primary Care Physician is rehabilitated and reconceived as "change agent" in the fullest sense, in the community at large, and in individual lives. Moreover, again in contrast with the old way of doing things, DSRIP's data-driven approach ensures the full transparency regarding cost and outcome of Medicaid-provided care.

DSRIP involves an intricate process of measurement, data analytics, and accountability. Its five-year mandate has reached the mid-point and participating doctors must henceforth deliver the level of performance—superior patient health outcomes—that is required by the VBP system. The risk can be significant for doctors operating as independent small business owners. However, VBP promises significant rewards, not only in terms of compensation but also in terms of a sense of accomplishment that befits the high calling of the medical profession.

As the nation's political leadership decides the fate of the Affordable Care Act, continuing the difficult, but urgent task of reforming the nation's public health care system, there can be no doubt that some form of Value-Based Payment is part of the solution. VBP holds the key to genuine reform that will deliver better health care at lower cost—for the benefit of all stakeholders, not least of whom are the most vulnerable Americans.