Financial Alignment – Linking Waste and Payment – Competencies

Upon mastering this module, you should be able to:

1. Frame the idea of "aligned financial incentives," in terms of (a) investment in clinical change, (b) savings realized from elimination of waste as quality improves, and (c) "return on investment" (ROI) arising from such projects.

2. Outline and explain the 3 main methods by which health care providers are reimbursed for their services. List 6 increasing levels of "provider at risk payment", as a provider of care carries higher and higher levels of the total associated financial risk.

3. Describe how the 3 payment methods interact with the 3 main levels of waste, as developed earlier in the course. Use that interaction to explicate alignment of financial incentives, based on type of waste versus payment method.

4. Estimate the proportion of a care delivery group's operations that must be in some sort of "provider at risk" payment method, before the financial gains associated with population health-related clinical management approaches (move upstream, mass customization) offset losses from care delivered under fee-for-service or per case payment. Describe critical factors that drive that analysis, creating different "tipping points" for different organizations. Typify the results of such analysis as a general class, relative to traditional expectations of where the tipping point would lie.

5. Explain how underpayment by clinical process (where actual monies received to not fully cover all care delivery costs) links to the idea of "at risk" care. Lay out the major elements that determine the level of "at risk" care that a care delivery organization carries, including care processes that are "underwater" (not generating enough revenue to at least cover all associated operating costs). Explain how such an analysis can identify early targets for clinical change, as part of a strategic, stepwise transition from fee-for-service into pay-for-value.

6. Explain how some payment mechanisms can force administrators into a conflict between money and mission, potentially damaging mission. Why is it critical that administrators carefully consider the ethics of these conflicts in advance, before they find themselves in midst of adjudicating such conflicts?