ASU experts say US needs to shift healthcare emphasis to pay for value

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Regardless of what you think about the Affordable Care Act (ACA), also called Obama Care, healthcare in the U.S. needs a major overhaul. That overhaul began with ACA, and now additional changes are going to be needed in order to make healthcare more economically sustainable in the U.S.

These changes should begin with a pay for value model that can drive the way healthcare is delivered in the US, according to experts at Arizona State University.

"If you really want better outcomes and lower costs for healthcare, and I think we all would be in favor of that, then we will have to find ways to pay those people who are getting better outcomes at lower costs and keeping them in business," said Dr. Denis Cortese, MD, director of ASU's Healthcare Delivery and Policy Program. This alone, Cortese said, would be a major shift from the current system based on pay for service.

Cortese and Robert Smoldt, associate director of ASU's Healthcare Delivery and Policy Program, recently published "A Roadmap to High Value Healthcare Delivery," which outlines the steps that are necessary to improve the delivery of healthcare in the U.S.

This "Roadmap" is the first of one of several publications by Cortese and Smoldt that show the way out of an ingrained healthcare culture, one which waits for sickness and pays for services, into a more pro-active

and efficient system that pays for keeping people healthy.

The present system is not sustainable, said Cortese, the former president and CEO of the Mayo Clinic. For example, federal spending on healthcare in the U.S. has risen from 5 percent of the total federal budget in 1970 to 23 percent in 2010.

Currently, the U.S. as a whole spends more than 17 percent of its GDP on healthcare – nearly twice as much as any other nation – but there is significant variability in both costs and patient outcomes within the U.S.

"Overall, the U.S. gets exactly what it pays for," Smoldt said. "We get more services because we order more services and somebody else pays for them. Does that make us healthier? Not really."

In order to change this, Cortese and Smoldt say three things need to happen: we need to pay for value, provide insurance for all, and implement greater integration and coordination among providers and payers.

Pay for value

Valuable healthcare is healthcare that provides good patient outcomes while using fewer resources. Today, in the U.S. that is not the case. Cortese said Medicare currently does not routinely pay for nurse provided care. In fact, it is a non-reimbursable expense for both Medicare and Medicaid.

"We couldn't even have nurses interacting with kids at school who have asthma and find a way to get them paid under the current system," he said. "We get much more money if we wait for the kids to get sick, hit the emergency room and then get admitted to the hospital. That is how everybody makes money today."

Likewise home healthcare services are not covered, so if the best way to care for a particular patient is to provide home health services – maybe with a nurse going into the home – nobody pays for that," Cortese said. "The payment mechanism only pays when you are sick. There is no payment to keep you healthy."

"If we really want something to happen in healthcare, we have to start paying for value not just for services," Cortese emphasized.

He added that Medicare needs to be the driving force in making paying for value an accepted practice.

Medicare is the largest payer for care in the U.S., so "it has a big influence on the way we practice," Cortese said. "With the new healthcare bill there are opportunities for them to begin some new pilot programs and begin to change the way we are being paid."

Insurance for all

The Affordable Care Act should expand healthcare coverage in the U.S. Lack of insurance is a contributing factor to poor health outcomes and poor chronic disease management.

Getting people insured is a step in the right direction, Smoldt said, but any long lasting policy must allow individuals to own their own insurance and have the means to choose appropriate medical care. Of this, there are two key components – consumer choice and consumer involvement.

Choice refers to giving the consumer different options from which to choose. It allows them to be the consumers of healthcare services and to become involved in making those critical decisions.

Consumer involvement could mean premiums would vary according to

whether the consumer is following healthy lifestyles and is following chronic disease treatment plans. For example, consumers who smoke, are over weight, have high blood pressure or high cholesterol, etc., would pay higher premiums.

"Several employers have implemented such plans and have found that the beneficiaries are more likely to follow treatment plans and healthy lifestyles," Smoldt said. "So there was an improvement in health and the overall costs were reduced."

Integration and coordination

Care and information must be integrated into all services, creating a seamless personalized experience for patients and providers, Smoldt and Cortese state. Integrated delivery systems exhibit higher quality and better cost-containment, they added.

Cortese said that when taken as a whole, these modifications should be relatively painless for the consumer, who oftentimes is loath to changes in healthcare policies.

"What they should be seeing is a better delivery of care and they should notice that if they had been going to the hospital on a regular basis, that they are not going to the hospital as often," Cortese said.

Quality of life will improve as a result.

"It's one thing to have diabetes and to learn to live with it," he added. "But if you live with it by being hospitalized every two months, versus living with it and being active – hiking, biking, playing golf, skiing – being more functional, you will notice that. Those are the improvements that will be measureable."

The Roadmap to High Value Healthcare is the first book published by Denis Cortese and Robert Smoldt that focuses what needs to be done to fix healthcare in the U.S. The next book, on what can be done to change and improve Medicare, is schedule for publication in early 2013. For more information, please go to: http://healthcaretransformationinstitute.org/page/publications-0

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