

# 3 Ways to Remove the Mystery from Value-Based Payments

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Removing the mystery from value-based payments (VBP) requires the ability to drill down into reconciliation summaries, using claims data analytics to determine:



- Specific factors that drive performance-based payment, including cost and utilization drivers
- How an organization's performance compares both regionally and nationally with that of other hospitals and physician practices
- The organization's strengths as well as opportunities for improvement

## VALUE-BASED PAYMENT MYSTERY BUSTERS

Although there are many ways hospitals and physician practices can use analytic tools and insights to understand and better manage financial performance under value-based contracts, a good place to start is to focus on three methods to reconcile back to payer reports for their value-based payment contracts.

*Move beyond Excel reports for analysis.* A HIMSS cost accounting [survey](#) found just 3 percent of healthcare leaders believe their organizations are prepared to make the switch from fee-for-service models to value-based contracts. One reason providers struggle under value-based contracts is their inability to drill down into performance in meaningful ways.

Often these static, high-level Excel reports are not optimized for enriched analytics or client customization, causing time-consuming, labor-intensive manual analysis.

To move beyond the Excel report, hospitals and physician practices should integrate claims data into a financial management system, where the claims can be cleansed, standardized, and extracted into organization-specific reports and dashboards. When the



definitions used by the Centers for Medicare & Medicaid Services (CMS) also are embedded into the provider's data model, healthcare leaders are better able to understand exactly how performance is calculated and where their specific opportunities for improvement exist.

Healthcare organizations should work to determine ways to integrate the claims data received from health plans to more effectively track and manage financial performance under value-based contracts.

*Focus on producing risk-adjusted performance reports by patient, physician, practice, setting, and episode (where relevant).* Once reconciled claims data is integrated into a system, segmenting populations by risk category enables hospitals and physician practices to measure performance by adjusting for risk. It also provides the ability to identify high-cost and high-risk beneficiaries for care management initiatives.

When organizations create physician-specific risk-adjusted performance reports, they are better able to have meaningful discussions with physicians, as they provide a common ground for comparison. A physician managing a population with many co-morbidities, for example, is more likely to engage in conversation around performance improvement when they can visualize patterns that have already taken their patients' health status into account. Physicians may otherwise hold to the fact that their population is unique, thus resisting any comparison to peers.

*Look for ways to reveal opportunities to reduce cost.* Integrating reconciliation reports into financial management systems better positions providers to examine drivers of costs for specific populations, including:

- Out-of-network leakage (by facility and provider)
- Avoidable admissions (by hospital, provider, and DRG)
- Readmissions (by hospital, provider, and type)
- Patterns for post-acute, urgent, and emergency care

Organizations participating in bundled payment contracts, for example, can use the data to pinpoint drivers of profitability under these contracts, including:

- Gain/loss by episode, provider, and procedure
- Episode cost distribution by service type

In one instance, an accountable care organization (ACO) used this information to determine which skilled nursing facilities (SNFs) delivered the best outcomes at the lowest

cost. The ACO felt confident it had developed a strong list of preferred SNFs, but taking a deeper look at the data enabled the ACO to refine its list to achieve greater value.

### **DECODING RECONCILIATION REPORTS**

There is no “one size fits all” approach to achieving value so it is important to understand the unique opportunities organizations have to meaningfully impact value performance. Leveraging data analytic tools and skillsets to drill down into detailed claims data not only decodes the mystery behind reconciliation reports, but also provides vital insight helping organizations better meet the needs of their communities. ●

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