Workers' Comp

Bringing value-based contracting to workers' comp offers opportunities and challenges

October 5, 2020
6 MIN READ

As featured on the workcompwire.com blog, this piece was contributed by Kate Farley-Agee, Vice President, Network Products, Coventry.

Kate has over 20 years' experience in the healthcare industry and oversees Coventry's national provider network product development and state-certified networks across the country, as well as being a contributing author to Coventry's Blog The Sounding Board.

Ask almost anyone what's wrong with health care in the U.S. and you're likely to hear about runaway costs. The other common refrain is that for all we spend as a country, the results, too often, are only lackluster. One hoped-for remedy to the nation's health care ills is so-called value-based contracting. This involves paying a fixed amount for a procedure—and for the results—rather than paying for each CPT code or procedure performed. Value-based scenarios are drawing more interest in group health. But how this setup would unfold in workers' compensation remains less clear due to the industry environment.

The intent of the value-based approach is to realign payment for health care services from the entrenched fee-for-service model, which rewards line-item services, and instead directs payments toward the results achieved by a treatment or episode of care. In short, it's a way to get more bang for our proverbial buck. So, instead of having to itemize and charge for every aspect of care to help guard against revenue shortfalls, providers can be assured of collecting a simple, all-encompassing fee for seeing a patient through an episode of care.

Value-based scenarios show up most often in realms such as specialty services through Medicare and through commercial lines of business because of the risk inherent to the model. That risk is shared: The one-time payment might cover all the provider's costs and then some or the payer might end up limiting its exposure if the cost of care exceeds the agreed-upon amount. For the provider, the incentive is to be as effective and efficient as possible without worrying about whether there are enough billable actions to pull in a sufficient reimbursement. The provider manages the care of the entire episode and accepts the value-based, one-time rate regardless of the number of services delivered to the patient.

How to bill for care has become an urgent question in the last six months. With the U.S. still reeling from COVID-19, the disease caused by the novel coronavirus, many providers have been struggling with a steep fall-off in patient visits and an attendant plunge in billing. Some policy experts are pointing to capitated scenarios as one possible way to help providers, some of whom are at risk of going under.

Change requires a shift in thinking

For workers' compensation, the question is whether states can shift philosophies and then regulations to accept a fixed price instead of the à la carte standard the system relies on today. One key challenge in treating injured workers is the presence of state-regulated fee schedules based on various methodologies and thresholds. It's the textbook fee-for-service approach of take an action, bill for it, and get paid. But in a value-based world, payments typically occur upfront and in one bulk payment. The provider then uses that pool of money to manage the patient's care. The incentive is to do what makes sense to move care forward. Maybe a telehealth follow-up will suffice for a patient rather than an in-person office visit with a battery of tests. In cases where per-action reimbursements rule, the less efficient but more lucrative office visit might win out. In a value-based world, a secure video consultation with the patient could be the way to go.

There are numerous scenarios to consider. In group health, it can be easier to demonstrate savings. That's because there aren't the complications of fee schedules. Instead there are usual-and-customary reimbursement rates determined by industry standards. With workers' comp the state dictates the standard through a regulatory process.

For value-based contracting to flourish in workers' comp, the industry would need to evolve to rely on more than fee schedules and the metrics will have to change. Payers would need to assess the value differently without comparing the rate to fee schedules. In addition, without a workaround that passes muster with regulators, it could be difficult to assemble payment schemes that would mimic the all-encompassing approach of value-based contracting seen in group health.

One option could involve a hybrid model

Perhaps one way forward is to employ a case-rate approach. This hybrid payment system could help both payers and states grow accustomed to different methods of reimbursing for care. Under this type of plan, payments would still arrive after providers deliver care, not before. However, these payments would represent a more predictable cost to the payer and still put the responsibility of managing care efficiently on the provider.

The intent of this type of incremental step would be to nudge workers' compensation systems toward more risk-based strategies. This would represent something of a sea change—to share in the potential financial wins and losses of a holistic approach to care and reimbursement for injured workers.

Much work remains before workers' comp systems could make a big push into valued-based contracting. Payers need to consider whether they're ready to move from a mentality of paying a fee for a given service to a case-based approach that would involve handing over lump-sum payments in order to promote greater outcomes and, ultimately, better overall savings through more efficient care. Certainly, payers used to the fee-for-service model would need to develop metrics to help evaluate the concept and monitor how well injured workers do in their recoveries. Payers also would need to consider the new metrics for medical spend if and when the workers' comp payment methodology changes. How do payers know they are getting what they are paying for? And is what they're getting better than under the fee-for-service model?

Important questions remain

There are other considerations as well. These include which providers might want to take part and, among those, which types of providers might be best suited to a high-level, case-based protocol. Part of the appeal for providers would be decreasing their paperwork and carving out a simplified revenue stream. At least at the start, specialists might emerge as better candidates for this approach because of the narrower and often more tightly defined scope of their care. Perhaps it would be possible to construct an index of prices based on a type of

procedure or type of claim.

While there are numerous unknowns and many questions to be addressed, the promise of value-based contracting in workers' comp makes these issues worth considering. After all, if the intent of managed care is to help deliver the best, most efficient, most effective care at the best price, then writing a single check for improved outcomes and lower costs could make a lot of sense.

mitchell | genex | coventry