

# VBP TERMINOLOGY

## 101

**Presented By:**  
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# PRESENTER



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# SIMPLY PUT

- » Value-Based Payment (VBP) is an emerging type of payment approach that:
  - Pays for value:
    - Better care
    - Better outcomes
    - Reduced costs
- » Instead of paying for volume:
  - Visits
  - Procedures
- » We expect that VBP will increasingly become the dominant payment method for health care providers.
  - Including from Medicare, Medicaid, and commercial payers

# WHAT IS VALUE?

$$V = \frac{Q}{\$} \times S$$

(Value) = (Quality) / (Cost) x (Service Volume)

# THE THEORY BEHIND VBP

**Paying for volume (FFS)  
provides the wrong set of  
incentives**

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**Expensive intervention instead  
of an inexpensive one**

**Focus on illness, not health**  
Lack of accountability for the  
wellbeing of the consumer

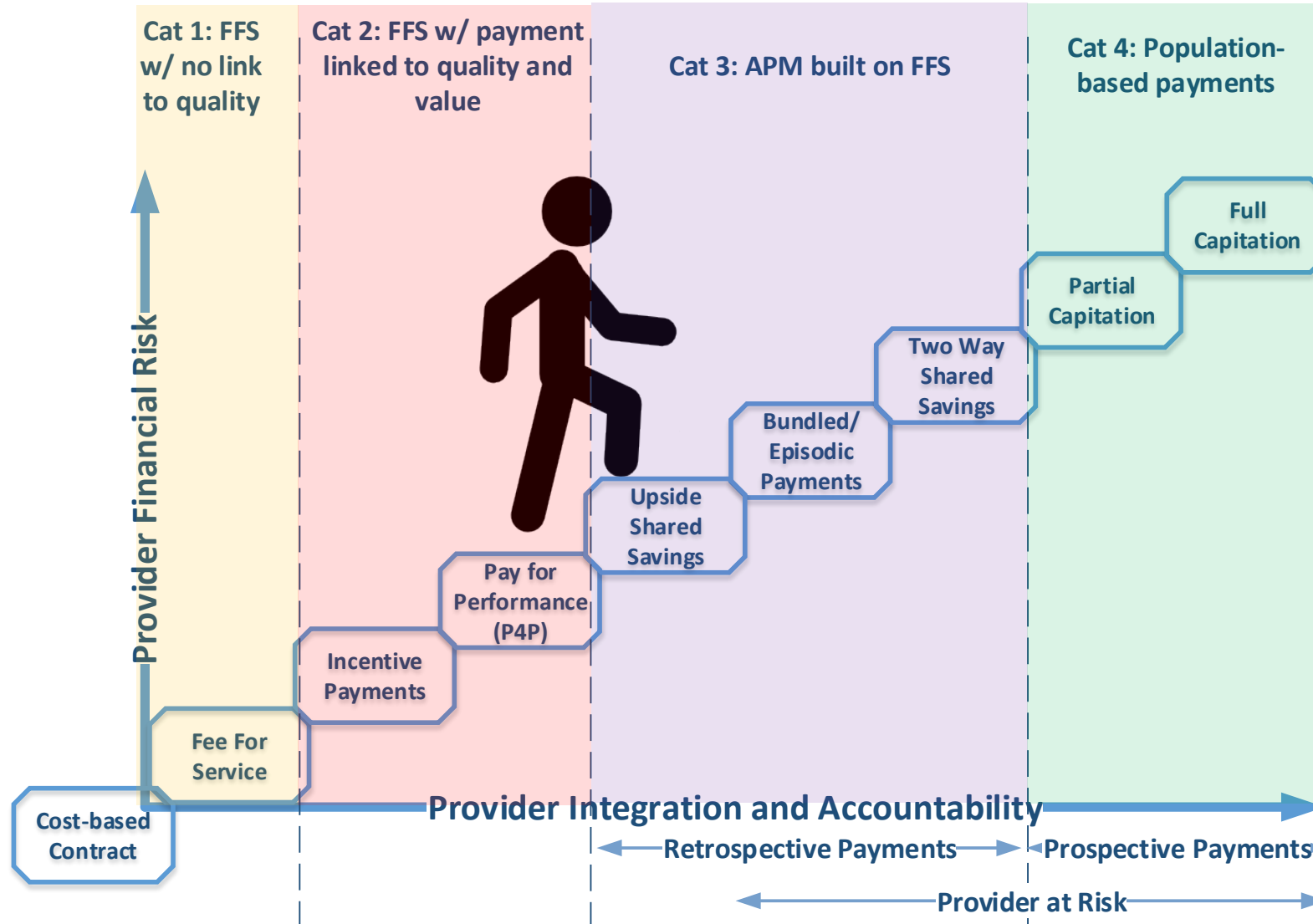
**Doesn't promote innovation**

Inconsistent with virtual and  
technological interventions

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**No payment for  
important parts of  
the service**

# ACCOUNTABILITY, INTEGRATION, AND RISK GO TOGETHER



# KEY VBP CONCEPTS

**Benchmarking:** What is the baseline spend against which the future spend will be measured?

**Risk Adjustment:** A change to the benchmark to reflect consumer characteristics (e.g. age, sex, health status)

**Attribution:** How and to whom is the care and wellbeing of the consumer assigned?

**Predictive Modeling:** Analyzing data to create a statistical model of expected future performance or results

**Stop loss:** An upper limit on the amount a provider can lose in a shared risk arrangement

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# HMA

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