Kaiser Permanente and Value-Based Care

Health care spending grew 4.1% in 2022, reaching $13,500 per person, and will continue to grow at 5% annually. It now makes up 17% of our nation's gross domestic product. Yet the U.S. ranks last in health care system quality among 10 high-income countries – with the lowest life expectancy, the lowest rankings on access and equitable care and outcomes, and the highest rates of avoidable deaths.

The reason is partially our country's heavy reliance on a fee-for-service model of medicine, where payers typically pay for every visit, test, and procedure, regardless of outcome. The current system rewards volume-based interventions, rather than investing in identifying and using the best clinical approach for each patient, promoting prevention, and addressing underlying determinants of health. As a result, the U.S. health system focuses almost exclusively on episodic care that fails to prevent or manage the fundamental drivers of poor health in the first place.

Kaiser Permanente's distinct brand of value-based care is defined as a health care delivery and financing model that improves health outcomes and increases access to affordable care in the community through evidence-based care, a commitment to equity, simplicity, and aligned incentives across the system.

Value-Based Care vs. Value-Based Payment

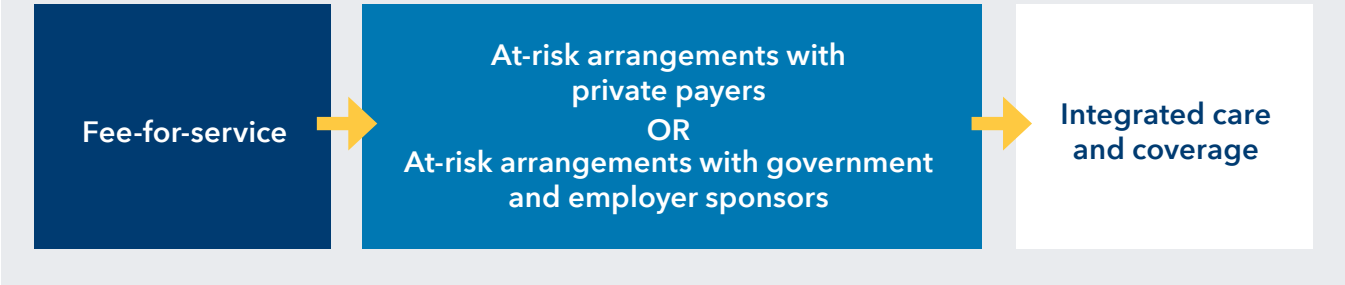
Value-based care has been part of our health care lexicon for more than a decade, with Michael Porter and Elizabeth Olmsted Teisberg introducing this phrase in 2006 in their book **Redefining Health Care**. At its most basic level, value-based care is about improving health outcomes at the individual and poulation health level while reducing costs.

Value-based payment or alternative payment models refers to payment models designed to support value-based care.

Paying for Better Outcomes: The Value-Based Care Approach

Value-based care focuses on improving health outcomes, instead of focusing on paying for each service rendered. This approach can successfully reduce costs and improve care experience and quality.

To make the shift to value-based care, many health care payers are developing, implementing, assessing, and/or expanding value-based payment models. These are also called Alternative Payment Models. These payment models reward providers if they achieve quality goals and, in some cases, cost savings. For example, a value-based payment model may focus on successfully managing a certain condition within a population while staying within a budget.



There is a wide range of payment models and programs in American's health care system. At one end are fully integrated care and coverage models like Kaiser Permanente, which combine health coverage and care delivery within a single system. On the other end are fee-for-service approaches that only pay for the volume of care provided.

In between there are a variety of at-risk arrangements with private payers, the government, and employers. "At risk" means that a provider's financial compensation is partially or fully tied to the quality and cost of care they deliver to their patients. This potentially results in a loss of revenue if they do not meet specific performance targets, essentially putting a portion of their payment "at risk," depending on patient outcomes. Sometimes providers don't fall neatly within one category or another.

Limited Progress Toward Value-Based Care

The Centers for Medicare and Medicaid Services (CMS) Innovation Center was created in 2010 to promote new health care payment and delivery models. These models were designed to improve the quality of care, lower costs, and promote patient-centered practices in the Medicare and Medicaid programs. The CMS Innovation Center has developed and implemented more than 50 value-based care models.

Innovations from CMS are often translated to the commercial market. Data shows commercial health plans continue to expand their value-based payment arrangements.

Yet despite these efforts, nearly 40 percent of payments in 2020 remained pure fee-for-service. The remaining payments were made in models linked to quality through shared savings models or through provider assumption of financial risk.

Value-Based Care at Kaiser Permanente

Kaiser Permanente has been a value-based care system from our inception. During World War II, The Henry J. Kaiser Permanente Foundation Hospital in Oakland was created to provide prepaid medical care for the company's shipyard workers. In 1945, the plan was opened to the public as prepaid, group practice medical care with a focus on diagnosis and treatment but also on prevention, health promotion, health maintenance, and population health. This continues 80 years later.

Financing Care

Unlike a traditional insurance company, we are a membership-based, prepaid, direct health care system. Kaiser Permanente provides value-based care though our integrated care and coverage model that combines health coverage and care delivery into one coordinated experience.

For most of our members, we receive a prepayment for each member and then are responsible for all aspects of their health care. This incentivizes a focus on helping our members improve their health and stay healthy – through prevention, health promotion, health maintenance, and effective management of acute and chronic conditions.

Coordinating and Organizing Care

Our members – whether they come to us through employer-sponsored or individual coverage, Medicare, or Medicaid – pay dues to access care and services that are coordinated across inpatient and outpatient settings, pharmacy, lab, imaging, and other ancillary services.

Kaiser Permanente's prepaid, group practice medical care enables multispecialty medical groups to deliver person-centered, high-quality care. Our self-governed medical groups hire and retain highly sought-after physicians and other medical personnel with a payment model that enables them to keep the best interests of the patient in mind, since they do not have to manage a business based on the volume of services provided.

Within our highly connected system, we capture and use data to enhance care delivery and support quality improvement. Our shared electronic health record system plays a key role. Care team members can readily access the best available evidence to inform decision-making, leading to more effective and efficient care for our patients and members, and better health outcomes.

Key Values Within Our Model

At Kaiser Permanente, our approach to value-based care is based on 4 core values.

1. **Evidence:** Care delivery should be based on current, best available medical evidence about which treatment options and delivery models work best, and information reflecting the full diversity of patients. Every patient should have the benefit of the best, most up-to-date knowledge that exists at the time. With evidence, health systems can identify challenges and improve care access and care delivery. Identifying and leveraging best practices requires infrastructure and processes for clinical leaders to analyze evidence, determine recommendations, and ensure that those personalized recommendations are readily accessible to physicians. It also requires understanding which delivery models and processes work best for a care team to deliver the best outcomes.

2. **Equitable Outcomes**: To realize equitable outcomes for all patients, we need to measure and stratify health outcomes across demographic categories. We know that not all of our members are starting from the same place in terms of their health, and therefore they require different approaches to achieve optimal health. Process measures, such as screening rates, are helpful guides, but we also must be accountable for the outcomes we deliver, and how those differ across race/ethnicity, socioeconomic indicators, geography, gender, and other key demographic measures. Well-designed measures and analyses help us enhance care delivery and deliver the best health outcomes for all our patients and members.

3. **Simplicity:** Health care should be streamlined and easy, for patients and providers. It should foster connection, make accessing care simple, reduce unnecessary complexity, and coordinate across the system to ensure the best possible outcomes for everyone. When we create a well-organized, non-duplicative system, we avoid needless frustration, wasted time, and unnecessary costs. The result is better outcomes for patients, better job satisfaction for providers, and cost savings for consumers and the U.S. health system overall.

4. **Aligned incentives: Our financial model is built to improve health outcomes rather than to maximize revenue.** Our model ensures that everyone within our system is incentivized to keep you healthy and restore you to health quickly. We invest in longer-term infrastructure and population health approaches that improve long-term outcomes, resulting in evidence-based, equitable care, and a more seamless patient experience that improves the health of our members and the communities we serve.

Kaiser Permanente's approach to value based care has been shown to deliver better outcomes for our 12.4 million members.

But while our traditional integrated care and coverage model cannot succeed everywhere, we can share our lessons learned, and we can learn from others, to support the expansion of value-based care. With more access to well-designed and well-implemented value-based care models, more communities can benefit from improved outcomes and more accessible and affordable care.

Expanding Our Impact

One way that Kaiser Permanente is spreading value-based care to more people is through Risant Health, a new non-profit organization created by Kaiser Foundation Hospitals with a vision to improve health by increasing access to value-based care.

Risant Health's vision is to improve the health of millions of people by bringing together like-minded organizations to increase access to value-based care and raise the bar for approaches that yield the best health outcomes.

Community-based health systems that become part of Risant Health operate in complex multi-payer, multi-provider environments, but share Kaiser Permanente's commitment to delivering value-based care.

Risant Health's current and future health systems will work together to advance and expand health-focused care to more patients, members, and communities through Risant Health's value-based platform.

The value-based platform is a powerful set of clinical knowledge, technology, and services designed to enable health systems to deliver superior health outcomes and a lower total cost of care, regardless of their operating and payment model.

Kaiser Permanente's 80 years of delivering value-based care shows what is possible. We hope that changes in the health care marketplace, if properly leveraged, could support movement toward a better, more equitable system that provides evidence-based, affordable, high-quality care for everyone.

References

Full citations for this document can be found at: kpihp.org/references-ics.