Momentum Toward Value-Based Payment in Hospitals Growing Significantly, New Surveys Find

Both Current and Anticipated Use of Value-Based Contracts in Hospitals Is Increasing, According to Results of Two Surveys by Kaufman Hall.

Skokie, IL, April 7, 2015—The momentum of healthcare’s progress toward a value-based business model is gaining speed, based on results of two recent surveys of hospitals by Kaufman, Hall & Associates, LLC, a leading provider of strategic, capital, and financial advisory services and software tools.

Responding hospitals reported that the use of value-based contracts increased significantly over a six-month period. The percentage of hospitals reporting that 10 percent or more of their revenue comes from value-based contracts almost doubled between August 2014 and February 2015, from 22 percent to 42 percent.

The two surveys found even more dramatic growth in expectations for future use of value-based payment. The percentage of responding hospitals anticipating that value-based contracts will constitute 50 percent or more of their revenue within the next 24 months tripled compared with six months previously, from 7 percent to 22 percent.

These findings come on the heels of two high-profile national commitments to escalate use of value-based payment. On Jan. 26, the Centers for Medicare & Medicaid Services announced its goal to move 50 percent of Medicare payment to a value-based model by 2018. Two days later, the Health Care Transformation Task Force, composed of influential payers and providers, committed to having 75 percent of its business in value-based arrangements by 2020.

Traditional fee-for-service payment rewards healthcare providers based on the volume of services they deliver. In contrast, value-based payment strives to shift that incentive by putting providers at financial risk or offering financial rewards for achieving cost or quality goals. This shift in incentives brings with it strategic challenges for traditional providers as they are required to re-orient their efforts toward helping patients to avoid the need for treatment in the most expensive settings.
“These findings suggest that more providers are viewing the movement toward value-based payment as inevitable,” commented Mark E. Grube, Managing Director, Kaufman Hall. “As the shift from volume to value gains momentum, hospitals and health systems need to move quickly to understand the likely trajectory in their markets, to identify their desired role, and to make the significant structural and operational changes needed to succeed in the changing business model.”

In another sign of healthcare’s shifting business model, 85 percent of respondents reported an increase in outpatient visits in the last six months of 2014, up from 72 percent in the first six months of 2014.

Visit [Kaufman Hall’s website](https://www.kaufmanhall.com) for strategies on making the transition to a value-based health system.

**About Kaufman Hall**
Since 1985, Kaufman Hall has been a leading advisor to hospitals and health systems, helping them incorporate proven methods into their strategic planning and financial management processes and consistently achieve their goals. Management consulting services and enterprise performance management software enable data-driven analysis and quantify the financial impact of plans, scenarios, and actions to improve organizational decision making. Kaufman Hall provides sophisticated, integrated, and intuitive software solutions for long-range planning, budgeting and forecasting, performance reporting, capital planning, cost accounting, decision support and analytics on a unified platform that can be delivered via the cloud or on premise.

**Media Contacts:**
Chanel Benoit  
Aria Marketing for Kaufman Hall  
617-332-9999 x209  
cbenoit@ariamarketing.com

Robert Fromberg  
Kaufman Hall  
847-441-8780, x361  
rfromberg@kaufmanhall.com