Value-Based Care vs. Fee-for-Service

Where does your healthcare organization stand?

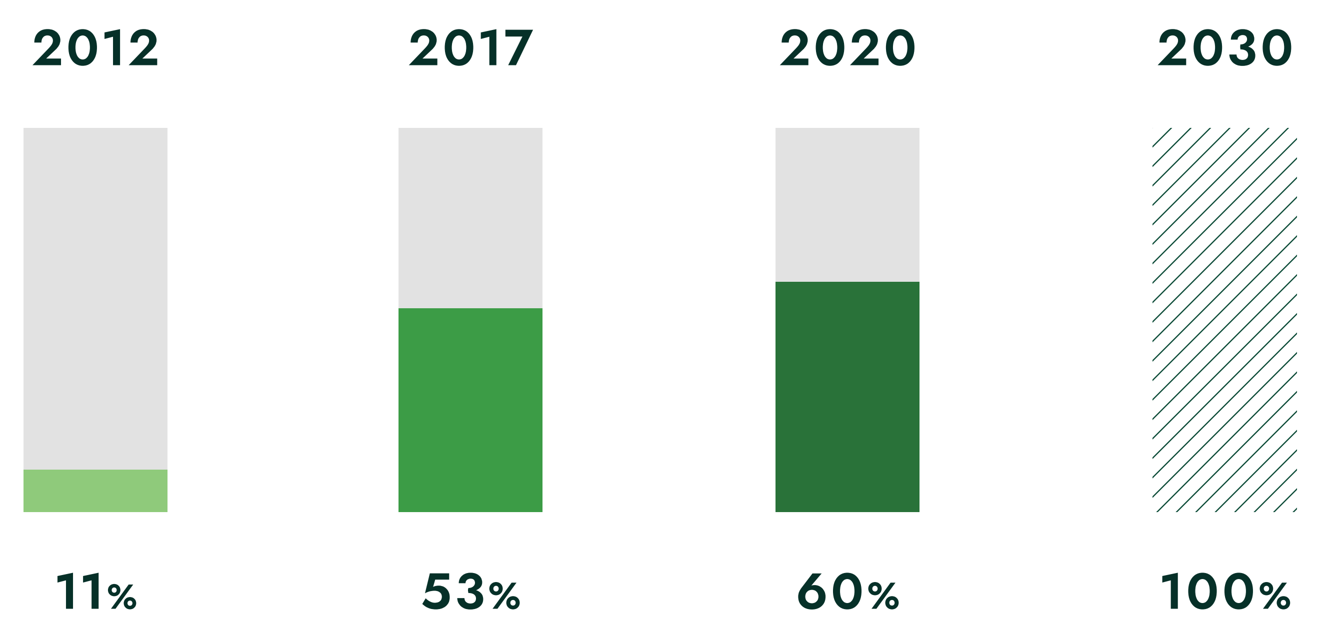
Value-based care is making steady progress, but the vast majority of revenue in healthcare is still fee-for-service.

Value-based care is growing...

The largest healthcare payer in the U.S., the Centers for Medicare and Medicaid Services (CMS), announced that it plans to transition fully to value-based reimbursement by **2030**.

Currently, less than **20%** of Medicare spending is value-based, but it's expected to approach **100%** by 2030.

Percentage of U.S. health care payments with some quality and value component:

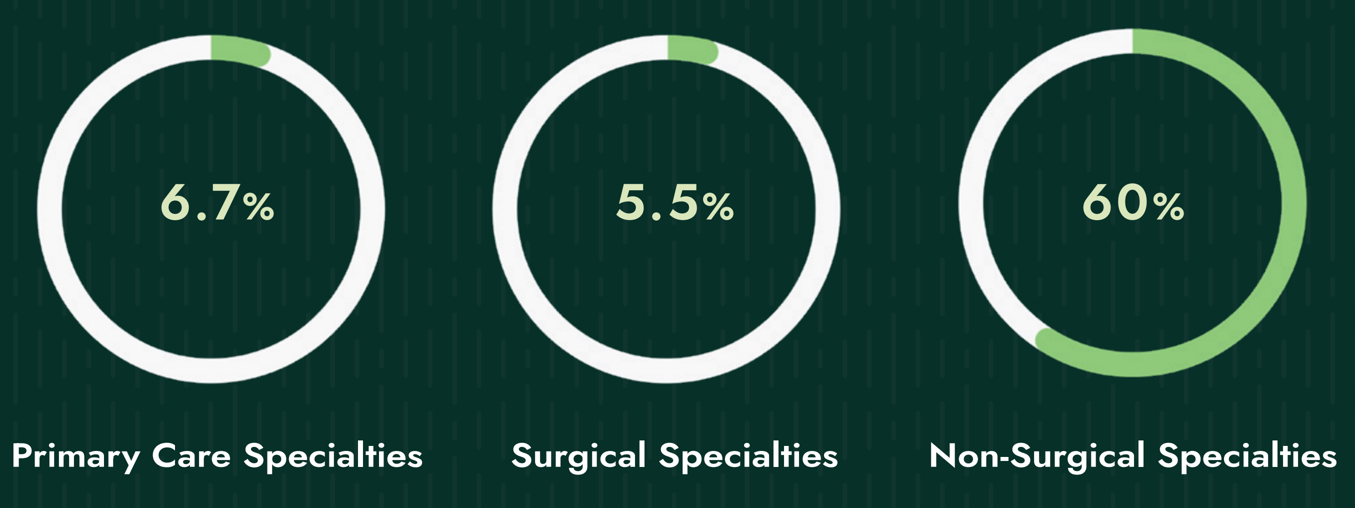


49% of medical practices currently participate in some form of value-based payment, and **18%** of practices are developing the capabilities to do so (2022).

... but fee-for-service is still the most common reimbursement model

97% of physicians relied on fee-for-service and/or salary for compensation, and only **36%** of physicians drew compensation from value-based payments (2020).

Total revenue from value-based contracts is still low (2021):



Over **60%** of healthcare payments using alternative payment models included some form of quality and value component, but most of these came from programs with a fee-for-service component (2020).

$30,922 Median revenue from value-based contracts per FTE provider (across all practices, 2021)

The vast majority of revenue is still from fee-for-service reimbursements.

> "Practices are still earning over **90%** of their medical **revenue** from **fee-for-service activities**."
>
> Michelle Mattingly
> Director of Data Solutions, MGMA

How the models compare...

	Fee-for-Service	Value-Based Care
Links reimbursement to:	**Quantity** of care	**Quality** of care
Providers are incentivized to:	• Manage many patients • Order tests and procedures	• Manage patients efficiently • Prioritize patient outcomes • Use quality measures (reduce readmissions, use health IT, emphasize preventative care)
Payments are made:	• Based on annual fee schedules or charges for each individual test or procedure	• Based on the quality of care provided – providers earn an overall sum for treating a patient with a given condition

Value-based payments are already improving some aspects of care

Using a value-based care model, a major insurer in North Carolina achieved these results over the previous year (2021):

$130M Saved

-5% Unplanned Hospital Readmissions

24K More Colorectal Screenings

More medical practices are tying quality performance metrics to physician compensation:

2016 26%

2021 42%

The shift to value-based care reflects the growing recognition of the importance of **social determinants of health** and the need for ways to better serve patient populations.

Are you prepared for the change?

Administrative burden is a major challenge in the transition to value-based care. Major shifts in processes and reporting require planning, resources, and new mental models.

Providers must invest in technology, staff, and education to provide the data required for quality metrics.

Invest now to reap the benefits of value-based reimbursement.

How strong is your revenue cycle management process?

How well do you keep your revenue cycle and coding processes optimized and up to date?

Our guide can help provide insights.

DOWNLOAD THE GUIDE

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