Innovative Health Care Financing Strategies for Children and Youth With Special Health Care Needs

James M. Perrin, MD

There is increasing interest in maximizing value in health care purchasing by promoting delivery and payment strategies that are cost-effective and also achieve optimal health outcomes. Although these strategies are often called value-based purchasing (VBP), no 1 shared definition of VBP exists. Damberg et al[1] suggest that VBP includes a range of methods that link health care payment and incentives to provider performance. The Centers for Medicare and Medicaid Services has launched a Medicare hospital VBP program that rewards acute care hospitals with financial incentives for meeting specific performance outcomes.[2] Payment reform provisions in the Affordable Care Act promote VBP strategies to achieve the Triple Aim of lower cost, increased efficiency, and improved population health.[3] Value-based insurance design (VBID) is closely related to VBP. Chernew et al[4] identified 2 basic approaches to VBID: reduced copayments for clinically valuable services in general; and reduced copayments for specific groups of patients who receive selected high-value services for specific diagnoses. Within this broad landscape of purchasing and insurance design strategies, other innovative financing approaches can promote the Triple Aim including bundled payments, accountable care organizations, and integrated care systems that link primary care and behavioral health services, among others.

The impact of these strategies, especially on children and youth with special health care needs (CYSHCN), is currently unclear and, without careful planning, could present additional risk to an already vulnerable population of children. The issues involved in developing VBP for CYSCHN are critically important for this group of children who, by definition, use more health care services than other children and inevitably incur higher costs.[5] Yet, organizing the incentives and payment structures appropriately could reward better care and outcomes also for CYSHCN. Working with the American Academy of Pediatrics, the Catalyst Center at Boston University School of Public Health convened Learning Communities to explore these issues from multiple perspectives including those of scholars, practitioners, family members, and policymakers. This supplemental issue of *Pediatrics* includes a set of articles emerging from the Learning Communities, which explore various dimensions of VBP, VBID, and other innovative financing strategies, and their impact on CYSHCN. For a listing of the Learning Communities participants, please see Appendix.

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The Supplement begins with an overview of VBP and related health care purchasing strategies in the context of health reform and the cost of care, with a focus on the implications for CYSHCN and their families. Family members of CYSHCN then provide a critical analysis of value-related issues from their unique perspective, including quality, financing and payment, and family-centered care. Johnson addresses the concept of value from the perspective of payers and patients, and identifies qualities necessary for pediatric providers and health systems to deliver value in this new environment. A novel model of pediatric care that provides guidance for the future is presented: a full risk physician-hospital organization developed by a children's hospital in Central and Southeastern Ohio. Early data reveal improved outcomes for costs of care in a Medicaid population while also achieving better Healthcare Effectiveness Data and Information Set scores on critical quality measures. An often used VBID design feature relates to pharmacy formularies. Helm explores the implications of applying pharmacy formulary VBID to CYSHCN; VBID more generally focuses on adult chronic conditions and inexpensive first-line medications where evidence reveals that adherence to medications could provide overall cost reductions and/or improvement in patient outcomes. Next, mental health services utilization and costs among children enrolled in employer-sponsored health plans are examined to estimate the rates of identified mental illness and describe related trends. Finally, Ellis and colleagues use 2 national data sets to analyze trends in cost sharing for all children and for CYSHCN across different types of health plans. Results suggest that private health plans impose significant risk of underinsurance on many families with less than $50 000 in household income, particularly among households with CYSHCN. Moreover, high deductible and consumer-driven plans appear less successful at reducing spending among privately insured children than plans that use network restrictions.

Taken together, the articles in this Supplement indicate the considerable work to be done to make VBP strategies effective for the care of CYSHCN. Developed well and with the characteristics and needs of CYSHCN in mind, VBP may improve the system of care through strategies for care coordination and payment for high-value services among others. Issues to address include the low prevalence of many specific health conditions, the need for a life course perspective recognizing that investments in children's health pay off over a long period of time, the risk of family financial hardship, and the recognition of inequities that span race, class, ethnicity, and other social determinants of health. VBP and related new financing models for CYSHCN must include pediatricians, families, policymakers, and others in their design and administration to develop strategies that address the issues outlined in the Supplement articles.

KEY TERMS

Accountable Care Organization

A group of physicians and other health care providers (often including hospitals) that voluntarily unites to accept risk and accountability for measuring and managing the overall quality of care and the total cost to payers of most or even all of the health care services rendered to a defined group of patients (ie, a population) over a set time period. The accountable care organization model is intended to promote care integration and provides financial incentives (shared savings) for improved outcomes including quality.

Bundled Payments

Health care providers (hospitals, physicians, other professional health care providers) share 1 payment for a specified range of services as opposed to paying each provider individually. In a bundled payment methodology, a single payment covers services delivered by 2 or more providers during a single episode of care or over a specific period of time. The intent of bundled payment is to foster collaboration among the multiple providers to coordinate services and control costs, thereby reducing unnecessary utilization. Bundled payments represent a shared risk between the payer and provider(s) and are considered to be the middle ground between fee-for-service (in which the payer assumes the risk) and capitation (in which the provider assumes the risk).

Capitation

Payment based on the number of patients attributed to the provider(s), potentially adjusted for risk. Capitation payments may be global (a fixed per capita payment covers all health care services over a set time period) or partial (a fixed per capita payment for a subset of services). Certain services may be "carved out"; that is, paid to other specific providers (eg, mental and behavioral health providers) using fee-for-service or other types of payment models.

Clinically Integrated Network

A health care system (both inpatient and outpatient clinicians) working together, using evidence-based protocols and measures, to improve patient care, decrease cost, and demonstrate value to the market.

Consumer-Driven Health Plan

Refers to health insurance plans that allow members to use health savings accounts, health reimbursement accounts, or similar medical payment products to pay routine health care expenses directly. A high-deductible health plan minimizes annual premium payments by maximizing deductible, copay, and coinsurance responsibilities yet protects the beneficiary from catastrophic medical expense. This system of health care is referred to as "consumer-driven health care" because the consumer (beneficiary) has fiscal incentives that may influence which health care services they access.

Health Care Inequity

Differences in health status or in the distribution of health determinants between different population groups.

High-Deductible Health Plan

A deductible is the amount for which the patient is financially responsible before an insurance policy provides coverage. A high-deductible health plan is a health insurance plan with lower premiums and higher deductibles than a traditional health plan.

Narrow Network or Limited Network

Limits are placed on the number of providers under contract with the managed care plan in exchange for lower premiums.

Out of Pocket

The total amount of the patient's financial responsibility (may include deductible, copayment, and coinsurance).

Pay for Performance

Payment models that offer financial incentives for provider performance measured against a standard set of metrics, including quality outcomes. A payment model in which providers receive a base payment (using a negotiated fee-for-service or capitation methodology) that may be adjusted upward (a reward) or downward (a penalty) on the basis of provider performance with respect to 1 or more agreed benchmarks.

Triple Aim

The Institute for Healthcare Improvement defines the Triple Aim as including the following dimensions, all of which must be pursued concurrently to maximize their impact:

- Improving the patient experience of care (including quality and satisfaction);
- Improving the health of populations; and
- Reducing the per capita cost of health care.

Value-Based Insurance Design

Value-based insurance design bases an individual's out-of-pocket costs according to the value of a medical service or product for a specific patient population.

Value-Based Payment

A system where payment for some or all services will be variably adjusted upward or downward from a standard payment, on the basis of performance by using predetermined metrics intended to define quality of care and/or health care outcomes.

Value-Based Purchasing

Includes a range of methods that link health care payment and incentives to provider performance by providing payments on the basis of quality of care, improved clinical outcomes, and patient experience.

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ABBREVIATIONS

CYSHCN: children and youth with special health care needs
VBID: value-based insurance design
VBP: value-based purchasing

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