

Value-based Reimbursement for hospitals

Frequently asked questions



What is Value-based Reimbursement?

Blue Cross Blue Shield of Michigan's Value-based Reimbursement approach is a three-year reimbursement arrangement. The program transitions away from traditional fee-for-service care toward value-based payments by using two key components:

- **Infrastructure:** Hospitals receive short-term funding to implement population health management capabilities.
- **Population-based performance:** Hospitals are encouraged to improve coordination of care with physician partners.

Hospitals may still receive fee-for-service payments for most of their reimbursements with the remaining portion tied to providing cost-efficient care.

How are other payers across the health care industry encouraging providers to improve quality, affordability and access to care?

Medicare and other commercial payers across the country are also beginning to implement Value-based Reimbursements. Those reimbursements may include provider bonus payments, incentive pools capitation and prospective fee schedule increases.

Do hospitals assume any risk in Blue Cross' Value-based Reimbursements?

Currently, there is no downside risk for hospitals in our program; they receive rewards as their direct incentive.

How does the infrastructure funding component of Value-based Reimbursements work?

The infrastructure funding ties a portion of a hospital's reimbursements to implementing population management capabilities. Infrastructure funding typically spans the three-year period of the Value-based Reimbursement with payments made incrementally on a quarterly basis.

Why is Blue Cross giving hospitals funding to implement population health management capabilities?

Blue Cross wants to improve the quality and delivery of health care. Ultimately, hospitals will be reimbursed based on how well they:

- Implement our program's integrated capabilities
- Work with their physician partners to improve their performances on population-based cost and quality measures



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Can hospitals participate solely in the infrastructure funding component?

No. To receive infrastructure funding, they must participate in the population-based performance component of Value-based Reimbursement. Population-health management is a mandatory component of our program while the infrastructure funding is optional.

Can a hospital receive infrastructure funding if physician organizations are not involved?

No. Hospitals cannot receive infrastructure support unless their partnering Physician Group Incentive Program physician organizations commit to implementing these capabilities. To be successful in population-health management, all providers must participate in delivering fully coordinated care.

What performance-based components are included in Value-based Reimbursements?

Population-based performance is the performance-based element in our program's agreements. It has the potential for shared savings.

How does Blue Cross identify the physician organizations with whom a hospital is expected to collaborate?

The hospital infrastructure component requires hospitals to collaborate with all PGIP-participating physician organizations that meet the following criteria:

- Any PGIP physician organization whose attributed patient population represents at least 10 percent of the hospital's Blue Cross facility-based volume

OR

- Any PGIP physician organization within an Organized System of Care who collectively direct at least 20 percent of the OSC's total inpatient volume to the specific hospital.

How can I find out more information about this program?

If you have any questions regarding Value-based Reimbursement for hospitals, please contact us at valuecontracts@bcbsm.com.

