IS IT TIME FOR AN ALTERNATIVE REIMBURSEMENT MODEL?

August 2015
IS FFS REALLY BROKEN?

1. It has been around a long time and most stakeholders are familiar with it.
2. Preferred reimbursement model by healthcare professionals
3. Flexibility - it can be used regardless of the size of the organization, structure of practice, type of care, location.
4. Administration systems standardised to process FFS claims
5. Can be recalibrated to align to value
6. Tariff code data is useful – profiling
7. Promotes autonomy

Don’t mess with my practice – leave me and my patients alone – I just want to get paid fairly for what I do !!!!
THE VALUE AGENDA - IMPROVING HEALTH OUTCOMES

**Employer Participation**
- Advocate wellness
- Provide sufficient choice to employees w.r.t health and wellness products

**Patient/Personal Activism**
- Assume responsibility for health status
- Access to outcomes measures

**Strategic Healthcare Professional Relations**
- Care delivery
- Outcomes measurement
- Payment models

**Managed Healthcare Capacity**

**Actionable Information**
- Meaningful outcomes measurements

**Volume** → **Value**
THE TRANSITION FROM VOLUME TO VALUE …………

McKesson Health Solutions: The state of value based reimbursement & the transition from volume to value in 2014.
Value-based payment continuum

- Fee-for-service
- Primary care incentives
- Performance-based contracts
- Bundled/episode payments
- Shared savings
- Shared risk
- Capitation + PBC

Modular set of payment models align with a care providers’ risk readiness.

WHAT'S WRONG WITH FFS?

1. Facilitates fragmented care

2. Tariffs are the same regardless of quality outcomes

3. Tariffs are the same regardless of potentially wasteful downstream utilisation

4. Volume incentive drives utilization

5. No innovation in reimbursement models
### GLOBAL FEE HIP & KNEE ARTHROPLASTY

1. Network of Orthopaedic surgeons, Anaesthetists and Physiotherapists
2. Standardised clinical pathways for hip and knee arthroplasties
3. Rapid recovery protocols
4. Global fee covers hospital, prosthesis, surgeon, anaesthetist & physio

<table>
<thead>
<tr>
<th>Metric</th>
<th>Global fee cases</th>
<th>FFS cases</th>
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<tbody>
<tr>
<td>Total cost</td>
<td>Global fee</td>
<td>Global fee plus 12%</td>
</tr>
<tr>
<td>LOS</td>
<td>5 days</td>
<td>7 days</td>
</tr>
<tr>
<td>ICU/HCU utilisation</td>
<td>1%</td>
<td>&gt; 90%</td>
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1. Trend to move away from FFS as part of health reform

2. Will need to be implemented as a component of a broader strategy to improve healthcare outcomes

3. FFS will not disappear but will increasingly coexist with other models.

4. Will the market enquiry disrupt the status quo?

5. Healthcare professional buy in and support critical.

6. Provides a better framework for healthcare professionals and funders to address tariff challenges.
QUESTIONS?