

Value Based Contracting - Emerging Actuarial techniques

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Value based contracting – Emerging actuarial techniques for value-based contracting.

The concepts of quality and value in healthcare are two of the most important topics facing health systems today. This is invariably intertwined with reimbursement and the idea of paying more for quality and good outcomes. But the definition of what those outcomes are, what is good quality healthcare and who is responsible for them, are hotly contested themes with seemingly little common ground for market participants.

This paper considers new innovations in healthcare analytics via the integration of clinical and actuarial techniques to quantify quality and determine value in relation to healthcare funding.

Context and aims:

The cost of healthcare routinely outstrips other measures like CPI and even salary inflation. This has progressively increased the pressure on funding mechanisms. At the same time the level of detail, increase in quality of clinical coding, as well as actuarial techniques used to analyse healthcare data, have increased dramatically. These factors have brought the concept of value-based care to the forefront of the healthcare market.

In this paper I explore the new measurement, pricing and projection techniques that have been developed with the aim of quantifying the value of healthcare interventions over time and in different populations. These measures reflect the interdisciplinary collaboration of clinical and actuarial experts that led to the development of new and innovative measurement and reimbursement applications.

The paper considers the impact of the following in the context of value based contracting and reimbursement:

- Long term population projection models and risk stratification in the context of access to healthcare and funding models.
- Clinical groupers that link related claim episodes across multiple events and years to build a complete picture of the impact of health interventions and the related cost factors.
- Actuarial tools for extracting quality information from claims data and the related impact on reimbursement models.
- The rise in the ability to extract clinically relevant quality information from patient reported outcomes.

Results:

The new techniques are opening the doors to better understand the impact of quality and effective healthcare resourcing and funding at a macro level. The results indicate the cost effectiveness of long-term value contracting and how the tools above provide an unbiased platform for reimbursement and contracting.

The paper will be particularly relevant to the areas of sustainability and contracting.