

# The MarketTech Group

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# Minute

## Value-Based Care (VBC) Evaluation Post-COVID 19

EDITORIAL

VBC is defined as a patient-centric healthcare model that prioritizes patient outcomes and experiences, shifting away from a focus on service volume, and controlling costs by aligning incentives with care quality and efficacy. As healthcare costs are on the rise in the U.S. and hospitals are facing post-COVID 19 staffing challenges, as well as other resource issues, VBC models offer a different approach to tradition Volume-Based models. Though hampered by slow adoption, VBC models may offer a means of reducing overall costs to both patients and payers, all while improving patient healthcare outcomes.

In this edition of The Minute, TMTG explores the benefits and challenges of VBC models, the willingness of institutions to adopt these models, and how this may impact the decisions of healthcare technology vendors. In a lengthy interview with Bruno Piquin, the Chief Executive Officer of Ensure Data Solutions, we discuss the overall trends of these models.



### MARKET OVERVIEW

#### Value-based care (VBC) has gained momentum post Covid-19

The VBC concept created a paradigm shift. Unlike the traditional fee-for-service model that ties reimbursements to the number of services and procedures provided, the VBC model is patient-centric, and reimbursements are contingent upon patient health outcomes.

While the appeal of such an approach has gained popularity over the years due to an aging population and long-term chronic conditions, along with increasing resource pressures, the VBC model has not yet been fully adopted. Meanwhile, COVID-19 has affected and reshaped the healthcare industry in inconceivable ways.

Our latest [QuickPoll](#) revealed that not only has VBC acceptance increased post Covid-19 amongst hospital directors and managers, but also that better patient outcomes have become a critical factor during MedTech purchases.

In addition, there is a direct statistical correlation between the influence of VBC metrics and the likelihood to pay a premium price for a medical technology

### CASE STUDY: *OrthoChoice in Sweden*

#### The Challenge:

Sweden, despite having one of the world's most progressive healthcare systems, still faces challenges common to developed nations, like an aging population, higher rates of chronic conditions, and stretched medical budgets.

#### The Solution:

In 2009, Stockholm County launched the OrthoChoice program which linked knee and hip replacements to a value-based model. Under the program, 3.2% of bundled payments are withheld, and paid retroactively if the provider meets various outcome goals, such as reduced waiting times and pain reduction.

#### The Impact:

By 2011, revision surgeries and complications decreased by 20% and costs declined by 17% per patient on average, as compared to a control group.

The program was expanded in 2013 to also include spinal surgeries, with 10% of bundled payments withheld, and reimbursement contingent upon positive patient outcomes.

VALUE-BASED HEALTHCARE IN SWEDEN Reaching the next level. (n.d.). <https://impact.econ-asia.com/perspectives/sites/default/files/value-based-healthcare-inswedenreachingthenextlevel.pdf>



# INTERVIEW OF THE SEMESTER

## Bruno Piquin

Chief Executive Officer, Ensure Data Solutions,  
Miami, FL, USA



**Interviewer: Dr. Christian Renaudin, TMTG Partner**

**Q: What are the benefits and challenges of Value-Based Care (VBC)?**

**BP:** I would say that the entire healthcare system has been based on volume, right? This is how healthcare providers bill. It's a fee-for-service environment, with the exception of a few geographies and a few provider types that have obviously been involved with Value-Based care.

That is the main challenge there, VBC for a number of healthcare providers is something that's very difficult to understand. For the last 50+ years that entitlement programs like Medicare and Medicaid have existed, that's definitely something that has been all fee for service. That's a shift that is challenging for providers.

The second thing is the availability of healthcare data and the sharing of healthcare data. Only recently with the Fast Healthcare Interoperability Resource standards, that are still not well adopted at this point, will definitely have an impact on VBC and promote Value-Based care, but at this point it is definitely still a challenge. The third item is the technology, the analytics; there hasn't been a strong adoption of analytics platforms because there has been limited data sets available to feed into those platforms.

[For] the benefits, I think your definition of VBC explains basically the benefit that it's all about. It's focused on the patients, it's focused on health outcomes, it's managing those two things with a limited set of resources. In order for VBC to be effective, healthcare providers and patients, quite frankly, need to work together so that they minimize the use of healthcare resources and still generate a very strong and positive outcome for patients.

**Q: Who do you think, as an organization, has demonstrated a great adoption of VBC, health system or payer, in particular other than CMS?**

**BP:** I would say Kaiser Permanente was probably one of the very first adopters of VBC. You're talking about a health system, hospitals, that back in the day were using a fixed premium and delivering care within that, and they were, in my mind, the early adopters of VBC.

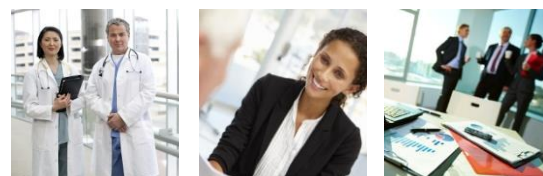
Some of the national brands like Humana are definitely strong believers and adopters of VBC. I would say they have done a good job at spreading and promoting VBC. They've displayed this in their earnings calls and the investors days where they had charts comparing the outcomes performance between VBC and non-VBC environments, even going back ten to twelve years.

United is definitely right there as well. Although they've had more challenges because they've got a strong commercial presence, and I think that has been a bit of a distraction for them, they really started getting big into VBC. When they bought PacifiCare back in 2005, that's really when they started getting big into VBC ...

[Access the full interview here](#)

INTERVIEW

## ON THE HORIZON VBH Can Relieve System Stress



### Facts

- By 2025, VBC contracts are projected to cover nearly 65 million people in the US, representing 22% of the insured population compared to 15% in 2021.<sup>(1)</sup>
- In 2022, U.S. healthcare spending per capita is estimated to be over \$12,000. At a projected annual growth rate of 4.5%, these expenditures could reach as high as \$19,000 by 2030.<sup>(2)</sup>
- A 2019 report found that as many as 6 in 10 Americans suffer from chronic conditions including high blood pressure, mental illnesses, and diabetes. As much as 30% of American adults have multiple chronic conditions.<sup>(3)</sup>

### At Stake!

- The Centers for Medicare and Medicaid Services (CMS) offer numerous VBC programs, including the Hospital Readmission Reduction Program, the Value Modifier Program, and the Hospital Acquired Conditions Reduction Program.<sup>(4)</sup>
- Despite increased healthcare spending, the U.S. ranks last in overall performance among developed nations according to a 2019 Commonwealth Fund report. Metrics used include avoidable deaths per population, physician visit rates, and hospital bed availability.<sup>(2)</sup>
- VBC encourages proactive healthcare monitoring, ultimately reducing chronic conditions rates.

### So What?

- Hospitals that provide excellent care receive adjusted payments under CMS' Value-Based Purchasing Program. The program measures hospital performance on metrics such as mortality and complication rates, as well as patient safety and experience.
- Incorporating a VBC system allows payors to efficiently distribute costs and mitigate risks among a wider patient population.
- By promoting more prevention-based services, rates of chronic conditions are reduced, freeing hospital resources that would have been used for chronic disease management, and reducing overall costs.

Source:

- (1) The next frontier of care delivery in healthcare | McKinsey. (n.d.). [www.mckinsey.com](http://www.mckinsey.com).
- (2) What is Value-Based Care, How it Works & Benefits | Aetna. (n.d.). <https://www.aetna.com/employers-organizations/resources/value-based-care.html>
- (3) What is value-based healthcare? | nejm catalyst. (n.d.). <https://catalyst.nejm.org/doi/full/10.1056/CAT.17.0558>
- (4) CMS' Value-Based Programs | CMS. (n.d.). [www.cms.gov](http://www.cms.gov). <https://www.cms.gov/medicare/quality/value-based-programs>



THE MARKETECH GROUP

[www.themarketechgroup.com](http://www.themarketechgroup.com)

502 Mace Blvd., Suite 15  
Davis, CA 95618

3, rue Emile Péhant  
44 000 Nantes - France

PH: +1 530.792.8400  
FX: +1 530.792.8447

PH: +33 (0)2 72 01 00 80  
FX: +33 (0)2 40 48 29 40

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