Why is value-based healthcare not saving money?

Amidst rising health costs in the U.S., researchers have examined the role of value-based care and competition in the cost equation. They found that across 900 different markets, value-based payment models had not produced the expected reductions in costs, mainly because many markets have few value-based options available. In addition, many of the current models lack incentives that push providers to take on more risk.

The study was conducted by the U.S. Healthcare Financial Management Association, together with Leavitt Partners and McManis Consulting. In their report, researchers note that the lack of cost reductions was true for both Medicare and commercially-insured populations.

"[When you have] very small amounts of revenue under a risk-based model, you don't have a compelling business case to change," David Muhlestein, chief research officer at Leavitt Partners and one of the study's authors.

Another key factor driving costs higher is the ongoing consolidation in the healthcare sector. Markets that were less consolidated or those that had less vertical alignment were the costliest, while markets with strongly-organised provider networks were often the least expensive, the researchers explained.

Patient advocates contend that mergers rarely pay off financially for patients. This is because healthcare organisations who are market leaders are more likely to charge high prices. However, markets with less consolidation had intense competition and also had less of a focus on reducing utilisation, according to the report. High levels of utilisation can drive up costs significantly, the researchers pointed out.

For example, in Oklahoma City, there are 28 different acute care hospitals operating and competing directly for patients. However, a staffer interviewed by the researchers at one health system said the utilisation rates were "an unanswered question." In this case, having a large number of hospitals available didn't provide meaningful competition to reduce costs, the researchers concluded.

In addition, the report found that employers are hesitant to redesign benefits in a way that may limit patients' provider networks, and the instability in Affordable Care Act exchanges is also a contributor to rising costs.

Source: FierceHealthcare
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Published on : Tue, 10 Jul 2018