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Value-Based Payment is the Future of Funded Health Care

By Mario J. Paredes

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A NEW APPROACH TO MEDICAID SPENDING is poised to transform health care for the poor across the US. The development has yet to make headlines, but the medical establishment is taking notice of federal and state medical authorities embracing Value-Based Payment (VBP) or Pay-for-Performance.

It is a radically different formula to set the compensation model for physicians serving the most vulnerable patients: doctors earn more for their services when the people they serve have better longer-term health outcomes. Simply put, doctors are rewarded for taking better care of their patients—and there are savings for taxpayers as people are kept out of emergency rooms and costly hospital beds.

VBP stands in sharp contrast with the traditional Medicaid compensation model, under which providers are paid per transaction—an office visit or a test, for example—medical services that rarely if ever add up to a holistic, preventative care package. Such superior care is precisely the promise of VBP-driven health care. The new formula considers all the patients' needs, not just medical but also behavioral and social, and care on all these fronts is carefully coordinated.

VBP-driven care also stands for a ready welcome of the patient, whereas traditional Medicaid confronts the patient with a forbidding labyrinthine system that is decidedly not user-friendly. While the traditional Medicaid compensation model is prone to waste and fraud, the efficacy and success of VBP-driven care are demonstrated by the careful and comprehensive maintenance of electronic medical records that substantiate evidence of patients' longer-term wellbeing.

The VBP formula puts primary care physicians (PCPs) in the driver's seat. It is these community-based doctors who are on the frontlines of providing care to the most vulnerable members of society; they are most often these patients' first point of contact with the health-care system. As such, signing on to the VBP compensation model, PCPs are in an ideal position to become a catalyst for better quality health care.

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That has been the experience of SOMOS Community Care, a network of community-based 2,500 physicians, most of them PCPs, that is providing superior care to one million of New York City's most vulnerable Hispanics, African Americans, and Asian Americans. SOMOS launched in 2014 as a so-called Performing Provider System mandated by New York State's Delivery System Reform Incentive Payment (DSRIP) program with VBP at its core. The organization developed what it labels Neighborhood-Based Primary Care, reinventing, reiterating, and restoring the role of the PCP as a trusted and pivotal leader in the community.

SOMOS doctors work closely with Community Health Workers (CHWs), who visit patients' homes, where they see first-hand what social conditions—such as poverty, substandard unhygienic housing, and unemployment—may aggravate medical conditions. Such non-medical factors are known as Social Determinants of Health, and taking these into account is a crucial dimension of VBP-driven care. This rounds out the intimate, comprehensive picture PCPs have of their patients' needs—and that knowledge is key to establishing a relationship of trust between patient and doctor. This personal dimension is a long way from the relatively impersonal nature of doctor-patient relationships characteristic of the traditional Medicaid system. For SOMOS doctors, the fact that many share the same cultural background as their patients further strengthens the patient-doctor bond.

SOMOS practices qualify as so-called Patient-Centered Medical Homes, a one-stop point of entry to a full spectrum of care, with the PCP aware of and coordinating all forms of care given to the patient. The doctor and his staff are responsible for maintaining, as noted, accurate and comprehensive electronic medical records—records that show SOMOS and subsequently the New York State Department of Health how well patients are doing. Data also serve to show how superior care translates into savings for taxpayers. SOMOS has managed to save more than \$330M in Medicaid funding by reducing emergency room visits and hospital admissions by more than 35 percent.

It is hard to argue with the VBP-driven health care's combination of quality care, increased income for doctors, and greater freedom for them in practicing medicine, plus savings in public spending. Yet, some significant players in the healthcare universe have been slow to adopt VBP models, among them hospitals and Health Maintenance Organizations. These prefer to strictly control physicians' fees and want to steer clear of signing contracts with their doctors. SOMOS doctors—remaining independent business owners—are required to sign contracts committing them to operate according to VBP provisions and foregoing fee-for-service compensation.



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Undoubtedly, Value-Based Payment is here to stay. Beyond Medicaid, the model is clearly applicable to Medicare as well. In addition, the notion of providing better care and thus reducing costs in the longer run—even as payments made to doctors would go up—would seem to make sense for commercial insurance as well. It would require, of course, a leap of faith and letting go of established profit models. In the end, all parties—patients, doctors, and be it private or public funders—can benefit.

Mario J. Paredes is CEO of SOMOS Community Care, a network of 2,500 independent physicians—most of them primary care providers—serving close to a million of New York City’s most vulnerable Medicaid patients.