NEJM Catalyst

Insights Report · March 2018

New Marketplace Survey

Payers and Providers Remain Far Apart

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New Marketplace Survey: Payers and Providers Remain Far Apart

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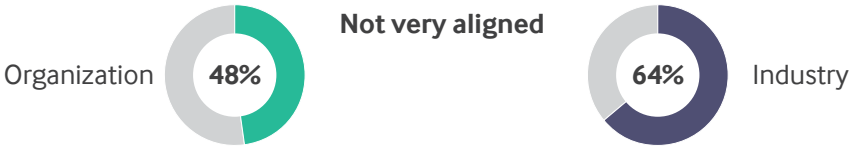
Advisor Analysis

Health care stakeholders are not aligned in important goals and in large part are not working together to achieve value-based care, according to the NEJM Catalyst Insights Council. They are waiting on government regulators to change the payment model – including, possibly, single-payer health care.

How aligned are payers and providers in working together toward achieving value-based care at your organization? In the health care industry overall?



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Most analysts of the U.S. health care system believe poor integration of care and services is a primary driver of high health care spending (albeit likely second to price levels). According to our NEJM Catalyst Insights Council survey on payer-provider integration, a lack of alignment between payers and providers inhibits that integration. Without aligned goals and balance sheets, the industry continues to struggle to deliver the highest quality of care at the highest value to patients.

The survey, conducted among executives, clinical leaders, and clinicians, finds that three-quarters (77%) of respondents do not consider payers and providers aligned toward realizing improved value in care delivery. More than half (58%) feel their own organizations are not aligned. Only 3% of respondents say payers and providers are extremely or very aligned at the industry level.

When you dig down into specific dimensions along which alignment could occur (quality, member/patient experience, cost, care

coordination, leveraging data for decision-making), the only dimension that ranks somewhat highly is quality, with a slight majority of respondents (52%) reporting that payers and providers are aligned, very aligned, or extremely aligned. The survey findings are particularly negative on cost of care and the use of data to make better decisions for system improvements, with more than two-thirds of respondents saying payers and providers are not very aligned or not at all aligned.

Many in the industry – ourselves included – thought risk-sharing arrangements would help align objectives of different providers along the care continuum and ultimately yield more integrated care. Our survey reveals that fundamental tensions between providers and payers remain. Some written responses indicate that providers consider themselves patient advocates, and they perceive payers to be overly focused on cutting spending.

Many in the industry – ourselves included – thought risk-sharing arrangements would help align objectives of different providers along the care continuum and ultimately yield more integrated care. Our survey reveals that fundamental tensions between providers and payers remain.

Integrated payer-provider health systems, such as Kaiser Permanente, appear to be the exception to this perception; two-thirds of survey respondents say these organizations have made progress toward innovative, risk-based payment arrangements.

Although integrated payer-providers such as Geisinger Health System do indeed exhibit more innovation in care delivery, says NEJM Catalyst Leadership Board Founder Thomas H. Lee, MD, MSc, it is "so much less than is possible, or that we are likely to see in the years ahead."

There also is a question of which stakeholder (payers, providers, government, employers, patients) has the most potential to influence payer-provider collaboration. Our survey puts payers slightly on top, with half of respondents naming them the most influential. Health care providers come in a close second place at 48%.

Unlike many industries where the private sector typically takes the lead in driving change, our survey confirms other research that in health care, government payers set the blueprint for private payers to piggyback on. Respondents rate regulatory payment model changes (such as from Centers for Medicare & Medicaid Services) as the most influential among drivers to improve payer-provider collaboration. From fee-for-service payments to bundling, and now accountable care organizations, the public sector has pushed and prodded the industry toward alternative payment models that incentivize collaboration – if not between payers and providers, then at least among different providers. Hence, respondents believe CMS can play a large role in facilitating the next layer of collaboration.

Unsurprisingly, incentives play a critical role in the transition from fee-for-service models. In fact, the top barrier to value-based payments at an organization, according to nearly a third of respondents (32%), is when one of the

involved parties does not have strong incentive to proceed. Lack of incentive may be due to internal factors such as leadership buy-in, resource constraints, or competing priorities. External factors such as the local competitive landscape, state policies, and market financial pressures also incent providers and payers to gravitate toward, or shy away from, value-based payments. To align incentives among payers and providers, we must change the dynamic so providers are rewarded for keeping a population healthy, rather than for inefficiently treating their ailments.

There are also opportunities to collaborate beyond risk-based payment arrangements. Payers and providers should continue to explore collaboration around improved quality, member/patient experience, care coordination, and data and analytics. The bigger challenge is creating the burning platform to generate momentum and alignment around these goals.

New Marketplace Survey: Payers and Providers Remain Far Apart

by NEJM Catalyst

Insights Report · March 2018

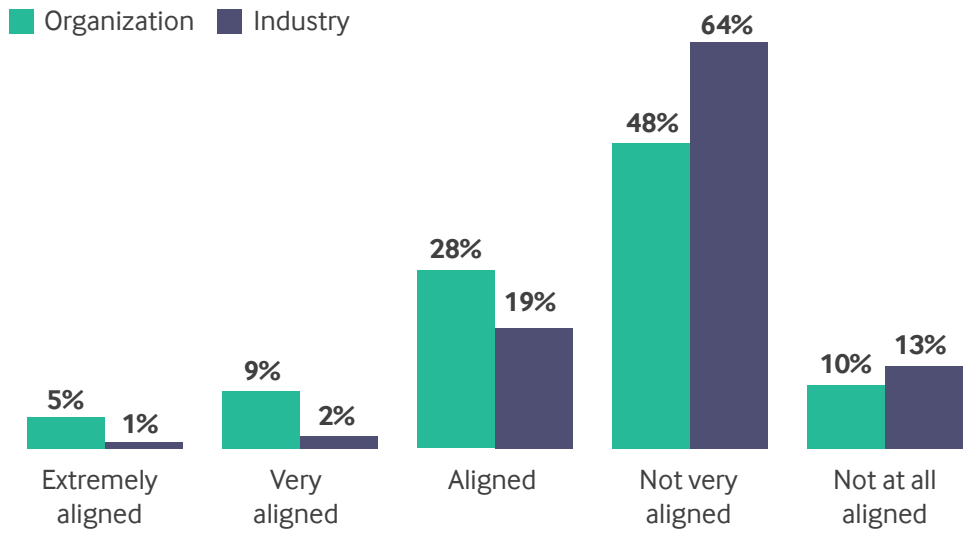
Charts and Commentary

We surveyed members of the NEJM Catalyst Insights Council, comprising health care executives, clinical leaders, and clinicians, about payer-provider integration. The survey covers alignment of payers and providers at respondents' individual organizations as well as the health care industry overall; the degree of payer-provider alignment to achieve value-based care goals; stakeholders with the most influence to improve payer-provider collaboration; the most influential drivers to improve payer-provider collaboration; progress of sectors toward innovative, risk-based payment arrangements; the top barriers to implementing value-based payments at organizations; and the impact of single-payer health care on value-based care. A total of 607 completed surveys are included in the analysis.

More than half (58%) of Insights Council survey respondents indicate that their individual organizations are not aligned in working toward achieving value-based care. A higher percentage of clinicians (63%) than clinical leaders (53%) think that payers and providers at their organization are not aligned. At the health care industry level overall, the outlook is even bleaker, with 77% reporting a lack of alignment. One executive suggests implementing "consistent risk models/incentives, so goals are aligned across payers and providers." Insights Council members in the Midwest (30%) are more optimistic than those in the South (23%), the West (20%), and Northeast (20%) that payers and providers are aligned in the health care industry.

There Is Much Work Ahead to Achieve Alignment of Payers and Providers

How aligned are payers and providers in working together toward achieving value-based care at your organization? In the health care industry overall?



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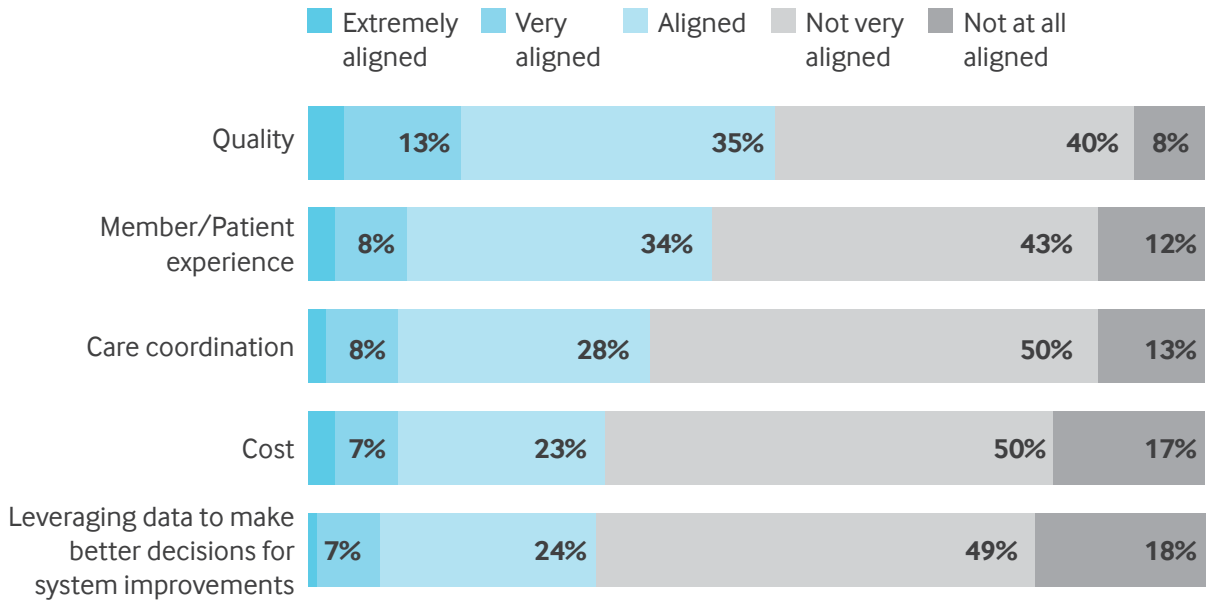
> *One executive suggests implementing "consistent risk models/incentives, so goals are aligned across payers and providers."*

Payer-provider alignment is poor across important aspects of health care delivery, according to the survey. Quality of care is the only area to score above 50% in degree of alignment to achieve value-based care goals. More executives (64%) than clinical leaders (55%) and clinicians (44%) consider the industry aligned for quality of care. In four other areas – cost of care, leveraging data to make better decisions for system improvements, care coordination, and member/patient experience – more than half of Insights Council members report poor or no alignment. As one clinician writes, "Our current system is upside down. We as providers are paid poorly for the most complicated patients. Providers are forced to limit the visit to a limited number of problems rather than doing a more holistic job, because there is not time."

The Challenge of Aligning Payers and Providers Extends Across All Aspects of the Health Care Industry

How aligned are payers and providers in working together toward achieving value-based care in each of the following areas?



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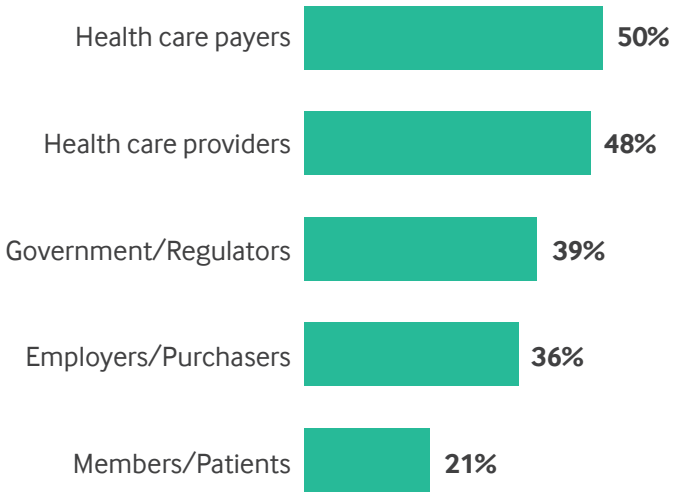
> *Our current system is upside down. We as providers are paid poorly for the most complicated patients. Providers are forced to limit the visit to a limited number of problems rather than doing a more holistic job, because there is not time.*

Insights Council members give nearly equal weight to the influence payers and providers have to improve collaboration. Clinical leaders (55%) are more bullish than clinicians (43%) about providers' influence. Government/regulators (39%) are cited as the third most influential stakeholder. Respondents from large organizations (more than $5 billion in patient revenue) are considerably more optimistic about government regulators than those from small organizations (under $10 million in net patient revenue) – 51% versus 26%. One executive writes, "Make the physician, whether primary care or specialists, and the patient the driver[s] of the improvement and advancement of collaborative care."

Many Different Stakeholders Can Influence Payer-Provider Collaboration

Who are the top two stakeholders with the most influence to improve collaboration between payers and providers?



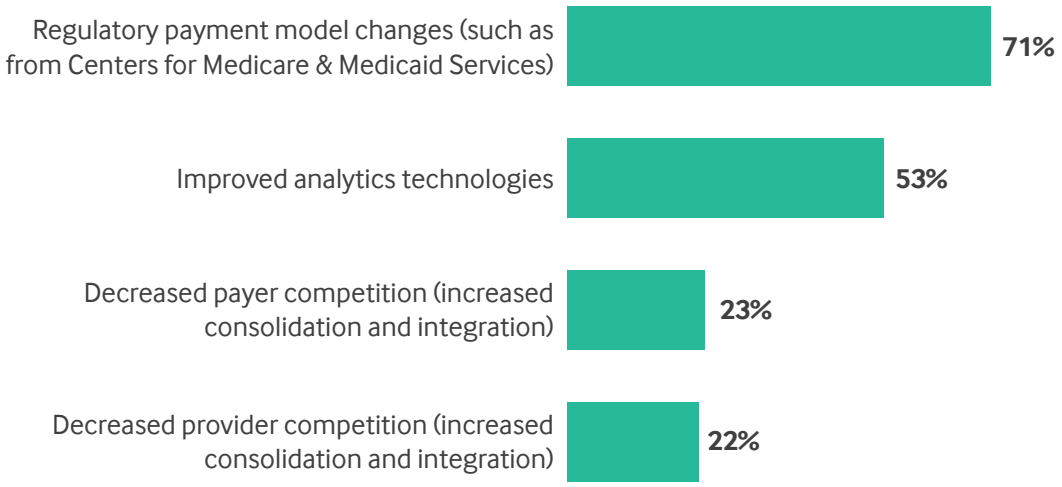
Base = 607 (multiple responses)

> *Respondents from large organizations (more than $5 billion in patient revenue) are considerably more optimistic about government regulators than those from small organizations (under $10 million in net patient revenue) – 51% versus 26%.*

Regulatory payment model changes (such as from Centers for Medicare & Medicaid Services) are far and away the most influential driver to improve collaboration between payers and providers, scoring 71%. Respondents from health systems (76%) consider regulatory model changes more influential compared to respondents at physician organizations (61%). More than half of respondents consider improved analytics technologies to be the second most influential driver. A higher incidence of clinical leaders (60%) than clinicians (51%) consider analytics technologies influential. One executive responding to the survey writes, "The current environment does not drive significant change. Neither providers nor payers are capable of (or have much reason to) change. Without government inspiration through regulatory influence (CMS payment, quality requirements), I fear that the progress toward fruitful collaboration and value-based care will continue to be slow."

Regulatory Payment Model Changes Have the Greatest Influence on Payer-Provider Collaboration

What are the top two most influential drivers to improve collaboration between payers and providers?



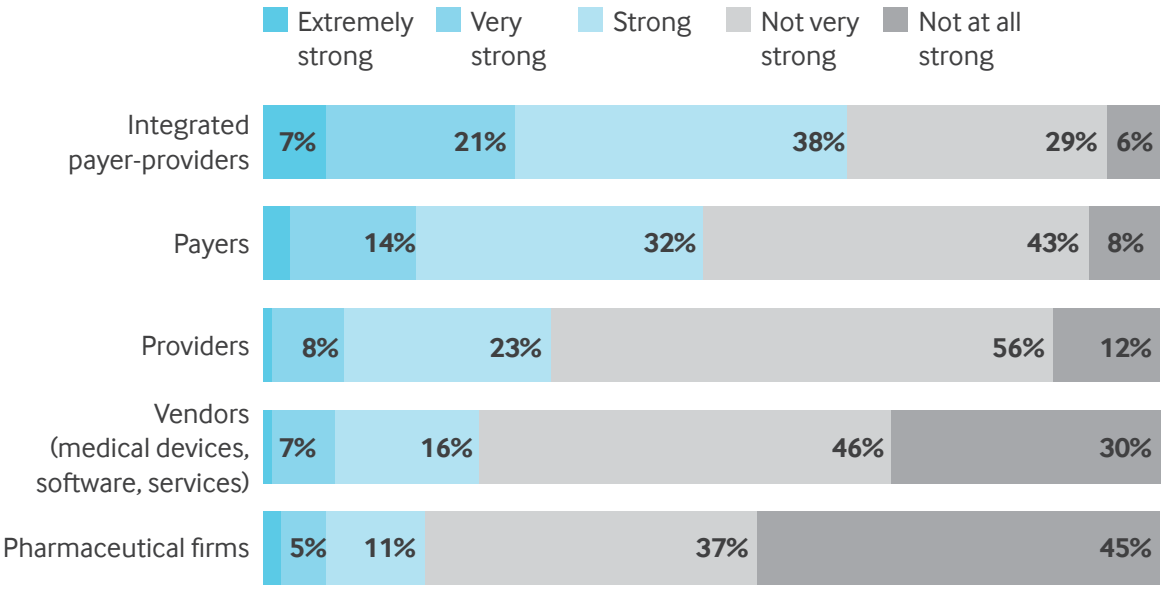
Base = 607 (multiple responses)

> *The current environment does not drive significant change. Neither providers nor payers are capable of (or have much reason to) change. Without government inspiration through regulatory influence (CMS payment, quality requirements), I fear that the progress toward fruitful collaboration and value-based care will continue to be slow.*

Insights Council members consider integrated payer-providers (66%) and payers (49%) to have made the most progress toward innovative, risk-based payment. A higher incidence of clinical leaders (74%) and executives (69%) than clinicians (58%) consider the rate of progress among integrated payer-providers to be strong. Pharmaceutical firms and vendors rate least strong among all the sectors listed. One clinician respondent says "progress is likely to come from forces external to existing providers and payers such as state government encouragement of risk."

Integrated Payer-Providers Have Made the Most Progress Toward Innovative, Risk-Based Payment Arrangements

Please rate the following sectors in terms of their progress toward innovative, risk-based payment arrangements.



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> *A higher incidence of clinical leaders (74%) and executives (69%) than clinicians (58%) consider the rate of progress among integrated payer-providers to be strong.*

The top barrier to implementing value-based payments, selected by 32% of respondents, is "one of the involved parties does not have strong incentive to proceed"; more executives (39%) than clinicians (27%) believe this to be the top barrier at their organization. "Too many separate new negotiations are required" and "We don't have the time or other resources needed to engage" are tied for second place at 19%, with more clinicians (23%) than executives (15%) selecting the time and resource barrier as the most difficult hurdle. In written comments about the single change that would most improve collaboration between payers and providers, many Insights Council members point to alignment and transparency of incentives.

Lack of Incentive Is the Top Barrier to Implementing Value-Based Payment

What is the top barrier to implementing value-based payment at your organization?

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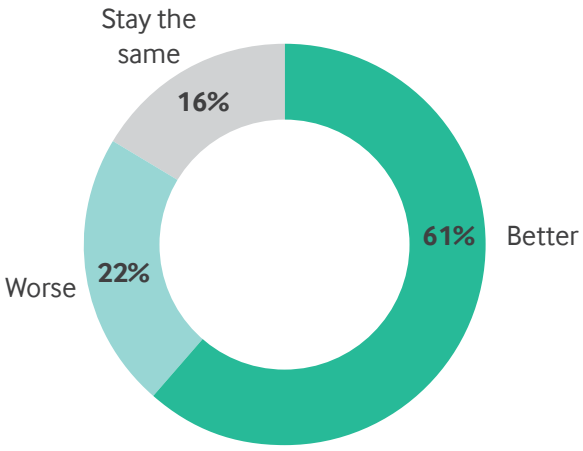
Single-payer health care would have a strongly positive impact on the ability to provide value-based care, say Insights Council respondents. This reaction is consistent across all three audience segments of executives, clinical leaders, and clinicians. Just under a quarter of respondents (22%) think single-payer would worsen the ability to provide value-based care. In verbatim responses, many respondents single out single-payer as the systemic change that would most improve payer-provider collaboration. One clinician wants a single-payer system with "a graded, fair, low overhead, reimbursement scheme." Another clinician calls for "transparent and simplified processes" to get closer to single-payer. These results continue the trend that NEJM Catalyst has observed among Insights Council members holding a positive view of single-payer health care.

Single-Payer Health Care Would Have a Positive Effect on Value-Based Care

Would the ability to provide value-based care get better, worse, or stay the same under single-payer health care?



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Verbatim Comments from Survey Respondents

What single change would most improve collaboration between payers and providers?

"Coming up with a long-term plan that includes potential down or upside earnings with a plan. Having uncertainties for both parties I think has limited how far this can go."

— Clinician at a midsized for-profit hospital in the South

"Leadership buy in from provider groups."

— Chief Medical Officer of a midsized for-profit health system in the Midwest

"Single payer."

— Executive at a large nonprofit hospital in the Northeast

"Shared financial incentives for both parties."

— Clinician at a midsized for-profit physician organization in the West

"Align all payers to function under the same rules."

— VP of Medical Affairs at a large nonprofit health system in the Northeast

"Agreement on a common definition on value among providers, consumers and payors that takes into account collective and communal values and agreement on a values hierarchy."

— VP of a large for-profit health system in the West

"Achieving the same goal! One side is about profit/algorithms that pertain to large groups while the other is about quality/medico-legal/cost considerations/one patient at a time. Still not convinced the metrics are truly capturing a real insight to what is actually being measured."

— Clinician at a small for-profit clinic in the South

"More transparency of costs and quality."

— Chief Medical Officer at a large nonprofit payer in the Northeast

"We need better framing and repeated individual patient stories and relevant supportive data to illustrate the unsustainability of our current healthcare model for patients, providers, and our health systems locally, regionally, and nationally. To accomplish this goal, we need to develop and communicate a clear sense of urgency with clarification of the need for system level changes that must occur in the order of highest priority. We also need to clearly define the global financial and human suffering."

— Director of a large nonprofit health system in the South

"A payment system based on patient centered outcomes."

— Clinician at a large nonprofit hospital in the South

"Marriage counseling such that they don't view each other as an enemy."

— Clinician at a midsized nonprofit health system in the South

"Mutual incentives."

— Director of a small for-profit community hospital in the Northeast

Methodology

- The New Marketplace Survey: Payer-Provider Integration was conducted by NEJM Catalyst, powered by the NEJM Catalyst Insights Council.
- The NEJM Catalyst Insights Council is a qualified group of U.S. executives, clinical leaders, and clinicians at organizations directly involved in health care delivery, who bring an expert perspective and set of experiences to the conversation about health care transformation. They are change agents who are both influential and knowledgeable.
- In November 2017, an online survey was sent to the NEJM Catalyst Insights Council.
- A total of 607 completed surveys are included in the analysis. The margin of error for a base of 607is +/-4.0% at the 95% confidence interval.

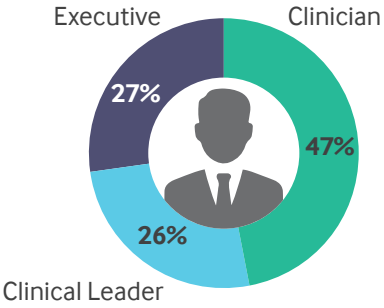
NEJM Catalyst Insights Council

We'd like to acknowledge the NEJM Catalyst Insights Council. Insights Council members participate in monthly surveys with specific topics on health care delivery. These results are published as NEJM Catalyst Insights Reports, such as this one, including summary findings, key takeaways from NEJM Catalyst leaders, expert analysis, and commentary.

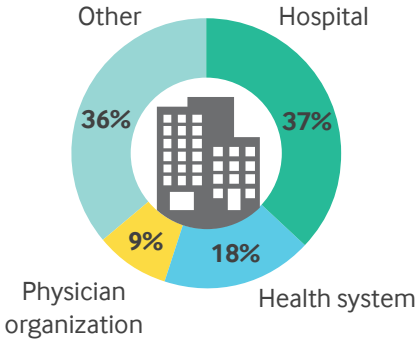
It is through the Insights Council's participation and commitment to the transformation of health care delivery that we are able to provide actionable data that can help move the industry forward. To join your peers in the conversation, visit join.catalyst.nejm.org/insights-council.

Respondent Profile

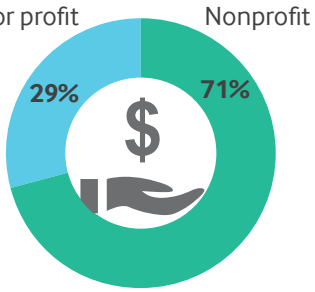
Audience Segment



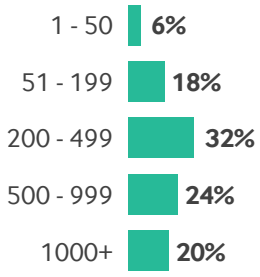
Organization Setting



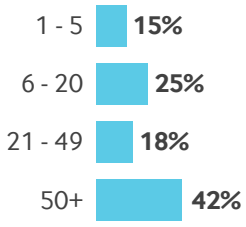
Type of Organization



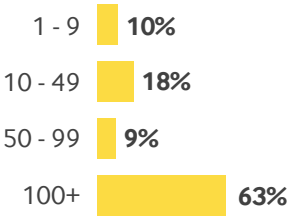
Number of Beds
(Among hospitals)



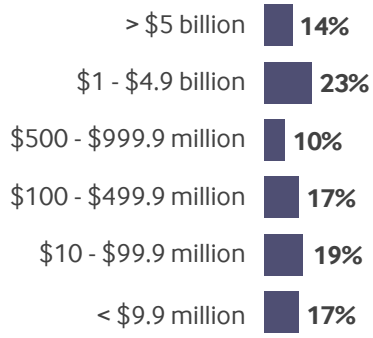
Number of Sites
(Among health systems)



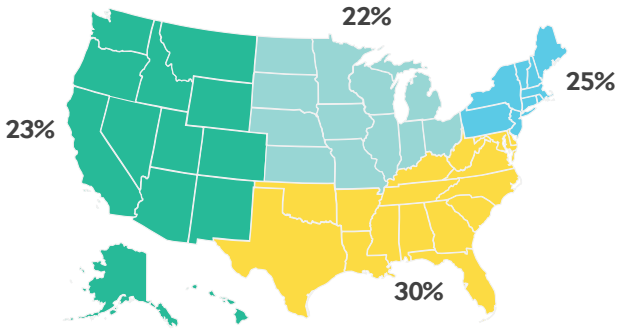
Number of Physicians
(Among physician organizations)



Net Patient Revenue



Region



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About Us

NEJM Catalyst brings health care executives, clinical leaders, and clinicians together to share innovative ideas and practical applications for enhancing the value of health care delivery. From a network of top thought leaders, experts, and advisors, our digital publication, quarterly events, and qualified Insights Council provide real-life examples and actionable solutions to help organizations address urgent challenges affecting health care.

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