

## Payment Quick Tips: Value-Based Payment Capabilities

Value-based payment (VBP) means that quality and/or cost are part of the equation in calculating the ultimate payment that providers receive for the services they deliver.

### Five Key Capabilities

Organizations that pursue VBP need to have five capabilities, specifically:

1. **Conducting an Opportunity Assessment:** finding out who might be a good partner for contracting and what they need (see the [HaH Payment Quick Tips Payment Partnerships](#) for potential partner ideas)
2. **Telling Your Value Story:** succinctly explaining how your services contribute to value in terms of patient and utilization outcomes
3. **Understanding Your Costs:** knowing what it actually costs to deliver your services in a way that ensures measurable outcomes for patients and families (For example, if you seek to reduce ED visits, what will it cost to provide meaningful clinical response after 5:00 pm or on weekends?)
4. **Maximizing Efficiency:** modifying services as patient needs change, and collaborating with other providers, such as home health, to avoid duplication (as you improve efficiency, continue to monitor cost-effectiveness)
5. **Nurturing the Relationship:** truly partnering (and meeting frequently) with the organization that is paying you to problem solve together and ensure the impact you both seek

### Telling Your Value Story

Value-driven organizations are seeking high performance on key quality measures while ensuring cost-appropriateness and Hospital at Home care can help with both sides of that equation. **It's important that your program actually demonstrate its impact.** Collect the data you can that demonstrate things like:

- A reduction in avoidable hospital admissions, readmissions, and/or emergency department visits
- A reduction in hospital cost per day, length of stay, and/or ICU length of stay
- Strong patient and family satisfaction or experience, measured by how likely your patients are to recommend your program

Always include a **patient story** to illustrate the human impact that the numbers cannot convey.

[Here](#) is a deeper discussion of HaH Value Drivers from the hospital or health system perspective.

### Understanding Your Costs

When you accept payment for services, you must understand how that contributes to your program's total financial picture. One good way to do this is to calculate your break-even patient volume—how many patients or visits will it take to cover your fixed costs, based on any proposed price. If the break-

$$\text{Break-Even Volume} = [\text{Total Fixed Costs}^*] \div [\text{Price} - \text{Variable Cost}^*]$$

even volume is above your total capacity, then that payment alone will not cover your costs, and you'll need to negotiate a higher rate or have a plan to fill the gap.

[Here](#) is a look at a wide range of Critical Cost Drivers in Hospital at Home.

\*Fixed costs are those that do not change with the number of patients served, for instance rent and salaries. Variable costs, such as medical supplies, are those that are incurred with each patient or patient encounter.

### Maximizing Efficiency

Financial partners want to know that you are a good steward of their resources, and that the value you generate is greater than the payment given. This means that your program must operate efficiently: serving the patients most likely to benefit from your services; deploying the professional team according to patient needs; using technology effectively; and collaborating with existing providers to avoid duplicate services.

### Matching Patients to Services

To maximize efficiency, you must identify and enroll the right patients (those on whom you can have an impact) to demonstrate value. **Use proactive processes** that take account of diagnosis and key utilization patterns (such as a recent unplanned hospital admission, a pattern of ED visits, home health episodes that initiate in the community).

### Revising Team Composition

Fee-for-service billing necessitates maximizing the billable clinicians on your team, but value-based payment enables a team structure that matches patient needs to team capabilities more flexibly. For example, consider whether:

- Physicians and Advanced Practice Providers can oversee other (non-billable) team members' patient encounters, expanding capacity
- Para-professionals, such as aides or community health workers, can assume some tasks, reducing reliance on clinicians for non-clinical needs

When implementing new team structures, be aware of the potential trade-offs, such as the impact on existing clinician referral relationships, especially those who may prefer interacting with certain professionals over others.

## **Using Telehealth**

Telehealth has become a major strategy for efficiency in medicine and could be a great addition to your program. Many patients prefer the much greater convenience of telehealth visits to in-person visits. Preparation requires selecting a video conferencing platform, ensuring that platform works properly, training and educating staff, and ensuring support of patients and their families. Consider how you will determine when and whether to use telehealth visits, how patients will be supported to participate in these encounters, and how reimbursement will operate. And understand the regulatory requirements of incorporating telehealth into your Hospital at Home program.

## **Nurturing Payer Relationships**

Just like any healthy relationship, a value-based payment partnership requires trust, communication, and flexibility. Foster the association between the two organizations through regular meetings and a mutual problem-solving spirit. For example, create a schedule where representatives meet weekly to touch base on operations, monthly to review performance and solve problems, and quarterly to strategize on next steps.