

Promise of value-based payments in health care remains unproven, study finds

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After a decade of experimentation with reforms that give health providers financial incentives to improve performance, relatively little is known about how to best execute such strategies or judge their success, according to a new RAND Corporation report.

A comprehensive report designed to assess the state of knowledge about value-based purchasing programs in health care found that evidence thus far is mixed about whether using such payment schemes can help improve quality and lower costs.

Most of the research on value-based purchasing has examined the effects of pay-for-performance programs that reward physicians and other health providers for improving the quality of care or reducing costs. Research is needed to understand the impacts of newer value-based payment models, such as accountable care organizations (ACOs) and bundled payments, that create stronger financial incentives for change, according to the report.

"The evidence from the past decade is that pay for performance had modest effects on closing the quality gap," said Cheryl Damberg, the study's lead author and a senior principal researcher at RAND, a nonprofit research organization. "Newer payment reform models such as ACOs are in their early stage of implementation and little is known at this point about their impacts on cost and quality, and how best to design these programs to succeed in achieving desired goals."

"The new models that are being adopted now have sharper teeth—putting health providers at [financial risk](#) for spending above negotiated targets—that may trigger significant changes by providers," she said.

The RAND report focuses on three broad types of value-based purchasing models:

- Pay-for-performance programs reward health care providers with a bonus or higher payments based on their performance on a set of quality and/or cost measures.
- Accountable care organizations are groups of doctors, hospitals and other providers that agree to coordinate efforts and be responsible for the overall cost and quality of care for a group of patients. Payments are tied to the total cost of the care provided, and providers share financial risk and a portion of any savings.
- Bundled payments provide a group of [health care providers](#) a fixed payment covering the average cost of a bundle of services.

The pay-for-performance model was the first value-based incentive model to be widely implemented, with accountable care organizations and bundled payment methods just beginning to be adopted.

Studies done to date on value-based purchasing have been inconclusive, with some showing modest cost savings and quality improvements, and others finding no meaningful changes. In addition, many of the studies about value-based purchasing had design flaws that make it hard to determine whether the intervention had an effect beyond other changes that were occurring in health care to cut costs and improve quality.

RAND researchers compiled the report by assessing value-based purchasing across three dimensions. First, they reviewed 129 value-based purchasing initiatives—primarily pay-for-performance programs,

but also accountable care organizations and bundled payment programs, to describe their design features.

In addition, researchers reviewed published studies that evaluated the impact of pay for performance, ACOs, and bundled payment programs. Finally, researchers organized a technical expert panel of value-based purchasing program sponsors, [health care](#) providers and program evaluators to comment on the evidence to date and to recommend strategies to build the evidence needed to inform the use of and design of value-based purchasing programs moving forward.

"The newer value-based purchasing models require [health providers](#) to build systems of care and coordinate their actions with providers in different settings to manage the totality of a patient's care," said Damberg, who holds the RAND Distinguished Chair in Health Care Payment Policy. "Given the complexities of care redesign, the need to share information across [providers](#) and the ability to absorb financial risk, it remains to be seen which of these approaches can work and under what circumstances."

The report calls for value-based purchasing program sponsors and evaluators to work together to define the list of priority research questions and data that need to be collected to generate the evidence policymakers require to inform program design and implementation.

Provided by RAND Corporation

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