Operating in a Value Based World
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Healthcare accounts for 20% of the U.S. economy.
CMS has announced plans to move 30% of all Medicare hospital and physician payments from FFS to value based by the end of **THIS YEAR**
They expect that number to increase to 50% by the end of 2018.
Will you be ready?
Speakers

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Agenda

• Learning objectives
• Survey background
• Survey methodology and sample
• Data highlights
• Conclusions
• Questions
Learning Objectives

• Gain an understanding of the market readiness to move from a fee-for-service payment model to a value-based payment model
• Identify the metrics that healthcare organizations should take into consideration when determining cost and price of healthcare services when operating under a value-based payment model
• Learn about the ways that healthcare organizations are approaching pricing transparency
About the Survey

• 102 respondents
  – Work for a variety of healthcare organizations, with the majority working for hospitals/health systems.
  – Majority of respondents were finance executives/professionals, operations executives and CEOs.
• All respondents were required to have some knowledge of the financial operations of their organization
• Data collection: November 2015 through January 2016
Definitions

• **Cost** – defined as the money that your organization pays for the products and services it uses in its delivery of healthcare

• **Price** – the amount that organizations charge the party with primary financial responsibility. For an insurance company, this would be the amount charge to the insurance company/insured individual.

• **Item master** – the tool that organizations use to track the amount of money paid for materials/supplies purchased by the organization
Healthcare organizations have the ability to determine cost ... but not all regularly review costs

- Formally establish costs, no regular review: 32.4%
- We formally determine and regularly review cost: 39.2%
- We don't evaluate costs: 8.8%
- Other: 8.8%
- Don't know: 10.8%

N = 102
Healthcare providers use an array of factors to determine *price* of services ...

- Market Pricing: 62.7%
- Actual costs incurred by our organization: 61.8%
- Chargemaster: 56.9%
- Margins to Maintain Profitability: 47.1%
- Organizational Data: 30.4%
- Item-Master: 28.4%
- Market Share: 23.5%

N = 102
But few have the ability to automate factors that are most important

Actual cost of care delivery
- Percent using “actual cost” – 62.8%
- Level of importance – 73.0%
- Ability to automate – 34.3%

Profit margin needed to be profitable
- Percent using “profit margin” – 47.1%
- Level of importance – 75.0%
- Ability to automate – 28.4%
Healthcare organizations beginning to participate in alternative payment programs

- All Respondents: 45%
- Urban and Rural Markets: 68%
- Urban Market: 48%
- Rural Market: 31%

N = 102
Few organizations are prepared to move to value-based payment model

- 44.1% Moderately prepared
- 49.0% Not prepared
- 2.9% Highly prepared
- 3.9% Don't know

N = 102
Resources perceived necessary for successfully transitioning to value-based payment model

- Tools to track and evaluate quality of care
- Better communication between disparate providers
- Consistent definition of quality by specific type of disease
There are many opportunities to help providers transition to a value-based payment system.

- Cost accounting
- Price transparency
- Approach to pricing
- Managing exchange of information
Healthcare purchasers can expect more transparency in prices providers charge

• 73 percent of respondents currently provide or plan to provide price transparency
  – The most common price transparency approach is through customized pricing estimates.
Conclusions and Next Steps

Industry is willing to embrace value-based payment models, but they need help developing the proper infrastructure and business processes to successfully make the transition.

HIMSS Next Steps:

• Create task force
• Prioritize industry needs
• Begin working to identify solutions to fill those needs:
  – Share findings with policy makers and healthcare officials
  – Initiate conversations with appropriate Strategic Partners
  – Continue monitoring industry readiness through annual surveys
Thank you & Questions

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