<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>2</td>
<td>DEFINITIONS</td>
</tr>
<tr>
<td>3</td>
<td>KEY FINDINGS</td>
</tr>
<tr>
<td>7</td>
<td>PROVIDER VIEWPOINTS</td>
</tr>
<tr>
<td>11</td>
<td>On information exchange and automation</td>
</tr>
<tr>
<td>14</td>
<td>BACKGROUND AND METHODOLOGY</td>
</tr>
</tbody>
</table>
In 2012, Availity conducted a research study to gain critical insight into how providers viewed value-based payment models. At that time, the Affordable Care Act (ACA) had recently passed, and providers were evaluating what they needed to do operationally to transition from fee-for-service to fee-for-value. Results were published in a 2013 report, Provider Readiness to Support Value-Based Payment Models, which documented provider attitudes about these models and their plans to transition to them.

One year later, in 2014, Availity further explored these and other questions in its follow-up report, Provider Outlook on Value-Based Payment Models.

Since those reports were published, value-based payment models have continued to be a focus of providers. In 2015, there were more than 400 Shared Savings Accountable Care Organizations (ACOs) serving nearly 7.2 million beneficiaries, or 14 percent of the Medicare population.1 Between 2009 and 2014, the number of initiatives and patients served by Patient-Centered Medical Homes (PCMHs) quadrupled and the number of states embracing PCMH transformation more than doubled.2 Other value-based payment models such as bundled payments, pay for performance (P4P), and quality incentive programs have also seen strong growth.

This growth is expected to continue into 2016, especially with recent government initiatives. Congress recently passed the Medicare Access and CHIP Reauthorization Act, which replaces Medicare’s sustainable growth-rate formula with a program that relies on quality measures to drive reimbursement rates. Additionally, the Centers for Medicare and Medicaid Services (CMS) has set aggressive goals for 30 percent of all Medicare payments to be based on alternate payment models by next year.3 CMS also finalized the Comprehensive Care for Joint Replacement (CJR) model, which will hold hospitals accountable for the quality of care they deliver to Medicare fee-for-service beneficiaries for hip and knee replacements, from surgery through recovery.4

In light of this growth, Availity once again sought to understand provider perspectives and assess progress to date. Had attitudes changed over the last two years? What insights had been gained? What are the expectations going forward? The results of those findings are presented here.

---


DEFINITIONS

For the purpose of this study, Availity uses the following definitions:

**AUTOMATION**
As it pertains to the exchange of information between providers and health plans, automation means the ability to send and receive information electronically using a computer and software or the Internet.

**REAL-TIME**
In terms of automated information exchange, real-time means the ability to send information immediately from one computer system to another. The submission takes mere seconds and the information is processed instantly by the receiving system.

**VALUE-BASED PAYMENT MODEL**
Payment arrangements that reward physicians, hospitals, medical groups, and other health care providers based on measures including quality, efficiency, and positive patient experience.

Examples referenced in this study include:

- Accountable Care Organization
- Patient-Centered Medical Home
- Payment for Coordination
- Pay for Performance
- Bundled Payment
KEY FINDINGS

Providers continue to prioritize the development of value-based payment models, and most consider themselves knowledgeable about them.

- 65% of physician practices and 77% of facilities consider payment reform to be a major priority for their organizations over the next 12-18 months.

- Payment reform was listed among the top five organizational priorities for both physician practices and facilities in 2013, but this year only hospitals ranked it in the top five.

- 95% of physician practices and 100% of facilities consider themselves at least "somewhat knowledgeable" about value-based payment models, up significantly from 60% in 2014.
Providers continue to prioritize the development of value-based payment models, and most consider themselves knowledgeable about them.

- 78% of physician practices are participating in value-based payment models, up just slightly from 75% in 2014.
- Participation in value-based payment models among facilities increased from 81% in 2014 to 91% today.
- Among physician practices, an average of two types of models are currently in use by physician practices, and respondents expect that to increase to five over the next three years. Among facilities, four types are in use and that’s expected to double by 2018.
- The current breakdown of models in use:
  - **Medicare quality incentive**: 49% of physician practices and 59% of facilities participate today.
  - **Pay for performance**: 44% of physician practices and 56% of facilities participate today.
  - **ACOs**: 39% of physician practices and 47% of facilities participate today.
  - **Bundled payments**: 32% of physician practices and 75% of facilities participate today.
  - **Patient-centered medical home**: 30% of physician practices and facilities participate today.
  - **Payment for coordination**: 9% of physician practices and 20% of facilities participate today.

78% of physician practices participate in value-based payment models

91% of facilities participate in value-based payment models
KEY FINDINGS

Providers have experienced significant revenue growth from value-based payment models, along with positive return on investments made to support these initiatives. They expect revenue growth to continue over the next three years.

• 46% of physician practices and 57% of facilities cite a positive return on investment from money spent in the last two to three years to support value-based payment models.
• Among physician practices, the average revenue from value-based payment models increased from 17% in 2014 to 22% today. During that same time period for facilities, the average revenue increased from 13% to 26%.
• By 2018, physician practices project 46% of their revenue will come from value-based payment models, and facilities expect it to rise to 56%.

Providers continue to strongly agree that real-time, automated information exchange is important to supporting value-based payment models.

• When asked about automated information exchange, more than 90% of physician practices and facilities agree that provider-to-health plan and provider-to-provider automated information exchange is important for a value-based payment system.
• 78% of physician practices and 92% of facilities agree that enabling real-time information exchange between plans and physicians will provide the highest value relative to program operations and objectives.
To support value-based payment models, providers have made investments in automated data exchange but recognize more is needed, including an increased focus on real-time.

- 71% of physician practices and 67% of facilities use a hybrid automated/manual process for information exchange.
- 35% of physician practices have implemented new automation over the past two years to support value-based payment models, and 56% have plans for further automation. Among facilities, 57% have implemented and 73% have additional plans to do so.
- Physician practices and facilities both estimate that 33% of their automation is currently real-time, and expect that to increase to more than half over the next 12-18 months.

**KEY FINDINGS**

- 56% of physician practices have plans for further automation over the next 12-18 months.
- 73% of facilities have plans for further automation over the next 12-18 months.
PROVIDER VIEWPOINTS
On Use and Impressions of Value-Based Payment Models

PRIORITIES AND LEVEL OF UNDERSTANDING
The development of value-based payment models continues to be important for providers, and most consider themselves knowledgeable about them. Today, a majority of physician practices and facilities cite payment reform as a “major priority” within their organizations, which is consistent with results from 2013 where providers ranked it 8.73 on a scale of 1-10. It should be noted, however, that larger physician practices (50 or more healthcare providers) are more likely than smaller ones to consider payment reform a major priority.

Figure 1.1
Prioritization of Payment Reform
Thinking ahead over the next 12 to 18 months, would you say that payment reform and/or the development of new payment models in your organization is a major priority, a minor priority, or not a priority?

<table>
<thead>
<tr>
<th>PHYSICIAN PRACTICES</th>
<th>FACILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>65% Major Priority</td>
<td>77% Major Priority</td>
</tr>
<tr>
<td>29% Minor Priority</td>
<td>21% Minor Priority</td>
</tr>
<tr>
<td>6% Not a Priority</td>
<td>2% Not a Priority</td>
</tr>
</tbody>
</table>

Figure 1.2
Organizational Priorities
Over the next 12-18 months, what are your practice/facility’s top five priorities?

2015

PRACTICE
1. Clinical Quality and Safety
2. Patient Experience
3. Cost Reduction/Process Improvement
4. Expansion/Growth
5. Regulatory Issues

FACILITY
1. Clinical Quality and Safety
2. Patient Experience
3. Cost Reduction/Process Improvement
4. Strategic Marketing Partnership
5. Integrating and Managing New Payment Models

Figure 1.3
Knowledge About Value-Based Payment Models
How knowledgeable are you about value-based payment models, in general?

<table>
<thead>
<tr>
<th>KNOWLEDGEABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Practices</td>
</tr>
<tr>
<td>Facilities</td>
</tr>
</tbody>
</table>

2014 2015

91% 94%
95% 100%
Current Participation and Future Plans

Provider participation in value-based payment models has risen since 2014. Medicare and Medicaid continue to represent a large percentage of the value-based business for both physician practices and facilities, but private plans have become less of a focus for the former. Both types of providers participate in several types of value-based payment models, with the Medicare Quality Incentive program and pay for performance among the more common.

Providers have also seen their average revenue from value-based payment programs rise slightly since 2014, and the expectation is that it will continue to rise over the next three years. Approximately half of providers have seen a positive return on investment from value-based payment models, perhaps a surprise to some given that less than 30% of providers surveyed in 2014 agreed they represented a good reward for the risk.

Figure 1.4
Participation in Value-Based Payment Models
Does your practice/facility currently participate in any value-based payment models or contracts?

<table>
<thead>
<tr>
<th>PARTICIPATION</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Practices</td>
<td>75%</td>
<td>81%</td>
</tr>
<tr>
<td>Facilities</td>
<td>91%</td>
<td>91%</td>
</tr>
</tbody>
</table>

Figure 1.5
Business From Value-Based Payment Models
Thinking only of that business which currently comes from value-based payment models, approximately what percentage comes from each of the following business lines?

<table>
<thead>
<tr>
<th>AVERAGE PERCENTAGE OF BUSINESS FROM VALUE-BASED PAYMENT MODELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare/Medicaid</td>
</tr>
<tr>
<td>Private Plans</td>
</tr>
</tbody>
</table>
**Figure 1.6**

Revenue From Value-Based Payment Models
Thinking of all of the patients your practice/facility will likely serve as a group regardless of their insurance type or level of coverage, approximately what percentage of your revenue is currently coming from any type of value-based payment model? Projecting ahead over the next 3 years, approximately what percentage of your practice/facility's revenue will likely come from any type of value-based payment model for each year?

![Graph showing revenue distribution over years.](image)

**Figure 1.7**

Return on Investment
Thinking of any investments your practice or facility has made in the past 2 to 3 years to support value-based payment models, what type of return on investment (ROI) do you believe has been accomplished?

**PHYSICIAN PRACTICES**
- 45% Positive ROI
- 34% No Impact
- 21% Negative ROI

**FACILITY**
- 56% Positive ROI
- 31% No Impact
- 13% Negative ROI

**Figure 1.8**

Types of Value-Based Payment Models
How many different types of value-based payment models does your practice/facility currently use? Approximately how many different types of value-based payment models do you expect to use in each of the next 3 years?

![Graph showing types of value-based payment models.](image)
**Provider Viewpoints**

On Use and Impressions of Value-Based Payment Models

**Figure 1.9a**

Types of Value-Based Payment Models Currently in Use
For each of the following types of value-based payment models below, please indicate your organization’s plans for implementation.

**Figure 1.9b**

Types of Value-Based Payment Models Currently in Use
Which of the following types of value-based payment models does your practice/facility have plans to begin participating in, or, expand your current participation in over the next 12 to 18 months?

**Challenges**

Physician practices and facilities both view implementation as a challenge that might limit the use or success of value-based payment models in the future. Other concerns include uncontrollable parameters, staff acceptance, and compensation. In general, these results are consistent with the 2014 survey.

**Figure 1.10**

Challenges That May Limit Future Use of Value-Based Payment Models
What do you feel are the biggest challenges or problems of value-based payment models that might limit their use or success in the future?
PROVIDER VIEWPOINTS
On Information Exchange and Automation

Attitudes and Priorities
Since 2013, providers have been consistent in their belief that automated information exchange, including real-time, is important for a value-based payment system. Providers also continue to use a mix of manual and automated processes, but expect strong growth in real-time over the next 12 to 18 months. About one third of physician practices and more than one half of facilities have invested in information exchange over the last two years.

Figure 2.1
Importance of Information Exchange Being Automated and in Real-Time
Based on your experience, or any impressions you may have, how important would you say each of the following characteristics or attributes is for a value-based payment system?

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Practice</th>
<th>Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated provider-to-health plan information exchange</td>
<td>90%</td>
<td>95%</td>
</tr>
<tr>
<td>Automated provider-to-provider information exchange</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td>Real-time information exchange</td>
<td>87%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Figure 2.2
Thinking About Your Practice/Facility How Much Do You Agree or Disagree With The Following Statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Practice</th>
<th>Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automating the information exchange/sharing between health plans and physicians is critical to cost-effective program operations</td>
<td>75%</td>
<td>91%</td>
</tr>
<tr>
<td>Enabling real-time information exchange between plans and physicians will provide the highest value relative to program operations and objectives</td>
<td>78%</td>
<td>92%</td>
</tr>
</tbody>
</table>

Figure 2.3
Manual Versus Automated Information Exchange Processes
Which of the following best describes the processes utilized in your organization to exchange information with health plans related to value-based payment models?

<table>
<thead>
<tr>
<th>HEALTH PLANS</th>
<th>Practice</th>
<th>Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully automated</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Fully manual</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Both</td>
<td>71%</td>
<td>82%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROVIDERS</th>
<th>Practice</th>
<th>Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully automated</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Fully manual</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Both</td>
<td>67%</td>
<td>77%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>6%</td>
<td>3%</td>
</tr>
</tbody>
</table>
PROVIDER VIEWPOINTS
On Information Exchange and Automation

Figure 2.4
Current and Expected Average of Real-Time Automation
What percentage of your automation is currently real-time? What percentage of your automation do you expect to be real-time 12 to 18 months from now?

Figure 2.5
Implemented New Information Exchange Automation Over Past Two Years
Have you implemented new information exchange automation to support value-based payment models over the last two years?

PRACTICE
- 58% Yes
- 36% No
- 6% Don’t know

FACILITY
- 58% Yes
- 36% No
- 6% Don’t know

Figure 2.6
Automation Method Implemented for Value-Based Payment Models in Past Two Years
What automation methods have you implemented in the last two years?
**PROVIDER VIEWPOINTS**

**On Information Exchange and Automation**

**Future Plans and Challenges**
Among the biggest challenges providers anticipate are implementation, data reporting, and data management.

**Figure 2.7**
**Challenges in Optimizing Financial Success When Using Value-Based Payment Models**
What do you feel are some of the biggest challenges or needs your organization has in information exchange, analytics, and/or reporting to help optimize the performance and financial success of value-based payment models?

![Bar chart](chart.png)

- **Increased Integration**: 35%
- **Making Systems More Convenient or Automated**: 25%
- **Technology Improvements**: 20%
- **Data Handling/Processing Improvements**: 19%
- **Process Implementation Improvements**: 13%
- **Improvements in Customer Care/Support**: 11%
- **Stages of Development**: 7%

**Legend**
- Practice
- Facility
BACKGROUND AND METHODOLOGY

The Provider Outlook on Value-Based Payment Models study, sponsored by Availity, was conducted to obtain current feedback on the challenges, experiences, and attitudes of providers related to payment reform initiatives. A web-based survey was conducted by Decision Analyst, a leading research and analytics consulting firm. Statistical significance testing was performed at the 95% confidence level.

A representative sample of practice and facility-based professionals completed the survey:

- N=203 practice-based professionals, including a mix of PCPs (n=76) and specialists (n=127) with:
  - N=89 at practices with 3-10 physicians
  - N=68 at practices with 11-49 physicians
  - N=46 at practices with 50+ physicians

- N=201 facility-based professionals, with a mix of hospital and system sizes:

  **Facility Bed Size**
  
<table>
<thead>
<tr>
<th>Bed Size</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>200–399</td>
<td>121</td>
</tr>
<tr>
<td>≥400</td>
<td>80</td>
</tr>
</tbody>
</table>

  **System Bed Size**
  
<table>
<thead>
<tr>
<th>Bed Size</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>200–999</td>
<td>45</td>
</tr>
<tr>
<td>1000–2999</td>
<td>99</td>
</tr>
</tbody>
</table>
ABOUT AVAILITY

As an industry-leading, HITRUST-certified health care information technology company, Availity serves an extensive network of health plans, providers, and technology partners nationwide through a suite of dynamic products built on a powerful, intelligent platform. Availity integrates and manages the clinical, administrative, and financial data needed to fuel real-time coordination between providers, health plans, and patients in a growing value-based care environment. Facilitating over 7 million transactions daily, Availity’s ability to provide accurate, timely, and relevant information is vital to the financial success of its clients.