

# POPULATION-BASED PAYMENT MODELS FINANCIAL BENCHMARKING

## OVERVIEW

A new white paper, [Accelerating and Aligning Population-Based Payment Models: Financial Benchmarking](#), recently released by the [Health Care Payment Learning & Action Network \(LAN\)](#), provides insights to help speed the adoption of alternative payment models (APMs) in the health care community. APMs are a key strategy in health care payment reform, helping to shift focus from quantity to quality in health care.

### WHAT IS FINANCIAL BENCHMARKING?

Financial benchmarking is the method of setting spending targets for clinicians to help drive efficiencies in delivering care to keep health care costs at sustainable levels. By comparison, a single financial benchmark is a specific spending level that is used to establish population-based payment (PBP) rates for providers. Financial benchmarks can be set and adjusted over time, as providers gain more experience in PBP models, and benchmarks are further adjusted to take into account different medical cases and local variations in pricing.

### IMPORTANCE

Setting appropriate financial benchmarks is essential to the success of PBP models, which are based on a simple concept: providers accepting accountability for managing the full continuum of care for their patients. This includes a patient's entire lifespan, from prevention to end-of-life care, and everything in between. The goal of PBP models is to achieve better quality and outcomes at a lower total cost for the patient population involved.

In PBP models, financial benchmarks are useful for managing resources, planning for what and where to invest money, and identifying any inefficiencies within the health system so that doctors, nurses, and other clinicians can deliver quality health care at lower costs.

## THE WHITE PAPER

The paper highlights the importance of fostering greater alignment of financial benchmarks in PBP models, and in doing so, lowering barriers to the acceptance and adoption of this model. While there is no "one size fits all" approach to financial benchmarking, the paper outlines some critical ways to establish and update financial benchmarks in PBP models.



### Stage 1: Attract



Providers

Attract a critical mass of providers and secure long-term commitment to PBP models

### Stage 2: Adapt



Providers

Payers

Allow provider organizations the time and flexibility to reorient practices, resources, and workflows to align with PBP

### Stage 3: Align



Payers

Align providers in common markets and adjust payments for risk

## RECOMMENDATIONS

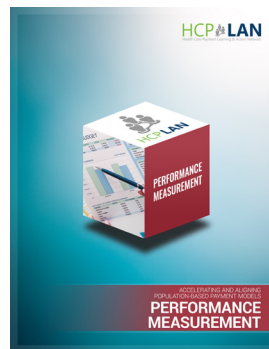
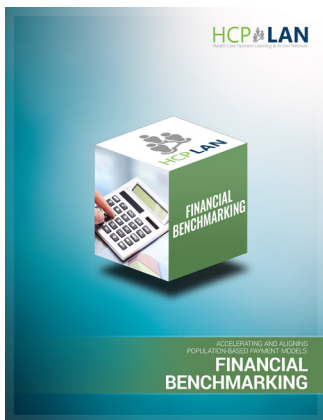
- ✓ Encourage participation in the early years of the model's progression and drive convergence across providers at different starting points toward efficiency in the latter years.
- ✓ Strike a fine balance with risk adjustment to ensure that the doctors, nurses, and clinicians who serve disadvantaged populations of people who are at higher risk of chronic health conditions are not unduly penalized, and the individuals within those populations do not receive substandard care.

For a full list of recommendations and additional resources go to: <https://hcp-lan.org/groups/pbp/fb-final-whitepaper>

## MOVING FORWARD

The LAN white paper reflects the latest thinking from leading experts in the field of health care payment and offers recommendations for developing a methodology of financial benchmarking. The paper serves as an important resource for providers, payers, employers, patients, consumer groups, health experts, and state and federal government agencies taking action on APMs nationwide. These recommendations encourage greater alignment in the field to increase adoption toward the goals of tying 30% of U.S. health care payments to APMs by the end of 2016 and 50% by 2018.

## REVIEW OUR SUITE OF OTHER PBP WHITE PAPERS



## ABOUT THE LAN

### PURPOSE

The Health Care Payment Learning & Action Network (LAN) aims for:



BETTER CARE



SMARTER SPENDING



HEALTHIER PEOPLE

### MISSION

To accelerate the health care system's transition to alternative payment models (APMs) by combining the innovation, power, and reach of the private and public sectors.

## OUR GOAL

Adoption of Alternative Payment Models

2016 **30%** → 2018 **50%**

