

# Value-Based Purchasing: Putting the Wheels into Motion

You're buying a car. Before you hit the lot, you do your planning and research, establish a budget, figure out what features you want and what style you're looking for. You probably search online for car and dealer reviews, prices and sales. Based on all of that work, you make a decision, negotiate and pay for your new car.

Your car research was relatively easy. But finding a healthcare provider? Not so much.

While you may know what you want in a provider, very little information is available about the services they provide, appointment costs, reviews and other important details to help you make an informed choice about your care. And if you ARE lucky enough to find someone who seems to fit your needs, you're often still left wondering what kind of quality you can expect from your treatment experience.

The bottom line is that it's easier to buy a car than it is to find a healthcare provider. Silly, right? We think so, too – which is why Magellan is bridging these information and quality gaps by employing value-based purchasing models.

## **Rewarding quality care yields informed choices**

Value-based purchasing takes various forms. But it generally operates on the premise that aligning providers' incentives and reimbursement with organizational and individual goals incents behavior and drives positive outcomes, ultimately benefiting all involved in the healthcare continuum. This includes consumers, customers and payers, in addition to the providers themselves, who also enjoy improved reputations

through public reporting.

In fact, one of the key tenets of Magellan's value-based collaboration and purchasing models is to ensure stakeholders become more informed as a result of these initiatives:

- *Customers* benefit by knowing whom to partner with for network management;
- *Payers* benefit by knowing whom to pay for value; and
- *Consumers*, of course, benefit by having those online provider reviews become a lot less elusive, enabling them to make an informed decision about whom to choose for their care.

Magellan's models also center on:

- **Engaging and empowering providers in compensation model evolution.** We partner with provider leaders around compensation design, employ transparency to ease the compensation shift and create meaningful incentives for providers to encourage active engagement. (1)
- **Building provider compensation for an evolving healthcare market.** Our priorities center on population management, team-based care and member access. We integrate new quality and efficiency standards into compensation, and remove compensation barriers to population goals. (1)

**Why do we give value-based purchasing strategies the green light?**

Take our Assertive Community Treatment (ACT) program as just one example. Through program data analysis and close collaboration with our ACT provider teams, we developed a three-tiered rate structure based on overall program goals to support recovery, wellness, and to improve community tenure. As a result, we saw a 21 percent decrease in inpatient admissions and a 24 percent decrease in the inpatient

readmission rate.

### **Our drive for engagement continues**

Providers nationwide are in different phases of readiness, so we keep our wheels in motion by providing a graduated maturity model to move them from the most basic stage—learning the behavior through activity incentives—to the most complex arrangements, which transform care delivery through outcomes-based incentives or other payment structures (2). We look forward to working with stakeholders, providers and consumers as we continue to expand this innovative and exciting model.

(1) Medical Strategy Group Council: “Next-Generation Physician Composition,” The Advisory Board Company

(2) Physician Quality Reporting Initiative: The Advisory Board Company