

“How Reimbursements Affects Healthcare”

Introduction

Reimbursement models Value-Based pricing and its effects on healthcare

Healthcare providers are paid by insurance or government payers through a system of reimbursement. They provide medical services to patients and then file for reimbursement for those services with the insurance company or government agency responsible for covering those funds. The United States alone spends a lot more on health care than any other country in the world, and information from 2015 report showed that approximately 17.1% of the gross domestic product (GDP) was spent on health care services (The World Bank, 2016). The country with the next highest spending is the Netherlands, which spends approximately 12% of its GDP on health care. U.S. politicians commonly say that we have the best health care system in the world. Unfortunately, that is not true. In the American system there is a lot of people that have no insurance coverage or they have little insurance coverage compare to the rest of the developed world. On this regard patients healthcare is directly affected by the way providers file those reimbursements because the service is constricted to norms and regulations delimited by the way those funds are accredited to providers.

Healthcare providers then have been criticized for the way they do their business and how they managed the payments they received for the services they provide to patients. Reimbursement for all health care services has been under downward pressure for several years. Newspapers have published articles citing the "greed" of hospitals, physicians, and other health care providers. Congress has reacted by instructing Medicare to control payments in order to keep the Medicare trust fund "budget neutral." Consequently, the result has been decreased payments across the health care system to both hospitals and providers. Reimbursements then directly affected patients in the quality and frequency of services they can get.

Return on Investment, or Market Value

Return on investment (ROI) is an economic term focused on the real or perceived value of devoting time, money, or effort toward a specific purpose. In the healthcare system this is the value from which health services are measured. With the United States investing more money and effort in health care services than any other country, the absence of ROI is very significant in many ways. The growth on expenses of this model is projected to be unsustainable, and the contributor of reducing ROI is our own healthcare system. Then the market value and the

reimbursements are key to determine the value of healthcare for healthcare providers which in most cases is very different from the value perspective of patients health and their outcomes.

Value-based model

Value-based healthcare is a healthcare delivery model in which providers, including hospitals and physicians, are paid based on patient health outcomes. ... The “value” in value-based healthcare is derived from measuring health outcomes against the cost of delivering the outcomes. Value-based insurance design (VBID) is a strategy that reduces cost sharing for high-value services and increases consumers’ out-of-pocket spending for low-value care.

- The VBP model serves as a model that allows providers to gain experience at low risk with alternative payment model; quality metrics, performance for adaptation, and payment incentives and risks
- This could be a critical transitional step to allow organizations to adopt more advance alternative models involving greater potential financial risks and benefits like ACO’s (Accountable care organizations)
- US healthcare rapidly moving towards value based purchased system
- This model is different than fee for service or capitated in which they are paid by service rather than outcomes

US is ranked highest in world for Healthcare expenses,

- In america healthcare consumes about 1/8 of the us economy
- US is ranked highest in world for Healthcare expenses
- Despite having lowest performance indicators

California Integrated Healthcare Association (IHA)

The California Integrated Healthcare Association is the largest private VBP program in california that assesses four main categories of clinical use, meaningful use, patient experience, and appropriate use.

- All of these qualities translates to three types of incentives, financial, public reporting, and public recognition
- From 2003-2004, the California integrated healthcare association awarded nearly \$500 million in bonus payments
- The concept is to bring all three qualities to complement each other to drive for improvement