



Preparing for the inevitable: The path to physician success in a value-based world

*Perspectives from the Deloitte Center for Health Solutions
2014 Survey of U.S. Physicians*

Executive summary

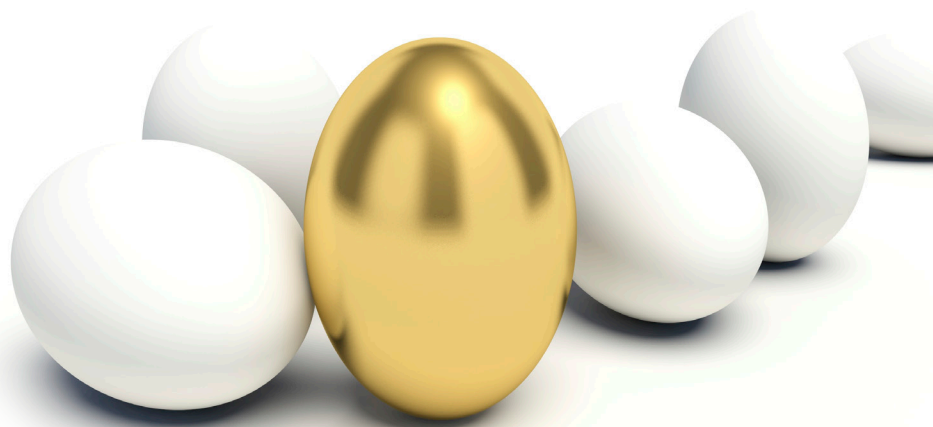
The evolution of the U.S. health care system from volume- to value-based care (VBC) is under way, spurred by factors including unsustainable costs, a push for improved outcomes, and the desire for more value for money spent. While this evolution impacts multiple health care stakeholders, VBC cannot work without the participation of physicians. How are physicians faring in the inevitable shift to a value-based world? What resources, capabilities, and skills do they think could help put them on a path to success in VBC?

The Deloitte Center for Health Solutions *2014 Survey of U.S. Physicians*, a nationally representative survey of 561 physicians, examines current and expected levels of VBC engagement and what physicians need to feel more confident about VBC participation. This report provides physicians and health organizations partnering in VBC initiatives (health systems, hospitals, health plans, and other stakeholders) insights to increase physician success in a VBC world.¹

Anticipating that value-based payment models will likely equal about 50 percent of their total compensation in the next 10 years, physicians are aware that the shift to VBC is happening and inevitable. But they are reluctant to participate, preferring the status quo, and concerned about the consequences of financial risk (e.g., being held accountable for things out of their control).

Physicians desire to acquire or increase their VBC skills and business knowledge, and to expand their use of health information technology (HIT).² In addition, they identify a number of resources, capabilities, and skills they feel are necessary for success in a VBC environment. For example, from health organizations partnering in VBC, physicians seek expanded clinical support capabilities, enabling technology, HIT, and access to non-physician staff to coordinate patient care. Physicians also want support to manage risk and protect financial interests.

In our view, physician success in a value-based world impacts all health care stakeholders because of physicians' integral role in health care delivery. As VBC becomes a more significant aspect of their income, physicians likely will choose to work with health systems that fully and fairly enable an equitable approach to compensation. Partners, therefore, may need to move quickly to attract and support physicians by providing them with the clinical and business resources they need; doing so could enhance collaboration and, potentially, lead to market advantages over time.



What is value-based care?

Value-based care (VBC) describes an array of strategies to obtain better value for health care spending. Clinical initiatives and delivery models focus on getting more coordinated, higher quality care at reasonable costs. Provider payment models involving bonuses and penalties are aligned to cost, quality, and outcomes measures. Participating in VBC initiatives requires different capabilities and resource investments for physicians, health systems/hospitals, and health plans. However, common to VBC initiatives is the need to:

- Consider expanding partner relationships
- Be both clinically and financially data-driven
- Have access to actionable information, analytics, and tools that provide a comprehensive view of a patient's care, whether it is provided in a hospital, in outpatient settings, or at home.

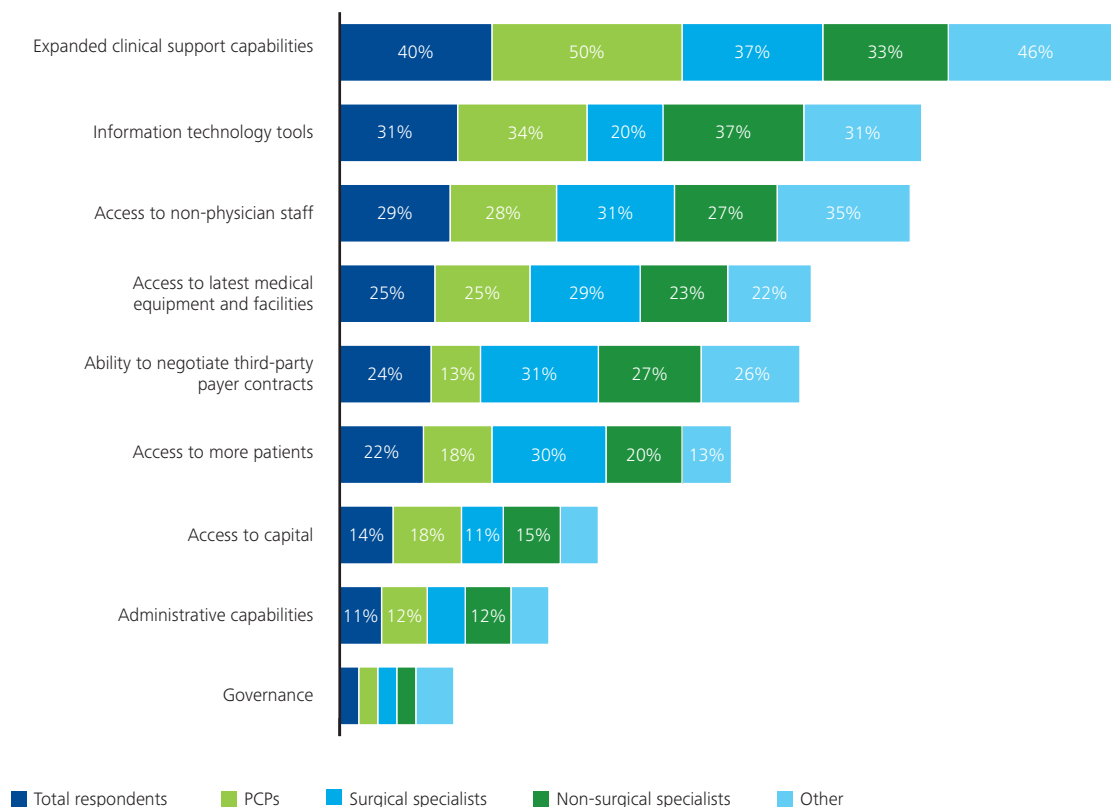
Physicians identify resources, capabilities, and skills they need to be successful in the VBC world

Physicians seek expanded clinical support capabilities, greater use of HIT, and access to non-physician staff

Physicians identify expanded clinical support capabilities, information technology, and access to non-physician staff as the most important capabilities needed to support them in VBC (Figure 1). Rankings of needed capabilities depend somewhat on whether survey respondents are primary care physicians (PCPs) or specialists, and by their work setting and other practice characteristics. These priorities are significantly (at $p = .05$) more common among PCPs, physicians in academic or research settings, and among those who prefer value-based payment models:

- Expanded clinical support capabilities:
 - 50 percent of PCPs versus 33 percent of non-surgical specialists
 - 49 percent of those in an academic/research setting versus 33 percent of independents who contract with multiple plans/hospitals
 - 51 percent of those who prefer value-based payment models versus 37 percent of those who prefer traditional payment models
- Information technology tools:
 - 34 percent of PCPs and 37 percent of non-surgical specialists versus 20 percent of surgical specialists
- Access to non-physician staff:
 - 35 percent of physicians in practice 10 years or less versus 22 percent of physicians in practice 21-30 years

Figure 1. Ranking of importance of work-provided resources/capabilities to support VBC



Percentage responding highly important (rank of "1" or "2") work-provided resources/capabilities to support VBC
Responses of 10% or less not labeled

Source: Deloitte Center for Health Solutions: 2014 Survey of U.S. Physicians

Physicians seek value-based payment models that are structured fairly and support in managing risk

Physicians' key factors in choosing a value-based payment model are those which protect their financial interests (Figure 2). PCPs (49 percent) also want information to identify and manage high-cost patients.

Physicians want to improve their business knowledge and expand their use of HIT

Given the health care system's transition to VBC and the practice of medicine's evolution, physicians were asked which skills are important for them to possess to successfully practice medicine in the future. Physicians report the following as important:

Figure 2. Critical success factors when constructing value-based payment models



Factors that protect physicians' financial interests

61%
Limits to total financial risk exposure

46%
Equitable, performance-based distribution of bonuses from shared savings

43%
Ability to help set performance goals



Interpersonal/communication skills: **91 percent**



Expanded use of HIT for communication/care management and electronic health records (EHR) for analytic/reporting capabilities: **80 percent**



Managerial expertise (e.g., in leadership, strategy planning and financial management): **74 percent**



Negotiating employment contracts: **71 percent**



Financial and actuarial expertise: **64 percent**

High recognition that change is afoot

Physicians expect that about 50 percent of their compensation in the next 10 years will be value-based

Value-based payment models in 10 years will likely comprise about 50 percent of physicians' total compensation. These findings hold true across physician type, region, years in practice, practice size, and practice type.

Definitions of physician payment models

- Traditional payment models include fee-for-service payments (FFS) or salary with or without bonus potential
- Value-based payment models include:
 - FFS payments combined with a monthly care coordination fee
 - Bundled payments: one payment for all the services around a particular patient's treatment or episode of care – paid to a physician or to a hospital which then pays the physician from that bundle
 - Procedural episode-based payments and/or complex and chronic disease management episode-based payments (this option was only presented to specialists in the survey)
 - Shared savings arrangements where a physician is rewarded if patients have better-than-average quality/cost outcomes
 - Shared savings arrangements, where a physician is penalized if patients fail to have better-than-average quality/cost outcomes
 - Capitation payments per-patient-per-month (PPPM) covering physician-related services
 - Capitation payments PPPM covering payment for pharmacy, hospital, and other services as well as physician-related services

Reluctance to participate in VBC

Physicians prefer the status quo in how they are paid and in their work setting

Physicians report low levels of compensation through performance bonuses and incentive payments. Over half (52 percent) of all physicians report having 10 percent or less of their compensation from these sources in the past 12 months and expect the same to be true for the next 12 months. One in three physicians is currently ineligible to receive a performance bonus. Thus, performance bonuses are not a major impact on total compensation.

Traditional payment models – salary with or without bonus potential (61 percent) and fee-for-service payments (FFS) payments (44 percent) – are the most common current physician payment models. The most common value-based payment models are rewards-based, shared savings arrangements for PCPs (13 percent), and procedural/chronic episode-based payments for surgeons (16 percent) and non-surgical specialists (13 percent).

Moreover, the majority (78 percent) of physicians are content with the status quo, preferring traditional payment models over value-based payment models (22 percent) (see next page). However, PCPs are more likely to prefer value-based payment models while surgical specialists and physicians in practice 31 or more years are more likely to prefer traditional payment models.

Among the types of value-based payment models, FFS plus a monthly care coordination fee (11 percent) is the most preferred payment model, while capitation payments for physician, pharmacy, hospital, and other services (1 percent) and penalty-based shared savings (0 percent) are the least preferred payment models.

Physicians also prefer the status quo in their work setting, ranking the ideal places to practice VBC as:

- Single-specialty independent: 28 percent
- Academic medical center: 17 percent
- Multi-specialty independent: 16 percent
- Integrated delivery system: 15 percent
- Concierge group that does not accept insurance: 15 percent

Primary care physicians more likely than specialists to prefer value-based payment models

| | Physicians preferring value-based payment models | Physicians preferring traditional payment models |
|--------------------------|--|--|
| Total respondents | 22% | 78% |
| Physician type | | |
| PCP | 44% [†] | 24% |
| Surgical specialist | 17% | 31% [†] |
| Non-surgical specialist | 31% | 39% |
| Other | 8% | 6% |
| Years in practice | | |
| 10 or less | 38% | 36% |
| 11-20 | 23% | 22% |
| 21-30 | 25% | 17% |
| 31 or more | 14% | 25% [†] |

[†] Statistical significant difference at p = .05 level.

Percentage responding most preferred (rank of "1") compensation type. Note, classification of traditional and value-based payment models was done in data analysis (refer to earlier definitions of physician payment models for details).

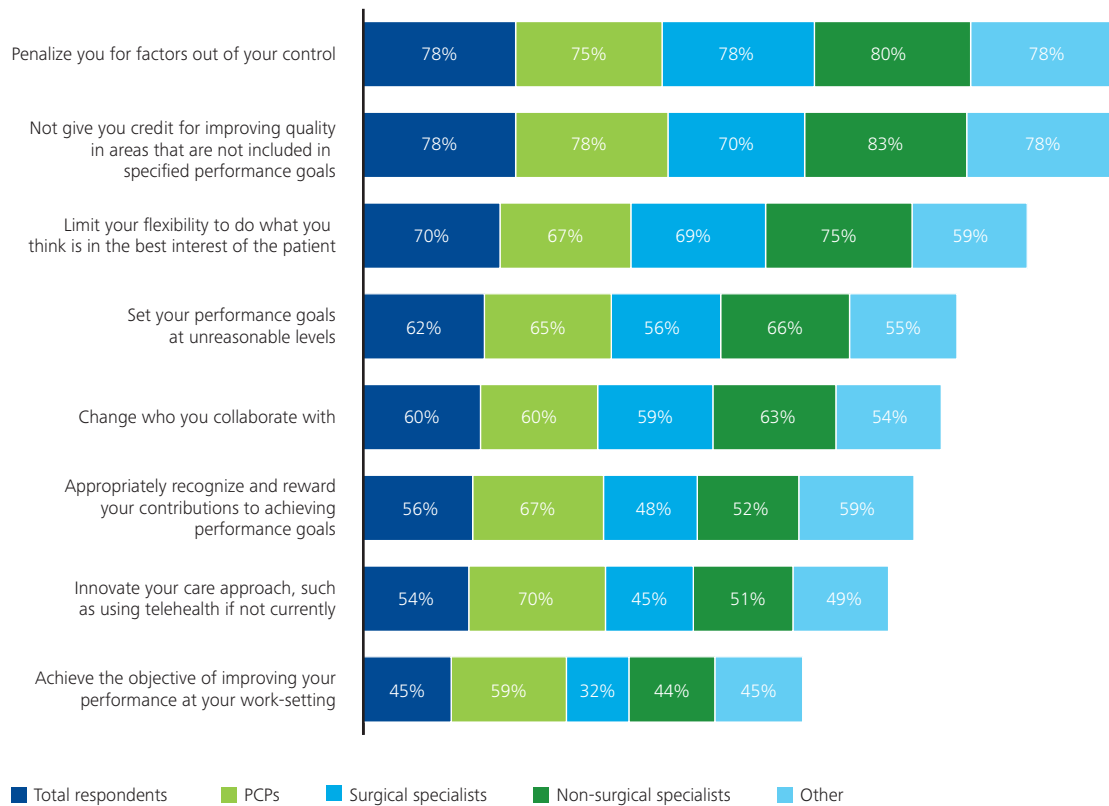
Source: Deloitte Center for Health Solutions: 2014 Survey of U.S. Physicians

Physicians’ greatest concerns with value-based payment models center on fairness

Physicians are most concerned that value-based payment models may penalize them for factors out of their control and not capture quality improvements achieved outside of performance goals (Figure 3). The majority (78 percent) of physicians agree with both of these statements. These two concerns had the greatest agreement across all types of physicians, although the specific percentages varied somewhat.

Respondents are less likely to agree that value-based payment models could lead to positive effects, such as innovative care approaches and improving performance, but about half of physicians do report that these changes could occur.

Figure 3. Greatest concerns with value-based payment models



Source: Deloitte Center for Health Solutions: 2014 Survey of U.S. Physicians

Considerations: Strategies and resources to support participation and success

To boost physicians' participation in VBC, health care partners should consider building physician-centered strategies around the clinical and business resources identified for VBC success:

Expanded clinical support capabilities

Physicians may need clinical and technical support to take a balanced, end-to-end approach to delivering patient care while also competing on value. Partners can provide care coordination, registry access, patient engagement tools, and care model pathways.

Comprehensive HIT

Integrated HIT – EHR, informatics, analytics, reporting, and a rules engine – may allow physicians to more effectively treat patients and manage risk. Using EHR and analytics, high-risk patients can be identified and actively managed. Physicians can test which actions/interventions could best improve quality, cost, and health outcomes performance, especially for high-risk patients, using predictive models. HIT can also allow for physicians to communicate, share, coordinate, and engage seamlessly with multiple stakeholders for improved care management. Lastly, HIT can support the management of financial metrics and risk; for example, through activity-based cost accounting and outcomes tracking.

Access to non-physician staff

New team and workforce models, including access to non-physician staff, can help physicians to provide clinical care and coordination/management, and help patients address a broad range of issues. Additionally, these staff can help provide care and coordination outside of office visits.

Managerial expertise and business knowledge

Partners can help physicians improve business management and organizational skills to operate in a VBC environment. Evaluating contracts, leading care coordination activities, and managing partner relationships can be taught through formal courses and on-the-job training.

Value-based payment models that are structured fairly

Transparent governance models with clear decision-making guidelines can help to address how risk is shared between the partner and physician. Accountability/responsibility protocols for each stakeholder at each stage of care can help assure that physicians get credit for improving quality. Giving physicians influence over performance goals can also help to address fairness issues.



Appendix: Survey objectives and methodology

Since 2011, the Deloitte Center for Health Solutions has annually surveyed a nationally representative sample of the U.S. physician population to assess experiences, actions, and attitudes about health care. The 2014 survey examines value-based care, the future of medicine, the impact of health reform, and health information technology (HIT).

In 2014, a random sample of U.S. primary care and specialist physicians was selected from the American Medical Association's (AMA) master file of physicians. Invitation letters describing the nature of the survey and

honorarium were mailed to physicians via postal mail (Appendix Figure 1). Those interested in participating were directed to a website where the web-based questionnaire was completed online. The survey took approximately 22 minutes to complete. Survey data were collected June 2-23, 2014, and 561 physicians completed the survey. Data are weighted to reflect the national distribution of physicians in the AMA master file by years in practice, gender, region, and medical specialty. The margin of error is +/- 3.89 percent at the .95 confidence level.

Appendix Figure 1. Survey sample composition

| | PCPs | Surgical specialists | Non-surgical specialists | Other* | TOTAL |
|--------------------------------------|-------|----------------------|--------------------------|--------|--------|
| Total completed surveys | 105 | 140 | 196 | 120 | 561 |
| Total invitation letters sent | | | | | |
| Letters mailed | 3,261 | 5,211 | 7,296 | 4,839 | 20,607 |
| Post office-returns [†] | 80 | 171 | 213 | 233 | 697 |
| Additional information | | | | | |
| Surveys completed over quotas | 0 | 45 | 44 | 0 | 89 |
| Incomplete surveys | 11 | 20 | 28 | 4 | 63 |
| Ineligible surveys | 5 | 6 | 35 | 25 | 71 |

[†] as of July 9, 2014

* Other physician type is comprised of Anatomic/Clinical Pathology, Occupational Medicine, Public Health and General Preventive Medicine, and Other (i.e., some other specialties not listed)

Endnotes

1. This report provides insight into physicians' current and expected levels of VBC engagement and identifies the resources, capabilities, and skills they need to feel more confident about their participation. Forthcoming publications on physician perspectives about health care reform and the future of the medical profession, and physician perspectives on HIT, will be available at www.deloitte.com/centerforhealthsolutions.
2. Use HIT to improve communication and care management and use electronic health records (EHR) for analytic and reporting capabilities.



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