



Value-driven care. Are you ready?

Insights drawn from EY Health Advisory Survey 2017



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Abstract

EY recently surveyed 700 qualified health care professionals. Respondents included chief medical officers, clinical quality executives and chief financial officers at US-based health care providers, with annual revenue of US\$100 million and higher. Surveys started on 22 February 2017 and were completed by 23 March 2017. This research sheds light on the state of the provider industry, including some prominent factors that are challenging organizations' performance and growth. Based on our industry knowledge and interpretation of the survey findings, health care organizations can address challenges through a total transformation across the continuum of care that will lead to a competitive advantage and better health outcomes.

The graphs notated with *EY Health Advisory Survey 2017* represent proprietary results and findings from the survey.

An ailing industry

Much of the American health care system is straining under an increasingly oppressive burden of rising costs. **In 2015, health care spending grew by 5.8%,¹ reaching a total of US\$3.2 trillion in the United States, or US\$9,990 per person.² Health care spending in the US has now risen to 17.8%³ of GDP, a rate far above that of any other industrialized nation.** Yet, by many measures, American consumers are not getting their money's worth. Americans have a lower life expectancy,⁴ higher incidences of chronic conditions such as heart disease and diabetes, and higher infant mortality rates⁵ than people in other industrialized nations. Even worse, health care disparities still exist among several vulnerable demographics, and equitable access to health care remains problematic.

¹<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccountshistorical.html>.

²<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccountshistorical.html>.

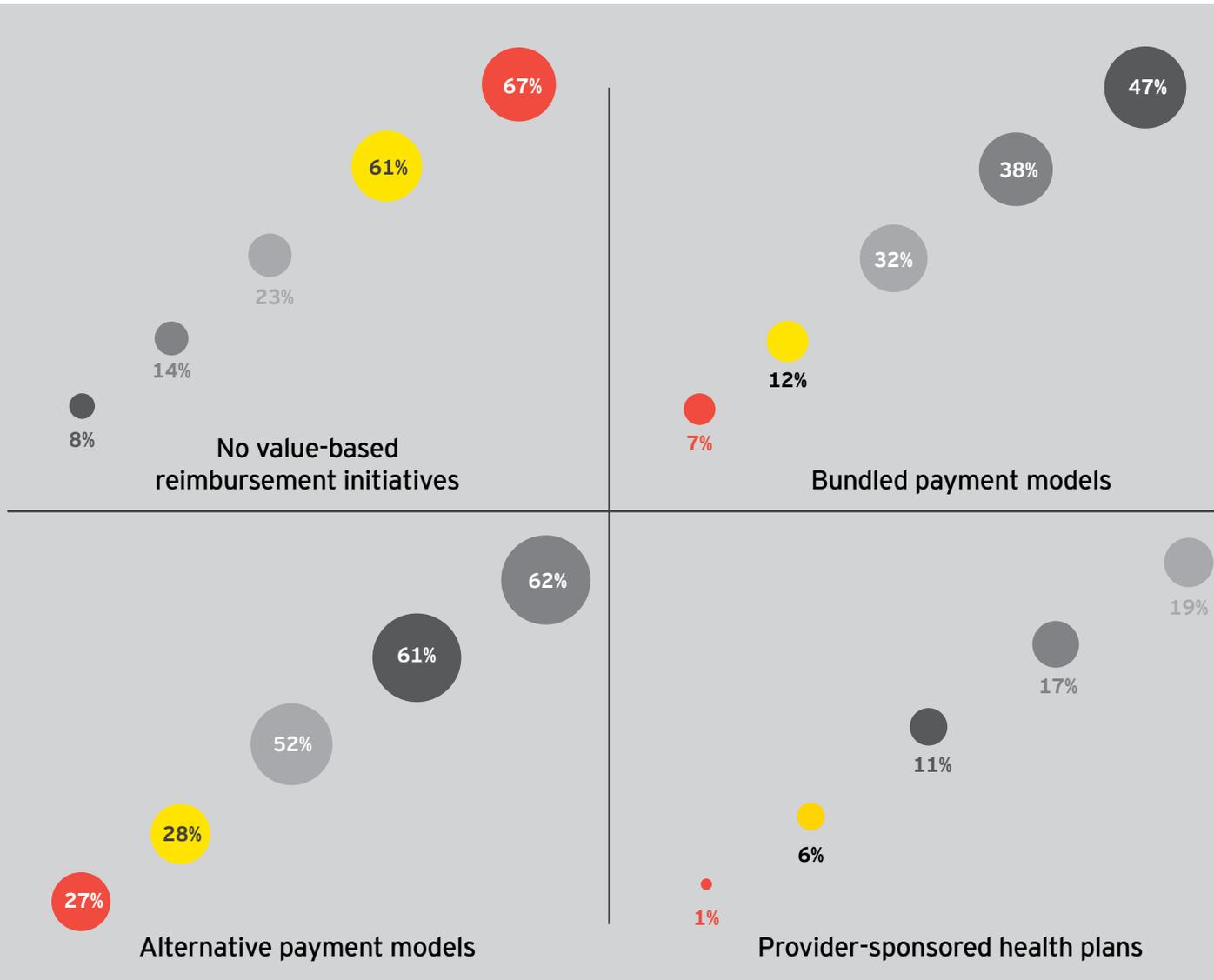
³<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccountshistorical.html>.

⁴http://www.healthsystemtracker.org/chart-collection/u-s-life-expectancy-compare-countries/?_sf_s=life#item-u-s-lowest-life-expectancy-birth-among-comparable-countries.

⁵<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2091rank.html>.

Who's ready for the financial future?

Value-driven care will require new reimbursement models; resources and the level of clinical and financial integration vary along with a rise in risk and reward. Here's where organizations stand in their reimbursement priorities for 2017:



Provider health care organization by revenue

● US\$100 million-US\$499 million
 ● US\$500 million-US\$999 million
 ● US\$1 billion-US\$2.49 billion
 ● US\$2.5 billion-US\$4.99 billion
 ● US\$5 billion or more

Bundled payment models

These are designed to pay multiple service beneficiaries to coordinate all services required for an episode of care.

Alternative payment models (APMs)

This offers incentive payments to provide high-quality and cost-efficient care. APMs can apply to a specific clinical condition, a care episode or a population.*

Respondents were asked: "What specific value-based reimbursement initiatives, if any, are you planning and undertaking in 2017? Select all that apply for both planning and undertaking."

*Source: <https://qpp.cms.gov/learn/apms>.

The relationship between costs and outcomes is complex. Priorities across the continuum of care often compete with each other, putting unreasonable pressure on all constituents of the health care system. As a result, many organizations are under tremendous pressure to balance delivering the highest value and quality to their patients with managing other expectations. Consider the following industry challenges:

- ▶ **Inefficiency**
- ▶ **Inconsistent quality of care**
- ▶ **Workforce challenges**
- ▶ **Lack of trust, transparency and coordination**

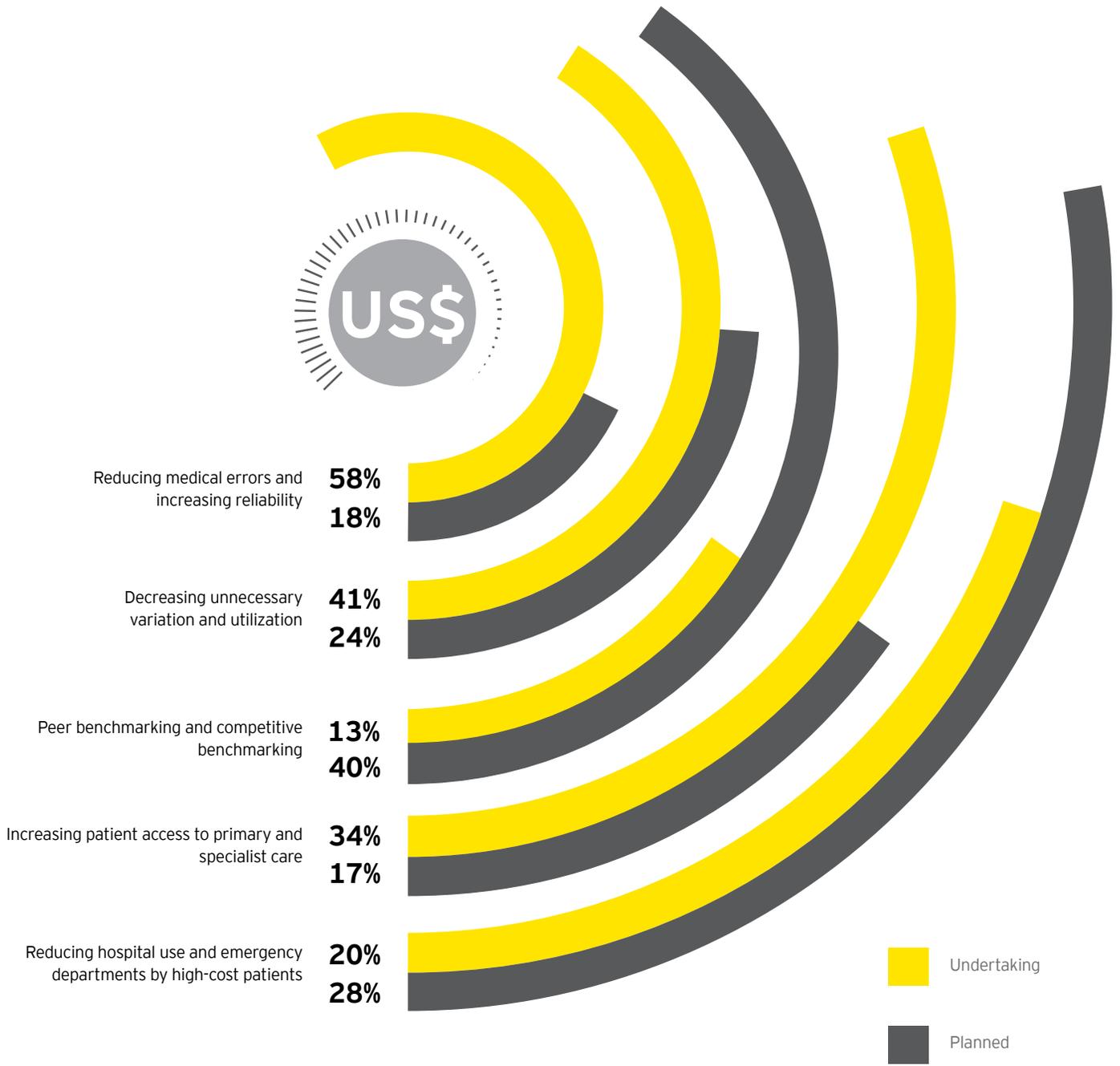


Inefficiency

Fee-for-service (FFS) payment agreements and poor integration across the health care system boost overall costs by increasing the likelihood of repetitive tests and overtreatment. This wasteful spending is amplified by the increasing prevalence of expensive-to-treat chronic illnesses, greater levels of administrative support required to comply with regulations and the need to invest in expensive new technologies. Organizations across the care continuum are feeling pressure on their bottom line. While cost control initiatives are commonplace today, organizations are seeking incremental improvement as opposed to transformative gains.

Top five cost-control initiatives for 2017

Of the professionals surveyed, 78% think the cost of care is "considerably important" or "very important." In addition, 95% of respondents are taking "cost-control measures."



Respondents were asked: "What specific cost control initiatives, if any, are you planning and undertaking in 2017? Select all that apply for both planning and undertaking."



Inconsistent quality of care

Clinical outcomes and health care quality are often measured inconsistently by health care providers – if they are measured at all. At the same time, a high prevalence of medical errors is stoking the anxieties of the public through alarming headlines and creating concern among health care executives over potential litigation. Despite these concerns, our survey found that only 58% of respondents are currently undertaking initiatives to reduce medical errors in 2017. It should be noted, however, that 18% of respondents have initiatives planned for 2017.



Workforce challenges

Organizations are struggling to identify talent and keep their employees engaged. Our survey found that only 12% of respondents rated their clinical ancillary staff as “highly engaged,” and a mere 8% answered that their administrative staff are “highly engaged.” This is especially concerning because the administrative and frontline staff are often the first point of contact for patients, and may help provide long-term patient support. Our survey also showed that physicians and nurses rank among the most engaged employees. However, they constantly struggle to balance the demands of patient care with administrative burdens, leading to high rates of burnout.

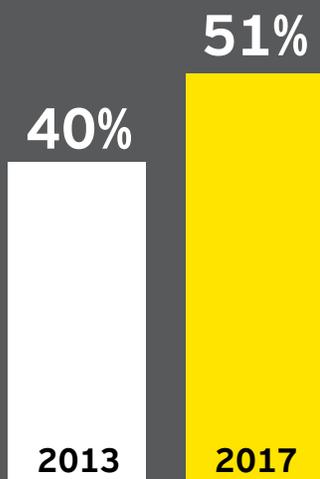
The talent crisis in health care

The US health care industry is facing unprecedented physician burnout and a severe nursing shortage. This is an ignored and understated public health workforce crisis that merits focused attention.



Physician burnout: industry-wide epidemic

Fifty-one percent of physicians reported experiencing frequent or constant feelings of burnout in 2017, up from 40% in 2013.¹



Nursing shortage: nationwide crisis

Inadequate nurse staffing has been a factor in 24% of the 1,609 cases involving patient death, injury or permanent loss of function reported since 1997.²



Strategic solutions addressing declining morale of these health care providers working at the front line of patient care must be prioritized. Otherwise, avoidable medical errors will exponentially place patient lives at risk, and transformation toward value-driven health care will remain nothing but a theoretical conversation.

- Yele Aluko, MD, MBA, FACC, Executive Director, Ernst & Young LLP, EY Americas Advisory Health Care

1. <http://www.beckershospitalreview.com/hospital-management-administration/a-burnout-epidemic-25-notes-on-physician-burnout-in-the-us.html>.

2. <https://www.nursingsociety.org/why-stti/about-stti/stti-media/nursing-shortage-information/facts-on-the-nursing-shortage-in-north-america>.



Lack of trust, transparency and coordination

Historically, the relationship between providers and payers has been ruled by a FFS reimbursement arrangement centered on health care visits and procedures. However, unsustainable costs and a demand for improved clinical outcomes are making it increasingly difficult for payers and providers to develop a contracting structure that works for both entities now and in the future.

Health care players are reacting

Leaders in both the public and private sector have attempted to craft a holistic response to these issues, moving away from the traditional FFS model and toward a system that ties cost to favorable clinical outcomes. Critics point out that the existing health care reimbursement model fails to encourage performance standardization and provider accountability for value delivery. Providers and payers have started to react to market pressures coming from consumers and legislation that encourage outcome-based reimbursement, such as the Affordable Care Act (ACA) and the bipartisan Medicare Access and CHIP Reauthorization Act (MACRA).

Payers on the move

Legislation is disrupting traditional FFS models, but leading private payers are also moving down the pathway to value-centered reimbursement on their own. Here are some ways private payers are embracing value:



APMs

One major national payer is already making 50% of its reimbursements in APMs and is committed to make 90% of reimbursements in a value-based model by 2018.¹



Value-based contracting

The chief executive of a second major payer organization has stated value-based contracting currently represents approximately 45% of the company's medical spending, and the goal is to achieve 75% by the end of the decade.²



New payment structures

A third major payer organization has partnered with a data analytics and population health vendor to move forward in value-based payment structures.³

¹ <https://www.cigna.com/assets/docs/about-cigna/thn-white-papers/892997-0216-creating-value-through-collaboration-web.pdf>.

² <https://www.forbes.com/sites/brucejapsen/2017/02/02/unitedhealth-aetna-anthem-near-50-value-based-care-spending/#219072ba1d4e>.

³ <https://healthpayerintelligence.com/news/how-3-healthcare-insurers-expand-value-based-care-payment>.

Market forces are moving the industry toward a new paradigm; one in which delivering the highest value is an organization's defining goal. Future market share will be dependent on an organization's ability to measure and demonstrate properly the impact that providers and payers have on the health of customers. While some providers are taking initial steps to establish quality, they are doing so in a piecemeal fashion that does not recognize the need for a total transformation across the continuum of care.

According to our survey, 49% of interviewees have already initiated quality audits, 31% had instituted physician performance scorecards that include a quality measure and 38% plan to institute facility scorecards in the future.

However, audits and scorecards alone will not move the needle far enough.

Organizations that hope to thrive in the health care industry of tomorrow must start aligning revenue and costs with quality-first thinking and a culture of accountability.

Payers and providers

With health care expenditure accounting for nearly 18% of America's gross domestic product, both payers and providers recognize the need to bend the cost curve. There's an opportunity to optimize value, and the payoff is huge.

US\$1 trillion



Estimated wasted spending each year in the health care industry due to factors such as inefficiencies, redundancies, fraud and abuse¹

¹ Harvard Business Review. <https://hbr.org/2015/10/how-the-u-s-can-reduce-waste-in-health-care-spending-by-1-trillion>.

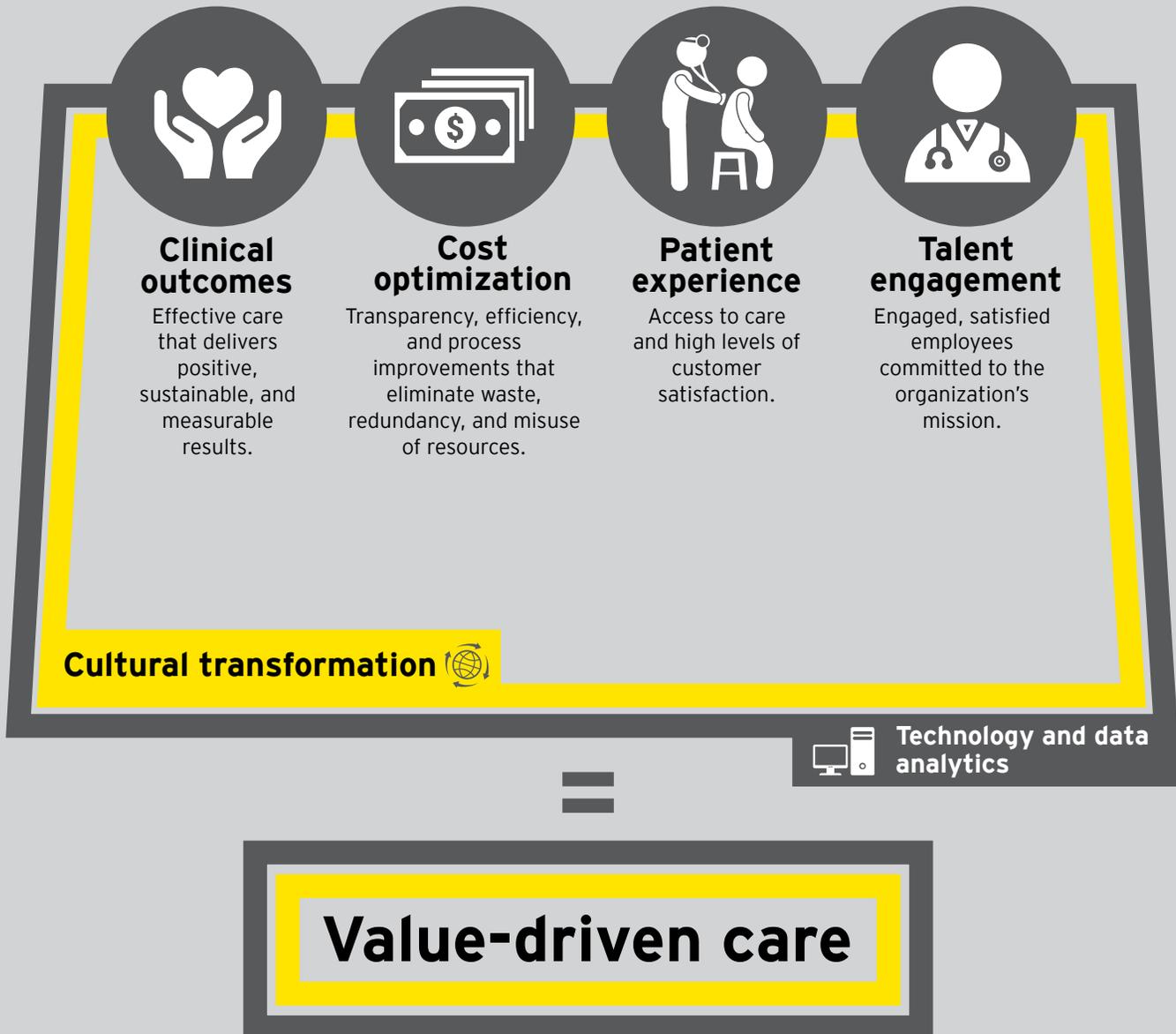
A new vision of value

Historical cost management models – including disease management programs, authorizations/pre-authorizations and benefit designs – are no longer sufficient on their own and have done little to address quality and value in a meaningful way. Today, new value-based care models are emerging with the expectation to increase both reliability and industrialization within health care. However, adoption has been slow and inconsistent, and results have been mixed.

Focusing on value is essential to overcoming the current challenges in the health care industry, but executives will need to act quickly and strategically if they want to stay ahead of competitors. The first step toward transformation is to broaden the understanding of the narrow but frequently used term “value-based care” to a new vision of value that describes a complete transformation of care delivery: “value-driven care.”

Our definition of value-driven care is delivering the best clinical outcome relative to the optimal cost of care within an environment that fosters the right patient experience delivered by engaged and satisfied providers.

The four pillars that support EY's concept of value-driven care are:



These pillars must be enabled by cultural transformation and robust technology, which increase transparency and accountability across all stakeholder organizations.

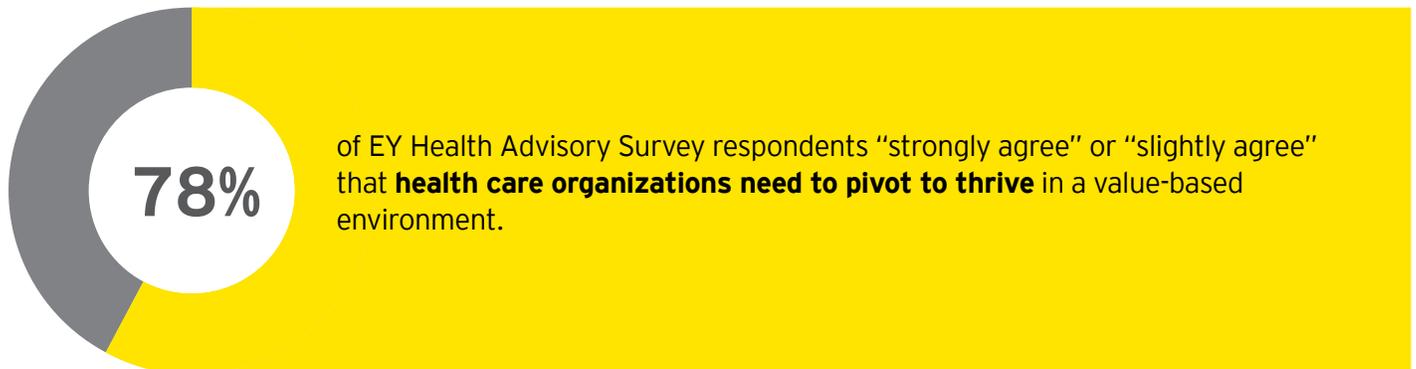
Through this new value-driven lens, organizations can start to view their disconnected initiatives as part of a total transformation across the continuum of care that will lead to a competitive advantage and better health outcomes.

Moving to value-driven care will require balancing the following priorities:

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Embrace a holistic approach

Organizations are taking a piecemeal approach to delivering quality and value. To unlock the full potential of value-driven care, an organization must implement all components of the model in a coordinated manner.





Elevate the patient experience

Health care is becoming a consumer-driven industry, so patient satisfaction is an integral part of the move to value-driven care. Provide patients with appropriate access to health care, focus on customer service, measure clinical outcomes and deliver patient-centric tools that increase transparency for the consumer.

93%

of respondents are undertaking patient experience initiatives in 2017. However, only 26% of respondents selected patient access/satisfaction as one of their top three initiatives for the year.



Transform the culture

Successful organizations will exhibit the cultural behaviors that indicate “the head and the heart” are operating together to deliver on a collective purpose, collaborate effectively in teams and maintain a steady focus on the patient.

51%

of respondents believe that employee satisfaction in health care drives patient satisfaction.



Advance with analytic insights

Value-driven care relies on predictive, proactive and preventative analytics to deliver the best clinical outcomes. Organizations will need to invest in robust technology that can leverage statistics and exploratory data mining techniques to help identify the underlying drivers of cost and quality.

26%

of respondents ranked new technologies as one of their top three priorities for 2017.



Increase productivity

Costs are only part of the equation in the move to value-driven care. Monitoring costs must be counterbalanced by monitoring productivity, and both must be measured and reported accurately.

13%

of respondents are undertaking cost control initiatives for peer benchmarking/competitive benchmarking. Forty percent of respondents have these initiatives planned for 2017.



Embrace the new way to pay

Payers and providers will devise a new type of partnership and redefine the current reimbursement structure. An essential part of the process is redefining the payment model to focus on overall value rather than transactional services.

25%

of respondents have no reimbursement initiatives planned for 2017.

Elevate the patient experience

Health care is becoming a consumer-driven industry. With patients increasingly involved in their own care, patient satisfaction needs to be front and center. This means providing patients with appropriate access to health care, focusing on customer service, measuring clinical outcomes and delivering patient-centric tools that increase transparency for the consumer. More importantly, involving the patient will improve performance results. Engaged patients support quality initiatives, reduce cost and lead to better outcomes.

Engaging the patient

Patient engagement is proven to drive measurable results.



Better clinical outcomes

More engaged patients are more likely to have biometrics such as body mass index, blood pressure and cholesterol in normal range than less engaged patients.¹



Reduced cost

Less engaged patients had readmission rates up to **1.75x higher** **30 days** after discharge than more engaged patients.²



Medication adherence

Text messaging can improve medication adherence rates for chronic disease patients by **17.8%**.³



¹ <http://content.healthaffairs.org/content/32/2/207.full#ref-27>.

² <http://www.medscape.com/viewarticle/813443>.

³ <http://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2484905>.

Transform the culture

Transformation requires a vision and culture of shared accountability and ownership regarding the patient experience and health outcomes. Providers must be held responsible for their overall performance through measures such as physician scorecards and facility dashboards that allow for internal and external peer benchmarking, with scores made public for consumers. For physicians, the only way to drive change in behavior and enforce accountability will be to tie their compensation and incentives to the delivery of positive experiential outcomes.

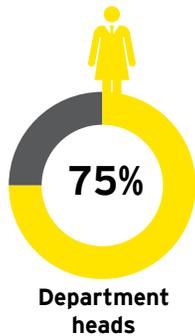
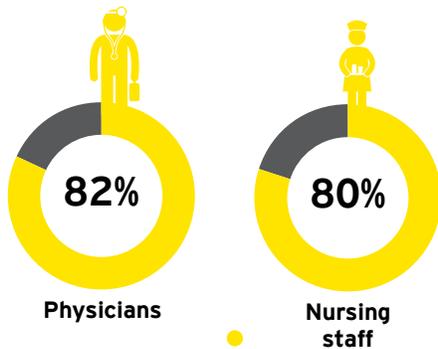
Optimizing patient experiences across the continuum of care while industrializing quality requires more than episodic effort. Quality measures, balanced scorecards, financial incentives and other metrics are important methods to clarify objectives. In addition to that, however, each patient's care experience along the continuum must be delivered in a coordinated and synergistic way to avoid variation and yield the best possible health outcomes and patient satisfaction. Successful organizations will exhibit the cultural behaviors that indicate "the head and the heart" are operating together to deliver on a collective purpose, collaborate effectively in teams and maintain a steady focus on the patient.

Shifting health care culture toward value-driven care

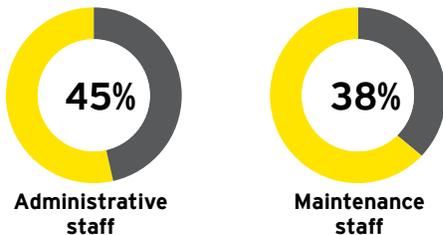
Culture is the way an organization does business, powered by an underlying set of rules, values and beliefs that everyone, from the top to the bottom, is aligned on and applies consistently.

Current health care environment

According to the *EY Health Advisory Survey*, the employees that ranked as the most engaged at provider organizations are:



However, these employees ranked lower on engagement:



Leveraging purpose drives engagement

Employees are:



believe that **transformation** is more successful if integrated with purpose.²

Highly engaged employees create highly satisfied patients. Engaging around the organization's purpose not only enhances the patient experience, but also helps organizations attract and retain the best talent.

Percentages aggregate "quite engaged/committed" and "highly engaged/committed" responses.

Respondents were asked: "How engaged are employees at your organization/company? Please use following five-point scale provided for each of the following roles."

1. <http://www.ey.com/gl/en/services/advisory/ey-purpose-led-transformation-benefits-and-examples>.

2. [http://www.ey.com/Publication/vwLUAssets/EY-infographic-based-on-harvard-and-2014-executive-survey/\\$FILE/EY-infographic-based-on-harvard-and-2014-executive-survey.pdf](http://www.ey.com/Publication/vwLUAssets/EY-infographic-based-on-harvard-and-2014-executive-survey/$FILE/EY-infographic-based-on-harvard-and-2014-executive-survey.pdf).

Advance with analytical insights

Determining the effectiveness of value-driven care requires an organization to collect, store and analyze meaningful metrics. Organizations should invest in the IT infrastructure needed to provide near real-time data analysis for measuring performance. They can then use predictive, proactive and preventative analytics to drive the best clinical outcomes. Statistical modeling and exploratory data mining techniques will help identify the underlying drivers of cost and quality, enabling disciplined processes for system-wide cost containment, expense management and quality outcomes. Our survey found that only 26% of respondents ranked new technologies as one of their top three priorities for 2017. In terms of patient experience, only 8% said they are leveraging patient-centric analytics. The competitive field is wide open for an organization that invests in robust technology and talent to exploit big data beyond the current focus on actuarial risk.

Increase productivity

The EY survey shows that CEOs and CFOs are more likely to prioritize costs. However, costs are only part of the equation in the move to value-driven care. In the drive to increase value, keeping the bottom line under control should be a function of performance optimization rather than a separate priority that competes with quality of care. Monitoring costs should be counterbalanced by monitoring productivity, and these metrics need to be understood and managed by all members across organizational leadership.

Embrace the new way to pay

Finally, the existing payment model needs to be redefined to focus on overall experiential value rather than transactional services. Payers and providers will need to devise a new type of partnership and redefine the current reimbursement structure. Despite pressure on the current payment model, many health care executives today appear to be unprepared for a change in payer contracting. Our survey found that 95% of respondents are taking cost control measures, but 25% do not have any “value-based” reimbursement initiatives planned for 2017.

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Cultural transformation



Eighty-four percent of survey respondents agree that improving quality, cost management and outcomes can be a shared objective of health care providers and payers.

Respondents were asked: "Please rate your level of agreement or disagreement with the following statements using the five-point scale provided."

Value-driven care is the destination

With market forces pushing for a new care delivery model, many organizations will undoubtedly be dragged into the realm of value. Relying on a series of disjointed initiatives to get there is not an effective strategy. The leaders in the next iteration of American health care will be organizations who boldly embrace value-driven care now. By going all in with a patient-centered, outcomes-driven approach, organizations will have the opportunity to build market share by attracting more customers based on their core competency of delivering value.

The move to value-driven care will not be easy. Not only does it require the industry to look at patients as consumers, it also demands a holistic approach to operations, the adoption of new technologies, an increase in transparency and a dynamic organizational culture. But the payoff is huge. Organizations that act strategically now will become more resilient in the face of tomorrow's challenges. They will be empowered by an engaged workforce that collaborates to deliver the best outcome possible: healthy happy patients treated in an enabled ecosystem of affordable, accessible, accountable care.

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