



Part 1: *The Value Mandate:*

What It Means for Your Organization

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This is the first in a four-part series examining emerging research and best practices to help health care providers get in front of the challenges and pressures of providing patient care in a post-reform era. Part 1 sets the stage by examining what we now know about the improve quality/reduce costs value mandate. Parts 2 through 4 will discuss specific strategies for success in a value-driven environment.

As the Supreme Court of the United States prepares to hear oral arguments regarding the constitutionality of The Affordable Care Act (ACA) next week, two major issues are front and center:

1. The individual mandate that requires most Americans to have health insurance or pay a financial penalty
2. The extension of Medicaid eligibility to all citizens with incomes up to 133% of the poverty level

ACA opponents argue that the entire law must be overturned if the individual mandate is ruled unconstitutional; however, the court could rule that states must comply with ACA's Medicaid expansion requirement even if the individual mandate is ruled unconstitutional. The resulting expansion of Medicaid and the concurrent creation of state-administered exchanges that will make it less expensive for individuals and small businesses to purchase health insurance are expected to reduce the number of uninsured Americans from 50 million to 18 million persons.

Interpreting the Numbers

Because the uninsured receive, on average, about half the care of the insured population, adding 32 million people to the insurance rolls will create an immediate 5+ percent surge in the demand for health care services. But with or without this potential surge in demand, and no matter what the Supreme Court rules regarding the constitutionality of the ACA, bold steps must be taken to significantly reduce the amount of health care spending in the United States.

Despite a recent slowdown in the rate of growth, the United States still spends more on health care than any other country in the world, both on a per capita basis and as a percent of gross domestic product (GDP). According to the Centers for Medicare and Medicaid Services, national health care spending reached a record \$2.6 trillion in 2010, equivalent to 17.9 percent of GDP. Because Medicare and Medicaid spending are increasing faster than overall spending, bending the cost curve sharply downward will also help slow the growth of the burgeoning federal deficit.

With or without ACA, with or without insurance exchanges or Medicaid expansion, and with or without Accountable Care Organizations (ACOs), another controversial aspect of the ACA, the nation is facing a period of significant reform and transformation in how patient care is provided. The new mantra for health care providers is to deliver value, meaning that quality and outcomes must be improved while health care costs are lowered.



The Challenge of Delivering Value: Keys to Success

#1 - Lower Utilization Rates

The first key to success will be to significantly lower utilization rates for high-cost, discretionary, often unnecessary services, many attributable to the practice of "defensive medicine." A major shift away from fee-for-service payment for individual services toward bundled payments for coordinated, patient-centered care delivered by multiple providers in several disciplines across the health care spectrum will help make this happen.

#2 - Coordinate Care

A second key to success will be to deliver that coordinated care in the most cost-effective and efficient manner, which will require true clinical integration, timely information sharing, and shared accountability for both quality and cost management. A major focus will be on better management of chronic diseases and conditions, which should result in fewer emergency room visits, fewer hospital admissions (and readmissions), and improved health status.

#3 - Lead Boldly and Creatively

The third key to success will be bold and creative leadership of health care organizations, with physicians playing a larger role than ever before. The value mandate demands transformational change for all health care organizations. The most successful organizations will be those that create and nurture a culture that embraces the challenges ahead.

Join us as we examine these keys to success in the next three parts of our *Survive and Thrive Under Health Care Reform* series.



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