The Impact of the Fee-For-Service Payment Method on Patient Care

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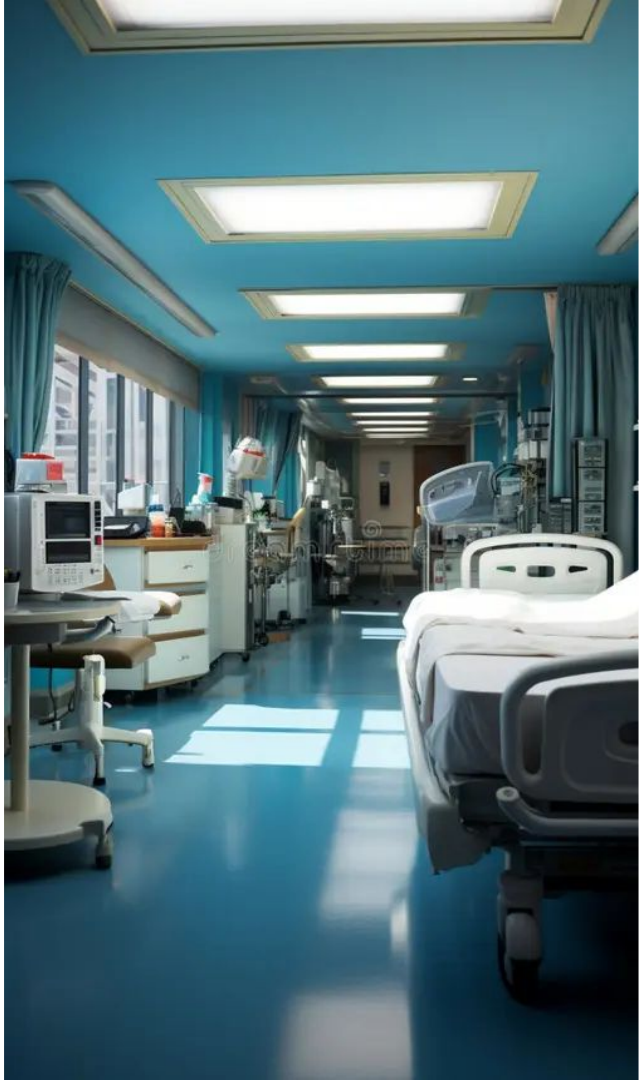


Presentation Overview

Problem Statement

What is Fee-For-Service Payment?

Quality Evaluation

Access Evaluation

Cost Evaluation

Interventions

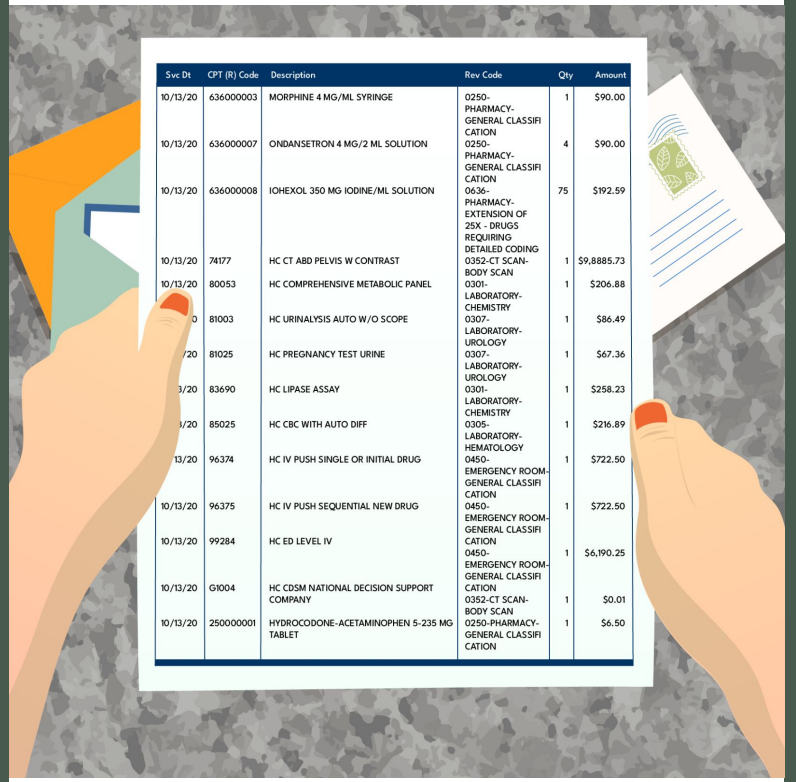
Summary

– Problem Statement –

Unlike alternative payment models, FFS systems focus on quantity of health services rather than quality of care.[1] Because of this, the FFS model has been associated with unnecessary overuse of medical services and rising healthcare costs without improving patient outcomes.[1] Assessing the effects of FFS on healthcare costs, access, and quality is crucial for identifying potential modifications that could improve the overall effectiveness of the United States healthcare system.

What is Fee-For-Service (FFS) Payment?

- #1 in the United States [1]
- Physicians are reimbursed for every service they perform [1]
  - low-risk [1]
- Services billed separately using predetermined fees [2]
  - Complexity and location of the service [2]
- Very straightforward, only utilizes the volume and frequency of services given [2]



Svc Dt	CPT (R) Code	Description	Rev Code	Qty	Amount
10/13/20	636000003	MORPHINE 4 MG/ML SYRINGE	0250-PHARMACY-GENERAL CLASSIFICATION	1	$90.00
10/13/20	636000007	ONDANSETRON 4 MG/2 ML SOLUTION	0250-PHARMACY-GENERAL CLASSIFICATION	4	$90.00
10/13/20	636000008	IOHEXOL 350 MG IODINE/ML SOLUTION	0636-PHARMACY-EXTENSION OF 25X - DRUGS REQUIRING DETAILED CODING	75	$192.59
10/13/20	74177	HC CT ABD PELVIS W CONTRAST	0352-CT SCAN-BODY SCAN	1	$9,8885.73
10/13/20	80053	HC COMPREHENSIVE METABOLIC PANEL	0301-LABORATORY-CHEMISTRY	1	$206.88
0	81003	HC URINALYSIS AUTO W/O SCOPE	0307-LABORATORY-UROLOGY	1	$86.49
/20	81025	HC PREGNANCY TEST URINE	0307-LABORATORY-UROLOGY	1	$67.36
3/20	83690	HC LIPASE ASSAY	0301-LABORATORY-CHEMISTRY	1	$258.23
3/20	85025	HC CBC WITH AUTO DIFF	0305-LABORATORY-HEMATOLOGY	1	$216.89
13/20	96374	HC IV PUSH SINGLE OR INITIAL DRUG	0450-EMERGENCY ROOM-GENERAL CLASSIFICATION	1	$722.50
10/13/20	96375	HC IV PUSH SEQUENTIAL NEW DRUG	0450-EMERGENCY ROOM-GENERAL CLASSIFICATION	1	$722.50
10/13/20	99284	HC ED LEVEL IV	0450-EMERGENCY ROOM-GENERAL CLASSIFICATION	1	$6,190.25
10/13/20	G1004	HC CDSM NATIONAL DECISION SUPPORT COMPANY	0352-CT SCAN-BODY SCAN	1	$0.01
10/13/20	250000001	HYDROCODONE-ACETAMINOPHEN 5-235 MG TABLET	0250-PHARMACY-GENERAL CLASSIFICATION	1	$6.50

Why is this payment model scrutinized?

- May incentivize overutilization of services [3]

- Some criticize because FFS doesn't account for quality of care/patient outcomes [3]
  - Volume and payment above patient's well-being [3]

- Alternative payment models growing in popularity [2]
  - Quality care/outcomes [2]
  - Enhanced provider coordination [2]
  - Efficiency [2]

Quality

Cost

Access

How Does FFS Impact Quality?

- Objectively, FFS focuses on volume of health services over quality of care [4]

Quality Studies: FFS vs. Alternative Payment Methods

- Medicaid has begun the transition from FFS to Medicare Managed Care [5]
  - Pre-paid monthly fees for care [5]
- New York City Office of Vital statistics examined the difference in hospitalization one year after the birth of premature infants for Medicare FFS vs MMC [5]
  - MMC .16% higher probability points [5]

- Researchers contrasted payment methods for dialysis patients [6]
  - FFS vs. bundled/prospective [6]
  - Bundled uses advance lump sum payments [6]
  - FFS → overtreatment, delayed CKD progression [6]
  - Bundled → avoiding expensive techniques, increased CKD progression [6]

Quality contd.

- Harvard professor Dr. Landon led a study to compare satisfaction among FFS patients and MMC patients [7]
  - FFS more content with quality [7]
  - Scale of 1-10, FFS was 8.91, MMC was 8.86 [7]
  - P-value < .001 [7]
- When oncologists are paid with bundled payments, patients suffer worse outcomes than FFS patients [8]
  - Bundled → total costs not covered, undertreatment [8]
  - FFS → inconsistent cancer treatment, higher treatment intensity, better outcomes [8]
- Health maintenance organizations (HMO's) vs. FFS [9]
  - Prepaid costs [9]
- Women in HMOs 2.3% more likely to be diagnosed with breast cancer at earlier stage [9]

– My Evaluation –

- Difficult to assess quality for different payment systems
  - Complexity of medical conditions
  - Provider personalities

- From my research, I believe that in most situations, FFS systems increase quality and improve patient outcomes for curative care
  - FFS doesn't directly incentivize quality
  - Increased reimbursement → expensive methods, aggressive treatment [6,8]
- Alternate payment methods appear to reduce quality for curative care
  - Lowering costs can compromise quality of care
    - Undertreatment, cheaper services [6,8]

- For preventive care, I think that FFS lowers quality
  - Breast cancer later diagnoses [9]
  - The FFS system offers no incentive for high-value, low-cost services [10]
    - Health literacy and preventative care [10]

Quality

Cost

Access

How Does FFS Impact Access?

- FFS vs. capitation [7]
  - Ranked ability to get needed health services, 1-4 scale [7]
  - FFS was 2.84 [7]
  - Capitation was 2.82 [7]
- Four studies comparing FFS to salaried providers, capitation providers, and payment combination providers [11]
  - 640 providers and 6400 patients [11]
  - FFS systems resulted in 20-30% more visits with primary care providers and specialists [11]
- FFS models have a 10-20% increase in service utilization compared to value-based payment systems [12]
  - rates of treatments, tests, and visits [12]

– My Evaluation –

- Easier for FFS patients to get their foot in the door
  - More visits, more services, less wait times
- FFS increases access to healthcare services
- When providers know they will be reimbursed for every service, incentive to see more patients
  - Money is a motivator, helps patients get needed care
- Prospective payment models and capitation monthly fees, less incentive
  - Know they won't be paid extra for additional services or visits

Quality

Cost

Access

How Does FFS Impact Cost?

- In FFS, reimbursement is based on volume [12]
  - Creates an incentive for providers to increase services [12]
    - Providers make more, costs increase for patients and insurers [12]

- FFS bills each item individually [13]
  - No lump sums, prepaid amounts, or monthly set fees [13]
  - Prices set through Medicare, not supply and demand [13]
  - Individual billing at high prices, healthcare costs skyrocket [13]

Cost contd.

- Creates incentive to select more expensive treatment options [14]
  - No added benefit to justify price, equally effective alternatives [14]
  - Colonoscopies are the norm [14]
  - Mohs surgery increased by 400% in recent years [14]
  - Lucentis has increased Medicare spending by 400%, contributes to 600 billion [14]
- Generally, more expensive services, higher reimbursement [14]
- Annually, Medicare spends 17% more on FFS plans than other plans [15]
- FFS does not incentivize preventive care [10]
  - Preventive care much cheaper than curative care [10]

– My Evaluation –

- FFS directly increases healthcare costs
  - Contributes to our insanely expensive health system
- Individually billed services add up quickly
  - Expensive process
- No motivation for providers to cut costs
  - Higher prices, higher reimbursement
  - More services, more money
- Medicare keeps prices set [13]
  - Market competition and price transparency would naturally lower prices and cost

Fee-for-Service Impact:

Increases curative quality

Decreases preventive quality

Increases Access

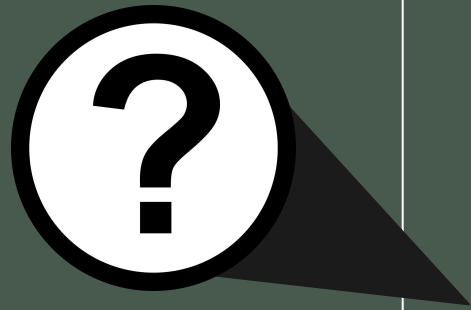
Increases Cost

– Interventions –

- Improvements needed, not a different payment model
  - Value-based payment models can decrease quality and access [11]
    - May be unfavorable for providers

- FFS model needs to:
  - Incorporate lower prices
  - Incentivize quality
  - Maintain access

How Do We Do This?



- Medicare needs to restructure their services list
  - Lower prices to decrease costs
  - Health system= price x quantity [13]
    - Lowering prices lowers total spending [13]

- Performance-based financial incentives to offset lower reimbursement rates
  - Motivate providers to:
    - See patients, increasing access
    - Reach certain quality standards
    - Work for preventive care and positive outcomes
    - Avoid unnecessary costs

- Income incentives effective because providers are “income-motivated” [16]
  - Financial incentives effective for reaching goals [16]
  - Providers in Taiwan received financial incentives for quality benchmarks [17]
    - Breast cancer five-year survival rate increased in patients [17]

Summary

- The FFS model bills based on volume of services [1]
- Not perfect...
  - Linked to overutilization, high costs, poor quality [3]
    - Money-hungry providers [12]

- In reality, research shows FFS:
  - Increases quality for curative care
  - Decreases quality for preventive care
  - Increases patient access
  - Increases cost in the U.S. health system

- Possible solution?
  - FFS coupled with lower prices and financial incentives for providers to avoid unnecessary costs and services, promote quality for curative and preventive care, and increase patient access
  - Prioritizes patients' entire well-being

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