Market Report:

The next leap in value-based care
While there’s no shortage of detractors decrying the long-term viability of value-based payment models, they may soon find themselves eating their words. The value-based care market has leaped ahead in recent years and the adoption of VBP models is showing strong signs of acceleration.

But that uptick only goes so far—thriving in VBC requires sound investments in people, technology, and data analysis. As organizations mature in VBC participation, the market is seeing an increased need for expertise in a broad range of payment models, as well as in new capabilities such as real-time and predictive analytics and care coordination.

Beyond those facts, there are still several critical challenges organizations face when entering VBP arrangements. These range from the inherent conflict between fee-for-service and fee-for-value mindsets, the lack of mandates forcing participation, the amount of investment necessary to effectively participate and ensuring adequate volume to protect against risk.

Despite those issues, there’s undeniable value in VBC, as the findings of our recent study show. In September 2019, Sage Growth Partners, a healthcare consultancy based in Baltimore, Maryland, surveyed 102 healthcare executives to gain insight into what they see as the future of VBC. We offer those results and key takeaways in this paper.
**DEMOGRAPHIC PROFILE**

**GEOGRAPHIC DIVERSITY:**
Respondents from 38 states
Maximum respondents (10) from Texas
Average 2.7 respondents from each state

**LEGEND:**
- Black: Health System (18)
- Blue: Hospital (54)
- Orange: Single/Multi-Specialty Physician Group (30)

**PHYSICIAN GROUP TYPE:**
- Hospital owned - 3
- Hospital affiliated - 25
- Independent - 2

**EXECUTIVE SUMMARY**

**ON AVERAGE, 25% OF REVENUE TIED TO VBP**

Larger organizations appear to be more likely to take on risk
This study revealed meaningful and impactful growth in the adoption of VBP, with a majority of respondents sharing that they plan to increase and expand their VBP participation in the next one to two years.

In addition, more than 50% of respondents believe that VBP will outpace traditional fee-for-service models to become the primary source of revenue in the next five years.

Based on our findings, we’ve identified nine key factors across three categories that are influencing VBC as a strategic priority.
1. The days when revenue and reimbursement jumps in fee-for-service arrangements were the norm appear to be over. Now, there’s a bigger strategic focus on effective execution, efficiency and operations. As hospitals, health systems and other healthcare organizations plan for the future, an overwhelming majority stated that improving efficiency and reducing costs is their top priority.

2. Participation in a variety of value-based arrangements is generally widespread; ACOs are the most popular type, followed closely by bundled payments. It’s encouraging to see a variety of organizations participating in different types of alternative payment models. This shows that there’s a belief in and appetite for the potential cost savings and quality improvement these programs offer, and that healthcare organizations are willing to take on the transformation necessary to succeed in these programs.

ACO PARTICIPATION IS MOST PREVALENT
3. **Quality is improving—but if financials don’t keep up, sustainability will be a challenge.**

According to the study, value-based programs are showing results. Fifty percent of respondents reported that quality had improved moderately, with 23% saying it had only improved slightly. Only 19% said quality had improved significantly. However, the financial benefits of that quality improvement are lagging, with only 45% of respondents saying their financials had improved moderately or significantly.

![Quality Improvement Chart]

![Financial Improvement Chart]

4. **Investments in people and technology are seen as more important than buying services.**

We asked participants how they prioritize their investments in three key areas: people (additional staff to support case management), technology (like platforms and systems) and services (such as analytics and consulting). While people and technology did rank above services, it’s important to remember that this isn’t a choice of one area over the other; it’s a reflection of how the market is prioritizing those needs.

**TECHNOLOGY AND PEOPLE FOUND TO BE MORE IMPORTANT THAN SERVICES**
Thriving in value-based programs requires a foundation of strong data analysis. When asked which types of analytics are the most useful in supporting these programs, respondents strongly favored predictive and real-time analytics over traditional analytics or industry data, such as regulatory intel or benchmarking data.

Here are the major insights we found:

1. The healthcare technology market is crowded and fragmented. The number of vendors clamoring for analytics budgets is very high—respondents listed over 60 vendors they’re using to support their analytics needs. While this may be an “embarrassment of abundance” in choices for buyers, being able to assess which category of vendors are able to deliver can be a challenge. Companies tend to cross several categories. Those that provide consulting, software platforms or EHR solutions dominate the market share.
2. Old data won’t cut it alone. Real-time and predictive data are fantastic tools to help you become more proactive when it comes to addressing issues. Data and analytics shouldn’t just be about measuring—it now needs to be about acting.

3. Traditional analytics remain a popular choice

Despite the critical importance of fresh data, traditional analytics, such as review of historical data, is the most frequent type of analytics in use today since this is the type of data most readily available. Third-party vendors are used to helping source industry data, while organizations are relying on their electronic health records (EHRs) to supply real-time analytics. Upcoming investments in analytics appear to be driven by how quickly organizations are accelerating into new payments. Budgets and competing priorities, however, are likely to temper aggressive investment.
4. Technology that supports the move from data to action is favorable

Regarding technology, respondents say they are focused on performance reporting dashboards and decision support, workflow and population health management technology. While nearly 60% of respondents intend to invest in new technologies in the short term, investment here again will be constrained by overall budgets and competing priorities.

The challenge here is to move from data to action. As new tools uncover issues that may have gone unnoticed in the past, a new challenge may emerge: finding the resources to appropriately invest in the people and the means necessary to address those problems. Having the best technology in the world won’t make a difference if you haven’t invested in people who can use the most readily available types of data.

TYPES OF TECHNOLOGY: PERFORMANCE REPORTING DASHBOARDS AND DECISION SUPPORT/WORKFLOW TECHNOLOGY BUBBLE TO THE TOP

ACCELERATION INTO NEW PAYMENT MODELS IS THE MAIN REASON WHY ORGANIZATIONS WILL INVEST

BUDGET IS THE MAIN REASON WHY ORGANIZATIONS WILL NOT INVEST
5. Integrating technology seamlessly into the workflow is critical

Case management and care coordination activities are other top priority areas within value-based arrangements. Respondents are clamoring to have treatment protocols integrated into their EHRs. Adding condition and case management capabilities seamlessly into the workflow is also a top area of focus. Short-term investment in care coordination is a lower priority for healthcare decision makers than technology, with 45% of respondents planning to expand or add new care coordination activities in the next one to two years.

MORE THAN 45% PLAN TO EXPAND OR INVEST IN NEW CARE COORDINATION IN THE NEXT 1 TO 2 YEARS

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>46%</td>
</tr>
<tr>
<td>No</td>
<td>22%</td>
</tr>
<tr>
<td>Not sure</td>
<td>34%</td>
</tr>
</tbody>
</table>

Why VBP may not become the primary revenue model

A third of respondents believe that value-based payment is unlikely to usurp traditional fee-for-service models in the next five years. Here’s why:

- The FFS mindset and model are too deeply entrenched.
- Clinical staff resistance to VBP.
- The incentives aren’t high enough.
- Many organizations lack the resources and knowledge necessary to take on risk.
- Healthcare is too volatile to handle the change.
Several interesting insights emerged from study. Here are the ones we found to be the most impactful:

- We asked the respondents what they thought was most likely to further accelerate the adoption of value-based programs. The results are not surprising: respondents believe that better incentives and mandatory participation are the top factors that will drive higher participation and investment in VBP models.

- With reducing costs and increasing efficiency identified as top priorities, any system, process or technology that can deliver on those needs is likely to be attractive to buyers.

- The market sees analytics, technology and care management as important factors for VBC, and there’s a clear indication of a willingness to invest in these areas within the next five years. But, as healthcare organizations improve their ability to handle some of these functions in-house, integrate them into their existing EHR and face competing priorities, they are likely to be very discriminating with their purchase decisions. Ensuring that any offering presents a valid solution to a real pain point will be critical.

- The fact that there’s an equal distribution of VBP participation between provider groups and hospitals/health systems means there are opportunities for vendors of all sizes to find ripe prospects. Keep this in mind when researching the market.

- There is significant fragmentation of vendors and solutions in the market place vying for VBC dollars. Vendors must find the appropriate niche to differentiate their value propositions and find where they’re a best fit solution.

In light of all of this information, it’s important to keep one fact in mind: success in value-based programs foundationally relies on effective data that can be used to drive action and decisions. Regardless of the approach, solution or technology used to meet quality goals, be sure that you’re appropriately using your data as a tool to thrive.
ABOUT DATAGEN
For more than a decade, DataGen has been an essential partner to healthcare organizations across the country, illustrating the financial implications of payment policy changes and promoting a pragmatic view of how changes will affect revenue and profitability. DataGen provides data analytic support to hospitals, health systems, state hospital associations and other healthcare groups across the nation as they strive to improve quality, outcomes and financial performance. Drawing on specialized health policy and payment expertise, as well as in-depth understanding of the power of analytics to drive change, DataGen simplifies the complexities of healthcare payment change.